

Income Statement

(unit: million yen)

Item	FY 2011	FY 2012
Ordinary income	1,203,121	1,049,010
Income from asset management	967,274	871,846
Interest on purchased loans	153,419	170,611
Interest on GHLC originated loans	794,717	684,056
Charges on claims for indemnity, etc.	211	170
Interest on transferred claims (pension)	4,620	3,995
Interest and dividends on securities	13,732	12,632
Interest on receivables under repurchase agreement	189	189
Interest on deposits	385	192
Income from underwriting insurance	104,752	102,425
Net insurance premium revenue	6,652	2,520
Reimbursement of unused reserve for outstanding claims	453	—
Reimbursement of unused policy reserve	—	5,698
Fee from group credit life insurance riders	89,581	82,781
Revenue from group credit life insurance	3,832	3,723
Dividends on group credit life insurance	4,234	7,702
Income from service transactions	1,149	930
Guarantee fee	402	271
Other income from service	747	660
Income from government subsidies	79,000	—
Other subsidies	44,384	64,996
Subsidies for emergency measures to facilitate housing finance	42,883	56,616
Subsidies for securitization support business	512	5,446
Subsidies for emergency measures including loans for recovery from disasters	988	2,933
Income from other operating activities	—	97
Contract termination fees	—	97
Other ordinary income	6,562	8,716
Reversal of reserve for possible loan losses	—	416
Reversal of reserve for refund of guarantee fees	2,843	3,627
Reversal of reserve for mortgage transfer registration	3,126	32
Income from written-off claims recovered	—	3,359
Other ordinary income	592	1,281
Ordinary expenses	1,082,275	847,851
Fund raising expenses	891,565	671,889
Interest on borrowings	671,348	446,150
Interest on bonds	219,685	225,339
Other interest paid	531	400
Insurance underwriting expenses	115,195	108,451
Net insurance paid	6,579	4,514
Provision for reserve for outstanding claims	—	751
Provision for policy reserve	256	—
Group credit insurance premium paid	104,384	99,335
Payment of group credit life insurance claims	3,976	3,852
Service transaction expenses	25,344	25,347
Service expenses	25,344	25,347
Other operating expenses	12,904	16,758
Amortization of bond issuing expenses	8,772	7,773
Financial derivatives expenses	4,133	8,985
Business expenses	25,268	24,267
Other ordinary expenses	12,000	1,140
Provision for reserve for possible loan losses	11,986	—
Other ordinary expenses	14	1,140
Ordinary income	120,846	201,158
Extraordinary profit	1,718	118
Gain on bad debt recovered	1,667	—
Other extraordinary income	50	118
Reimbursement from insolvent customers based on restructuring plan	50	118
Extraordinary losses	95	4
Loss on disposal of tangible fixed assets	69	—
Impairment loss	26	4
Net income	122,469	201,272
Transfer from reserve for special purpose	9,856	—
Transfer from reserve of previous mid-term target	—	7,957
Gross income	132,324	209,229

Cash Flows Statement

(unit: million yen)

Item	FY 2011	FY 2012
I Cash flow from operating activities		
Outlays on the purchase of loans	△ 2,881,999	△ 2,274,938
Loan disbursement	△ 282,639	△ 240,570
Outlays on personnel expenses	△ 9,688	△ 9,329
Outlays on insurance	△ 6,579	△ 4,514
Outlays on group credit life insurance premium	△ 104,670	△ 99,769
Outlays on payment on group credit life insurance claims	△ 4,001	△ 3,894
Other operating outlays	△ 55,930	△ 56,510
Income from collection of purchased loans	603,548	797,735
Income from collection of loans	4,069,307	3,451,615
Income from interest on purchased loans	151,697	169,930
Income from interest on loans	804,709	693,358
Loan origination fees and other revenue	197	154
Income from insurance premiums	6,808	3,268
Income from riders on group credit life insurance	86,610	79,594
Income from group credit life insurance	3,175	3,713
Dividends received from group credit life insurance	3,291	4,234
Income from other operations	35,949	31,959
Income from government subsidies	79,000	—
Income from government grants	8,325	—
Income from government payment	223,600	59,452
Outlays on the repayment of treasury subsidies	△ 1,077	△ 489
Income from treasury subsidies	2,729,634	2,605,001
Subtotal Interest and dividends received	68,992	67,240
Interest paid	△ 1,013,208	△ 760,203
Payment to the national treasury	—	△ 30,866
Cash flow from operating activities	1,785,418	1,881,171
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 1,506	△ 48,500
Income from redemption of securities (bonds)	61,360	29,960
Income from sale of securities (bonds)	50,575	31,153
Net change in securities (certificates of deposit) (△ indicates negative)	125,000	△ 516,000
Outlays on acquisition of tangible fixed assets	△ 70	△ 69
Income from disposal of tangible fixed assets	32	—
Net change in receivables under repurchase agreement (△ indicates negative)	192,945	21,999
Expenditure from increase of monetary trusts (△ indicates negative)	△ 260,700	△ 57,842
Income from decrease of monetary trusts	80,707	63,563
Other expenditure	—	△ 0
Other income	7	0
Cash flow from investing activities	248,351	△ 475,737
III Cash flow from financing activities		
Net change in short-term borrowings from private institutions	122,200	110,200
Income from long-term borrowings from private institutions	△ 143,600	△ 122,200
Income from issuance of bonds (after deducting issuance expense)	2,908,774	2,470,202
Outlays on redemption of bonds	△ 1,627,465	△ 1,700,724
Income from FILP borrowings	16,800	70,200
Outlays on repayment of FILP borrowings	△ 3,914,712	△ 2,328,126
Outlays on the payment of lease obligation	△ 1,126	△ 301
Income from government injection monies	10,908	50,403
Outlays for payment to national treasury concerning unnecessary estates	△ 54,346	△ 37,481
Cash flows from financing activities	△ 2,682,567	△ 1,487,827
IV Decrease in cash	△ 648,798	△ 82,392
V Opening balance of cash	1,315,200	666,401
VI Closing balance of cash	666,401	584,009

Overview of JHF

Activities of JHF

Corporate Governance

Details of JHF Business

Financial Data

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2011	FY 2012
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	891,565	671,889
Insurance underwriting expenses	115,195	108,451
Service transaction expenses	25,344	25,347
Other operation expenses	12,904	16,758
Business expenses	25,268	24,267
Other ordinary expenses	12,000	1,140
Loss on disposal of tangible fixed assets	69	—
Impairment loss	26	4
Subtotal	1,082,370	847,855
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 967,274	△ 871,846
Income from insurance underwriting	△ 104,752	△ 102,425
Income from service transactions, etc.	△ 1,149	△ 930
Income from other operating activities	—	△ 97
Other ordinary income	△ 6,562	△ 8,716
Gain on bad debt recovered	△ 1,667	—
Reimbursement from insolvent customers based on restructuring plan	△ 50	△ 118
Subtotal	△ 1,081,455	△ 984,132
Total operating expenses	915	△ 136,276
II Impairment loss not recorded in income statement	66	12
III Other than difference on sales not recorded in income statement	△ 2,476	△ 1,299
IV Expected increase in retirement benefits not recorded in allowances	7	6
V Opportunity costs		
Opportunity costs related to items such as central and local government injection monies	6,946	3,867
VI Administrative cost	5,458	△ 133,689

Significant Accounting Policies (overall agency)

- Depreciation**
A straight line method is applied. The useful lives of major assets are given below:
Building - 2 - 50 years
Other tangible fixed assets - 2 - 43 years
- Criteria for Recording Reserves**
(1) Reserves for possible loans losses
Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on purchased loans and loans on the following bases.
a. For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.
b. For "borrowers with high probability of default," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.
c. For "borrowers requiring caution" and "other borrowers requiring caution" concerning loans that cash flow in collection of principal of loans and interests received can be rationally estimated, the difference between the discounted amount of the cash flow by agreed interest rate and book value is recorded.
d. For loans other than listed above, an amount is recorded based on the historic possible loss rate during a particular period.
In addition to the conventional estimation of securitization support account based on the historic estimated loss rate during a particular period, the estimated loss rate is calculated by taking into consideration recent increase in newly purchased loans and changes in future portfolio. Therefore, provision for reserve for possible loan losses has increased by ¥18,719,966,989 and ordinary, net and gross incomes have decreased by the same amount, compared to the conventional method.
- Allowance for Bonuses**
In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.
- Allowance for Retirement Benefits**
In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year. Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.
Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.
- Allowance for Refund of Guarantee Fees**
Parties who receive loans that are part of the account for loans for building accumulation saving scheme-type houses and the outstanding loan management special account and loans related to transferred claims (from pension) described in Notes 1 (2) and that are part of the housing loan account paid a guarantee free when entrusting a guarantee to the Housing Loan Guarantee Corporation on their loans as stipulated by Paragraph 1, Article 6, of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as JHF Law). In order to cover the necessary expenses for refunds of prepaid fees, the expected amount of refunds is recorded.
- Reserve for Mortgage Transfer Registration**
The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to JHF regarding The Government Housing Loan Cooperation ("GHLC") originated loans and purchased loans inherited from GHLC as stipulated by Paragraph 1, Article 3, of the Supplementary Provisions of JHF Law and transferred claims (from pension) described in Notes 1 (2).
- Criteria for Recording Mandatory Policy Reserves**
In order to pay for future liabilities related to insurance relations stipulated by Article 3 of the Home Mortgage Insurance Law (Law No. 63 of 1955), an amount is recorded based on the method given in Calculation Method Designated by the Competent Minister Based on Article 13 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Finance No. 203 and National Housing Material No. 29: May 30, 2011). The above ministerial ordinance is Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism Ministerial Ordinance No. 1 of 2007, referred to below as the ministerial ordinance).
- Method and Criteria for Valuing Marketable Securities (including marketable securities invested as trust asset in the money in trust)**
(1) Securities held to maturity
The amortized cost method (straight-line method) is applied.
(2) Other securities
The purchase price is recorded.
- Method for Valuing Financial Derivative Products (Derivative Transactions)**
The market value method is applied.
- Treatment of interest rate swap transactions**
(1) Interest rate swap transactions on the securitization support account
Gains and losses from interest rate swaps contracted to hedge the pipeline risk of bonds the Agency issues for the procurement of funds needed to purchase mortgages from lenders are recognized as gains from deferred derivative instruments and losses from deferred derivative instruments pursuant to the stipulations of Article 12 of the Ministerial Ordinance in accordance with the methods designated by the competent minister
(Concerning Methods Designated by the Competent Minister of State based on the Stipulations of Article 12 of the Ministerial Ordinance concerning the Operations, Finance, and Accounting of Japan Housing Finance Agency (April 1, 2007, Finance No. 174 and National Housing Material No.122)).
(2) Interest rate swap transactions on the housing loan account
Deferred hedge accounting is used to account for interest rate swap transactions contracted in order to hedge the pipeline risk of bonds of JHF issued to procure funds for lending as construction funds for rental housing.
Hedge effectiveness is assessed based on the variation in the amount of hedged objects and hedging instruments.
- Depreciation of Bond Issue Premiums**
Bond issue premiums are amortized using a straight line method over the maturity of the bond
- Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations**
Taking into account the interest on 10-year government bonds at the end of March 2013, 0.560% was applied for calculating the opportunity costs for central government investments and local government investments.
- Accounting for Leases**
Finance leases with a total lease fee of ¥3 million or greater are accounted for as regular purchases.
Finance leases with a total lease fee less than ¥3 million are accounted for as normal leases.
- Accounting for consumption tax**
The tax inclusive method is applied.

Notes (overall agency)

1. Matters Relating to the Balance Sheet

(1) Collateralized Assets

Purchased loans and loans are entrusted as collateral for mortgage backed securities.

(Unit: yen)

	Assets entrusted as collateral		Collateral related liabilities	
	Item	Amount	Item	Amount
Securitization Support Account	Purchased loans	9,469,139,729,337	MBS	7,905,481,268,126
Housing Loan Account	Loans	37,820,566,730	MBS	44,152,910,150
Outstanding Loan Management Special Account	Loans	2,849,429,999,458	MBS	2,639,844,603,724
Total		12,356,390,295,525		10,589,478,782,000

(2) Transferred Claims (From pension)

Based on Item 3, Paragraph 1, Article 7 of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005; referred to below as JHF Law), the balance of claims transferred from the Welfare and Medical Service Agency are recorded.

(3) Gains and Losses from Deferred Derivative Instruments

Gains and losses on interest rate swaps stipulated by Article 12 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure and Transportation Ministerial Ordinance No. 1 of 2007) are deferred.

2. Matters relating to income statement

Based on the Practical Guidelines on Accounting Standards for Financial Instruments (Accounting Practice Committee Report No. 14 of Japanese Institute of Certified Public Accountants,) "gain on written-off claims recovered" is recorded in "ordinary income."

3. Matters Relating to Statement of Cash Flows

(1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank : ¥584,009,031,480
Closing balance of cash : ¥584,009,031,480

(2) Material Non-cash Transactions

During FY 2012, the value of newly-recorded assets and liabilities related to finance leases, which are significant non-cash transactions, were both ¥870,865,391.

4. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties succeeded from the central government.

5. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2013
Retirement benefit obligation (A)	△ 44,312,756,161
Pension assets (B)	11,314,216,861
Unfunded retirement benefit obligations (C) = (A) + (B)	△ 32,998,539,300
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	4,739,093,009
Net amount recorded in balance sheet (F) = (C) + (D) + (E)	△ 28,259,446,291
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 28,259,446,291

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2012 to March 31, 2013
Service cost	1,161,591,860
Interest cost	616,543,896
Expected return on plan assets	△ 172,538,537
Amortization of prior service obligations	0
Amortization of actuarial differences	815,196,501
Other (such as extra retirement benefit)	0
Net pension expenses	2,420,793,720

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2013
a. Discount rate	1.4%
b. Expected rate of return	1.7%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

6. Impairment losses on fixed assets

(1) Assets in which impairment is recognized

The employee dormitories listed below (buildings, etc., and land) are planned to be disposed due to material deterioration in usability, so impairment is recognized in this fiscal year.

Impairment losses relating to buildings, etc. are recorded in the income statement, while impairment losses relating to land are not recorded in the income statement as they are treated as impaired loss not included in profit and loss.

(Unit: yen)

Agency branch designation	Dormitory designation	Location	Book value			Impairment losses	
			Buildings, etc.	Land	Total	Buildings, etc.	Land
Kinki	Fujidera Dormitory	Fujidera City	42,303,000	134,697,000	177,000,000	3,939,129	12,303,000

(Note 1) Book values are carrying values as of the end of the period under review.
(Note 2) The impairment losses are calculated according to the real estate appraisal values based on the net selling values.

(2) Assets in which impairment is indicated

Indication of impairment was recognized since the employee dormitories listed below (buildings, etc., and land) are to be abolished by FY 2016. However, these dormitories have functions pursuant to their usage and have been originally maintained and managed, so impairment is not recognized.

	Agency branch designation	Dormitory designation	Location	Book value		
				Buildings, etc.	Land	Total
1	Kita-Kanto	Kouun Dormitory	Maebashi City	22,613,234	42,800,000	65,413,234
2	Kita-Kanto	Minami-cho Dormitory	Maebashi City	57,640,549	51,300,000	108,940,549
3	Kita-Kanto	Minami-cho No.2 Dormitory	Maebashi City	83,487,028	44,200,000	127,687,028
4	Head Office	Wakamatsu Dormitory	Sinryukoku	167,730,803	485,000,000	652,730,803
5	Head Office	Daiba Dormitory	Setagayaku	933,249	237,000,000	237,933,249
6	Head Office	Umegaoka Dormitory	Setagayaku	37,808,270	226,000,000	263,808,270
7	Head Office	Shoan Dormitory	Suginamiku	24,853,673	202,000,000	226,853,673
8	Head Office	Asaka Dormitory	Asaka City	108,880,960	104,000,000	212,880,960
9	Tokai	Kanda Dormitory	Nagoya City, Chikusaku	18,190,965	80,000,000	98,190,965
10	Chugoku	Sanjo Dormitory	Hiroshima City, Nishiku	28,053,442	62,300,000	90,353,442
11	Shikoku	Saiho Dormitory	Takamatsu City	10,123,014	27,500,000	37,623,014
12	Kyushu	Nishijin No.2 Dormitory	Fukuoka City, Sawaraku	2,409,702	53,400,000	55,809,702
13	Minami-Kyushu	Suzenji No.1 Dormitory	Kumamoto City, Chuoku	49,134,652	50,000,000	99,134,652
14	Minami-Kyushu	Obyama Dormitory	Kumamoto City, Chuoku	20,245,572	23,600,000	43,845,572
		Total		632,105,113	1,689,100,000	2,321,205,113

(Note) Book values at the end of year are recorded as the date of abolishment is not fixed.

7. Financial Products

(1) Matters Relating to the Situation of Financial Products

a. Policy on Financial Products

To support financing of private financial institutions providing monies required for housing construction, JHF conducts loan assignment business. JHF also conducts lending business to provide financing for constructing disaster mitigation building and to supplement lending of private financial institutions. In order to conduct these businesses, the agency raises funds by issuing FILP (Fiscal Investment and Loan Program) agency bonds and borrowing from financial institutions as well as Fiscal Investment and Loan Program.

b. Description and Financial Products and their Risk

The financial assets held by JHF are mainly mortgages to individuals in Japan, which are exposed to credit risk that is caused by contractual default by borrowers. In addition, most of the mortgages are long-term fixed rate loans, which are exposed to market risk including prepayment risk, refunding risk and pipeline risk. The securities held by the agency are mainly bonds, which are held to maturities and are exposed to credit risk of the issuer and market risk.

JHF's sources of fundings are FILP agency bonds and borrowings, which are exposed to liquidity risk that can cause failures in fund raising under certain adverse market conditions.

c. Risk Management System relating to Financial Products

(a) Efforts for Risk Management

In order to build a systematic, cross-sector risk management system, JHF has designated a specific executive and a department to control overall risk management. It has also designated executives and departments that deal with individual risks both in quantity and in quality and committees to support them. Specifically, the credit risk management committee has been established to manage credit risk, and the ALM risk management committee has been established to deal with market risk, liquidity risk and counterparty risk. Each committee monitors risks in its jurisdiction and discusses plans and proposals concerning the management of those risks.

JHF holds a specific executive and department responsible for the integrated management of all categories of risks. The executive and department follow and evaluate the assessment and management of individual risks and report to the board of directors on a regular base.

JHF has set up and implemented the Risk Management Basic Manual which stipulates basics of individual risk definition, risk management purpose, risk management framework and methods. JHF has also set up the Risk Management Manual which stipulates risk management framework and method for individual risks.

Pursuant to these manuals, risks are managed according to their profiles and JHF promotes an integrated risk management through a comprehensive understanding and evaluation of individual risks.

(b) Credit risk management

The section responsible for credit risk management secures independence from the sales promotion department and has established a framework to appropriately conduct: purchase loan underwriting, loan underwriting, management and servicing of loans retained by JHF, and loan self-assessment. In order to check and manage credit risk correctly, the agency categorizes holding credits based on their risk profiles, analyses the attributes of the borrowers in our portfolio by category, and estimates the amount of possible future losses and costs of dealing with credit risk.

(c) Market risk management

JHF has established a market risk management department independent from market department to appropriately manage prepayment risk, refunding and/or reinvesting risk, and pipeline risk.

JHF has managed prepayment risk by utilizing prepayment models and by estimating prepayments and also by securitization and issuance of various maturity bonds. JHF assumes future cash flow of assets and liabilities reflecting interest rate fluctuation and measures term net profit and loss indicated by such cash flows and monitors duration and other risk indicators so as to properly manage refunding and/or reinvestment risk.

(d) Liquidity risk management

In JHF, a risk management department, which is independent of the financing management department has set short-term liquidity standards and other financing management indicators to implement monitoring. Moreover, administrative categories have been established according to cash management tightness and actions have been predetermined depending on the administrative category. In addition, it secures financing methods such as emergency borrowing facilities, and prepares responsive measures to deal with situations that may affect financing position.

(e) Counterparty risk management

With regard to the credit status of investment counterparties, JHF has established risk management division, which is independent of the funding management division, to set up the counterparty credit risk management indicators and implement monitoring.

As to monitoring activities, with regard to the management of surplus funds invested in Government bonds, municipal bonds, and government-guaranteed bonds, etc., credit risk management methods have been established for issuers of bonds held by JHF.

With regard to interest rate swap transactions, credit risk management methods have been established for the financial institutions that are counterparties to interest rate swap transactions.

d. Supplementary Explanation on the Matters Relating to the Mark to Markets of Financial Products
The fair values of financial products include values based on market prices, and if market prices are not available, they include rationally calculated values. As the market prices are calculated based on certain preconditions, etc., the values may vary when using different preconditions.

(2) Matters Relating to the Mark to Markets of Financial Products

The values of major financial products on the balance sheet as of the end of the fiscal year and their market prices and differences between the book value are outlined below. The value of products whose market prices are difficult to obtain are not included in the table (refer to Note 2).

(Unit: yen)			
	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	584,009,031,480	584,009,031,480	0
(2) Receivables under resale agreements	34,991,894,000	34,991,894,000	0
(3) Money in trust	769,037,553,289	775,951,397,519	6,913,844,230
(4) Securities			
Securities held to maturity	727,645,774,646	771,519,597,000	43,873,822,354
Other securities	1,311,000,000,000	1,311,000,000,000	0
(5) Purchased loans	9,982,719,174,715		
Reserve for possible loan losses (*1)	△ 64,061,103,594		
	9,918,658,071,121	10,004,014,475,435	85,356,404,314
(6) Loans	18,071,401,646,991		
Reserve for possible loan losses (*1)	△ 391,245,422,806		
	17,680,156,224,185	18,876,538,541,592	1,196,382,317,407
(7) Claims for indemnity (*1)	6,185,344,989	6,185,344,989	0
(8) Transferred claims (from pension) (*1)	102,975,518,544	110,041,492,158	7,065,973,614
Total assets	31,134,659,412,254	32,474,251,774,173	1,339,592,361,919
(1) Borrowings	15,374,773,922,000	16,600,484,728,246	1,225,710,806,246
(2) Bonds (*2)	13,918,950,073,951	14,635,436,495,057	716,486,421,106
(3) Accounts payable	212,935,950,000	212,935,950,000	0
Total liabilities	29,506,659,945,951	31,448,857,173,303	1,942,197,227,352
Financial derivative products (*3)	(12,140,877,055)	(12,140,877,055)	0
Total financial derivative products	(12,140,877,055)	(12,140,877,055)	0

(*1) Amounts of general and individual reserves for possible loan losses for purchased loans and loans are deducted. Since reserves for possible loan losses for claims for indemnity and transferred claims (from pension) are less important, their values are subtracted from the amounts on the balance sheet.

(*2) Since bond issue premiums are less important, the values are subtracted from the amount on the balance sheet.

(*3) The values of financial derivative products listed as assets or liabilities are indicated on bloc. The changes in values of assets/liabilities caused by transactions are indicated on a net basis, and if the sum of them results in negative, the item is indicated in parentheses.

(Note 1) Method of Calculating the Market Price of Financial Products

Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Receivables under resale agreements

Since contracts are for short-term and fair value approximates book value, book values are used as market price.

(3) Money in trust

The market price was based on values provided by counterparty financial institutions.

(4) Securities

The market price of bonds was based on market prices, including quotation by market makers, released by industry groups. The market price of certificates of deposit is indicated by the book value, since they had a short contract period and their market price was close to the book value.

(5) Purchased loans

The future cash flow of purchased loans was estimated in terms of their type, borrowers and maturities. The future cashflow was then discounted at a rate that would be applied to a similar newly purchased mortgage to calculate the market value. Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collateral and guarantee. The market price was close to the net of the value on the balance sheet at the fiscal year end and the estimated sum of loan losses. Accordingly, such price was applied as the market price.

(6) Loans

The future cash flow of loans was estimated in terms of their type, borrowers and maturities. The future cashflow was then discounted at a rate that would be applied to a similar newly originated loan to calculate the market price.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collateral and guarantee, the market price was close to the net of the value on the balance sheet at the fiscal year end and the estimated sum of loan losses. Accordingly, such price was applied as the market price.

As for the loans on bills, the maturities are so short and the market value was close to the book value that the book value is applied as market value.

(7) Claims for indemnity

As the sum of loan losses was estimated based on an expected recoverable amount from the collateral and others, the market price was close to the net of the value on the balance sheet at the fiscal year end and the market estimated sum of loan losses. Accordingly, such price was applied as the market price.

(8) Transferred claims (from pension)

The future cash flow of transferred claims (from pension) was estimated in terms of their type, borrowers and maturities. The future cashflow was then discounted at a rate that would be applied to a similar newly transferred loan to calculate the market price.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collateral and others, the market price was close to the net of the value on the balance sheet at the fiscal year end and the estimated sum of loan losses. Accordingly, such price was applied as the market price.

Liabilities

(1) Borrowings

The total amount of principal and interest was discounted at a rate that would be applied to a possible similar borrowing to calculate the market price.

The contracted term for borrowings at private financial institutions was short, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Bonds

The prices of mortgage-backed securities and general lien bonds were based on market prices, including quotation by market makers, released by industry groups. Regarding property accumulation saving scheme-tied housing bonds, the total amount of principal and interest is discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

For housing land bonds, estimated future cash flows were discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

(3) Accounts payable

The term when the outstanding payment was unpaid was short, and the market price was very close to the book value. Accordingly, the book value was applied as the market price. Financial derivative products
Financial derivative products JHF executes an interest-rate swap agreement. The market price was calculated based on discount cash flows.

(Note 2) Unlisted stocks (value on the balance sheet: ¥16,150,000) have no market price, which makes it difficult to estimate their market price. Accordingly, the market price is not required to be disclosed.

8. Securities

(1) Securities held to maturity

(Unit: yen)

Category	Type	Book value on the balance sheet	Market price	Difference
Securities whose market price exceeds the book value on the balance sheet	Government bonds	235,880,698,958	259,021,242,100	23,140,543,142
	Municipal bonds	148,296,547,262	159,170,623,100	10,874,075,838
	Government guaranteed bonds	20,045,892,647	21,081,349,800	1,035,457,153
	Corporate bonds	246,903,246,489	259,634,735,000	12,731,488,511
	Subtotal	651,126,385,356	698,907,950,000	47,781,564,644
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	0	0	0
	Municipal bonds	0	0	0
	Government guaranteed bonds	400,140,193	400,000,000	△ 140,193
	Corporate bonds	76,119,249,097	72,211,647,000	△ 3,907,602,097
	Subtotal	76,519,389,290	72,611,647,000	△ 3,907,742,290
Total		727,645,774,646	771,519,597,000	43,873,822,354

(2) Other securities

(Unit: yen)

Category	Type	Book value on the balance sheet	Acquisition cost	Difference
Book Value on the balance sheet does not exceed acquisition cost	Other	1,311,000,000,000	1,311,000,000,000	0

None of the book values on the balance sheet exceed its acquisition cost.

(3) Securities held to maturity that were sold in FY 2012

(Unit: yen)

Type	Cost	Proceeds	Difference
Government Bonds	5,691,202,768	6,025,068,670	333,865,902
Municipal bonds	10,364,354,590	10,754,929,600	390,575,010
Government-guaranteed bonds	1,424,667,957	1,490,524,800	65,856,843
Corporate bonds	12,374,362,565	12,882,708,400	508,345,835
Total	29,854,587,880	31,153,231,470	1,298,643,590

Reason for the sale: The securities were sold for payments to the national treasury in connection with unnecessary assets. The said sales have been designated by the competent minister as transactions whose difference on sales is not recorded in income statements

9. Material Liability Incurring Activities

There is nothing to report.

10. Important subsequent events

(1) Return of the subrogated portion of employees' pension fund

As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund. On the dates of approval of returning the past subrogated portion as well as returning pension asset in future, profit and loss concerning return of substitutional part is recorded and extinguishment of retirement benefit obligations is recognized. Accounting effect on the profit and loss remains to be seen.

(2) Appropriation of asset

Important asset which sales contract has been agreed by the end of the fiscal period is as follows. This is recorded on the balance sheet since the asset has not yet been delivered.

Agency branch designation	Asset	Location	Book value		
			Buildings, etc.	Land	Total
Head Office	Kouko General Sport Ground	Mitaka City	-	1,990,000,000	1,990,000,000

(Note) Book values are carrying values as of the end of the fiscal period under review.

11. Payments to the national treasury in connection with unnecessary assets

(1) Outline of unnecessary assets in relation to which payments were made to the national treasury

- Type
Cash, deposits and securities
- Book value
Cash and deposits ¥6,989,624,444 Securities ¥29,854,587,880

(2) Cause of becoming an unnecessary asset

As the result of a review of the execution of capital, based on the future expected business volume, it was found that the above assets became unnecessary to conduct the business without uncertainty.

(3) Method of payment into the national treasury

Payment into the national treasury was made in accordance with the stipulations of Article 46-2 paragraphs 1 and 2 of the Act on General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).

(4) Income from the transfer of assets for which payment was made in cash.

¥31,153,231,470

(5) Amount paid into the national treasury

¥37,481,066,204

(6) Date of payment into the national treasury

November 21, 2012

(7) Amount of reduction in capital

¥36,445,480,000

Securitization Support Account

The securitization support account consists of the loan purchasing account (Purchase Program) and the MBS guarantee account (Guarantee Program).

In FY 2012, the loan purchasing account posted a gross profit of ¥25.6 billion, a decrease of ¥7 billion from FY 2011. This was a result of an increase in provision for reserve for possible loan losses due to the change in calculation method of possible loan losses and other factors while ordinary income was increased according to the increased outstanding balance of purchased loans.

The gross profit of the MBS guarantee account was ¥1.3 billion, an increase of ¥0.03 billion from FY 2011. This was due to a decrease in amount of net insurance money paid as well as the reversal of policy reserve continuously recorded since FY 2011.

As a result, JHF posted a gross profit of ¥26.9 billion in the total securitization support account.

Balance Sheet

(unit: million yen)

Item	FY 2011	FY 2012	Item	FY 2011	FY 2012
(Assets)			(Liabilities)		
Cash and due from banks	150,496	278,637	Loans from other account	530,143	684,601
Cash	0	1	Long-term loan from other account	530,143	684,601
Due from banks	100,250	247,824	Bonds	7,841,866	9,242,010
Agency deposits entrusted	50,245	30,812	Mortgage-backed securities	6,833,968	7,905,481
Money in trust	565,424	514,044	General lien bonds	939,354	1,172,902
Securities	390,242	431,938	Housing land bonds	68,746	163,804
Government bonds	139,807	152,874	Bond issue premiums(△)	△ 202	△ 177
Local government bonds	70,750	71,784	Reserve for insurance	13,677	11,613
Government guaranteed bonds	10,216	7,122	Policy reserve	13,677	11,613
Corporate bonds	169,469	180,159	Subsidies payable, etc.	560,549	509,046
Certificate of Deposit	—	20,000	Subsidies payable for emergency measures to facilitate housing finance	557,871	506,838
Purchased loans	8,609,873	9,982,719	Subsidies payable for securitization business	489	107
Other assets	293,958	298,862	Subsidies payable for emergency measures including loans for recovery from disasters	2,190	2,101
Accrued revenue	9,935	10,658	Other liabilities	580,235	490,271
Financial derivative products	238,389	240,176	Accrued expenses	10,006	11,529
Financial derivative product loss carry forward	42,599	44,744	Financial derivative products	249,683	250,029
Accrued insurance premiums	28	26	Financial derivative product gain carry forward	14,905	11,987
Other assets	2,042	2,821	Accounts payable	303,574	212,936
Accounts receivable for other accounts	965	437	Other liabilities	959	2,856
Tangible fixed assets	34,407	34,621	Accounts payable for other accounts	1,106	933
Buildings	15,604	15,669	Allowance for bonuses	265	247
Accumulated depreciation(△)	△ 3,312	△ 3,842	Allowance for retirement benefits	11,762	12,971
Accumulated impairment losses(△)	△ 26	△ 29	Reserve for mortgage transfer registration	726	400
Land	22,048	22,048	Guarantee obligation	244,556	214,036
Accumulated impairment losses(△)	△ 436	△ 448			
Construction in process account	—	86	Total liabilities	9,783,779	11,165,195
Other tangible fixed assets	1,016	1,843			
Accumulated depreciation(△)	△ 488	△ 704	(Net assets)		
Accumulated impairment losses(△)	△ 1	△ 1	Capital	474,063	516,121
Guarantee obligation reversal	244,556	214,036	Government injection monies	474,063	516,121
Reserve for possible loan losses(△)	△ 48,610	△ 64,140	Capital surplus	△ 405	△ 394
			Capital surplus	30	54
			Accumulated impaired loss not included in profit and loss(△)	△ 436	△ 448
			Surplus carried forward (or loss carried forward)	△ 17,090	9,797
			Unappropriated profit (or loss) (of which, gross profit)	△ 17,090	9,797
			(33,830)	(26,887)	
			Total net assets	456,567	525,523
Total assets	10,240,347	11,690,718	Total liabilities and net assets	10,240,347	11,690,718

Income Statement

(unit: million yen)

Item	FY 2011	FY 2012
Ordinary income	205,734	242,465
Income from asset management	160,780	177,286
Interest on purchased loans	153,435	170,631
Interest and dividends on securities	7,329	6,600
Interest on receivables under repurchase agreement	—	17
Interest on deposits	16	37
Income from underwriting insurance	2,575	2,376
Net insurance premium revenue	387	312
Reversal of policy reserve	2,188	2,064
Income from service transactions	25	23
Guarantee fee	25	23
Other subsidies	41,132	62,133
Subsidies for emergency measures to facilitate housing finance	40,559	56,596
Subsidies for securitization support business	512	5,446
Subsidies for emergency measures including loans for recovery from disasters	61	91
Income from other operating activities	—	97
Contract termination fees	—	97
Other ordinary income	1,222	549
Reversal of reserve for retirement benefits accompanying transfer between accounts	52	—
Reversal of reserve for mortgage transfer registration	121	—
Gain on written-off claim recovered	—	5
Other ordinary income	1,049	545
Ordinary expenses	171,864	215,691
Fund raising expenses	127,091	148,124
Interest on bonds	123,546	143,812
Other interest paid	531	400
Interest on loans of other accounts	3,013	3,912
Insurance underwriting expenses	1,631	1,283
Net insurance paid	1,631	1,283
Service transaction expenses	11,194	13,044
Service expenses	11,194	13,044
Other operating expenses	13,483	12,729
Amortization of bond issuing expenses	8,550	6,743
Financial derivatives expenses	3,827	5,055
Other operational expenses	1,106	931
Business expenses	10,055	9,414
Other ordinary expenses	8,410	31,098
Provision for reserve for possible loan losses	8,409	29,249
Provision for reserve for retirement benefits accompanying transfer between accounts	—	692
Provision for reserve for mortgage transfer registration	—	25
Other ordinary expenses	1	1,131
Ordinary income (or loss)	33,870	26,774
Extraordinary gain	55	118
Gain on written-off claims recovered	5	—
Other extraordinary gain	50	118
Reimbursement from insolvent customers by restructuring plans	50	118
Extraordinary losses	95	4
Loss on disposal of tangible fixed assets	69	—
Impairment loss	26	4
Net income (or loss)	33,830	26,887
Gross income (or loss)	33,830	26,887

Cash Flows Statement

(unit: million yen)

Item	FY 2011	FY 2012
I Cash flow from operating activities		
Outlays on the purchase of loans	△ 2,881,999	△ 2,274,938
Outlays on personnel expenses	△ 4,236	△ 4,240
Outlays on insurance	△ 1,631	△ 1,283
Other operating outlays	△ 16,131	△ 17,953
Income from collection of purchased loans	603,548	797,735
Income from interest on purchased loans	151,714	169,950
Income from insurance premiums	396	314
Income from other operations	1,128	1,399
Income from treasury subsidies	57,250	9,494
Outlays on the repayment of treasury subsidies	△ 1,077	△ 489
Subtotal	△ 2,091,038	△ 1,320,011
Interest and dividends received	61,537	60,554
Interest paid	△ 200,488	△ 212,166
Cash flow from operating activities	△ 2,229,989	△ 1,471,622
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 1,506	△ 47,489
Income from redemption of securities (bonds)	15,720	17,820
Income from sale of securities (bonds)	50,575	8,180
Net change in securities (certificates of deposit) (△ indicates negative)	—	△ 20,000
Outlays on acquisition of tangible fixed assets	△ 70	△ 69
Income from disposal of tangible fixed assets	32	—
Outlays on the increase of money in trust	△ 56,250	△ 3,942
Income from the decrease of money in trust	37,306	56,083
Other expenditures	—	△ 0
Other income	7	0
Cash flow from investing activities	45,814	10,583
III Cash flow from financing activities		
Income from issuance of bonds (after deducting issuance expense)	2,798,124	2,127,049
Outlays on redemption of bonds	△ 530,975	△ 733,672
Outlays on the payment of lease obligation	△ 1,126	△ 301
Income from government injection monies	10,308	49,803
Outlays for payments to national treasury concerning unnecessary assets	△ 54,346	△ 8,157
Net change in short-term loan from other accounts (△ indicates negative)	△ 241,700	—
Income from borrowings of long-term loan from other account	320,443	154,458
Cash flows from financing activities	2,300,728	1,589,181
IV Increase (or decline) in cash	116,553	128,141
V Opening balance of cash	33,943	150,496
VI Closing balance of cash	150,496	278,637

Statement of Appropriation of Income

(unit: million yen)

I Unappropriated profit		9,797
Gross profit	26,887	
Loss carry forward (from previous year)	△ 17,090	
II Appropriated profit		9,797
Voluntary reserve fund		

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2011	FY 2012
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	127,091	148,124
Insurance underwriting expenses	1,631	1,283
Service transaction expenses	11,194	13,044
Other operation expenses	13,483	12,729
Business expenses	10,055	9,414
Other ordinary expenses	8,410	31,098
Loss on disposal of tangible fixed assets	69	—
Impairment loss	26	4
Subtotal	171,960	215,695
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 160,780	△ 177,286
Income from insurance underwriting	△ 2,575	△ 2,376
Income from service transactions, etc.	△ 25	△ 23
Income from other operating activities	—	△ 97
Other ordinary income	△ 1,222	△ 549
Gain from bad debt recovered	△ 5	—
Reimbursement from insolvent customers by restructuring plans	△ 50	△ 118
Subtotal	△ 164,658	△ 180,449
Total operating expenses	7,302	35,246
II Impairment loss not recorded in income statement	66	12
III Other than difference on sales not recorded in income statement	△ 2,476	△ 435
IV Expected increase in retirement benefits not recorded in allowances	3	3
V Opportunity costs		
Opportunity costs related to items such as central and local government injection monies	5,151	2,899
VI Administrative cost	10,046	37,725

Significant Accounting Policies (Securitization Support Account)

- Depreciation**
A straight line method is applied. The useful lives of major assets are given below:
Building - 2 - 50 years
Other tangible fixed assets - 2 - 43 years
- Criteria for Recording Reserves**
 - Reserves for possible loans losses
Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on purchased loans and loans on the following bases.
 - For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.
 - For "borrowers with high probability of default," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.
 - For "borrowers requiring caution" and "other borrowers requiring caution" concerning loans that cash flow in collection of principal of loans and interests received can be rationally estimated, the difference between the discounted amount of the cash flow by agreed interest rate and book value is recorded.
 - For loans other than listed above, an amount is recorded based on the historic possible loss rate during a particular period.
In addition to the conventional estimation of securitization support account based on the historic estimated loss rate during a particular period, the estimated loss rate is calculated by taking into consideration recent increase in newly purchased loans and changes in future portfolio. Therefore, provision for reserve for possible loan losses has been increased by ¥18,719,966,989 and ordinary, net and gross incomes have been decreased by the same amount, compared to the conventional method.
 - Allowance for Bonuses
In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.
 - Allowance for Retirement Benefits
In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year. Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.
Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.
 - Reserve for Mortgage Transfer Registration
The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to JHF regarding purchased loans inherited from the Government Housing Loan Corporation ("GHLC") as stipulated by Paragraph 1, Article 3 of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005).
- Recognition criteria for policy reserves**
In order to pay for future liabilities related to insurance relations stipulated by Article 3 of the Home Mortgage Insurance Law (Law No. 63 of 1955), an amount is recorded based on the method given in Calculation Method Designated by the Competent Minister Based on Article 13 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Finance No. 203 and National Housing Material No. 29: May 30, 2011). The above ministerial ordinance is Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism Ministerial Ordinance No. 1 of 2007, referred to below as the ministerial ordinance).
- Method and Criteria for Valuing Marketable Securities (including marketable securities invested as trust asset in the money in trust)**
 - Securities held to maturity
The amortized cost method (straight-line method) is applied.
 - Other securities
Acquisition costs are recorded.
- Method for Valuing Financial Derivative Products (Derivative Transactions)**
The market value method is applied.
- Treatment of interest rate swaps**
Gains and losses from interest rate swaps contracted to hedge the pipeline risk of bonds the Agency issues for the procurement of funds needed to purchase mortgages from lenders are recognized as gains from deferred derivative instruments and losses from deferred derivative instruments pursuant to the stipulations of Article 12 of the Ministerial Ordinance in accordance with the method designated by the competent minister (Concerning the Methods Designated by the Competent Minister based on the Stipulations of Article 12 of the Ministerial Ordinance concerning the Operations, Finance, and Accounting of the Japan Housing Finance Agency, April 1, 2007; Finance Circular No. 174 and National Housing Material No. 122.)
- Depreciation of Bond Issue Premiums**
Bond issue premiums are amortized using a straight line method over the maturity of the bond
- Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations**
Taking into account the interest on 10-year government bonds at the end of March 2013, 0.560% was applied for calculating the opportunity costs for central government investments and local government investments.
- Accounting for Leases**
Finance leases with a total lease fee of ¥3 million or greater are accounted for as regular purchases.
Finance leases with a total lease fee less than ¥3 million are accounted for as normal leases.
- Accounting for consumption tax**
The tax inclusive method is applied.

Notes (Securitization Support Account)

1. Matters Relating to the Balance Sheet

(1) Collateralized Assets

Purchased loans are entrusted as collateral for mortgage backed securities. The amount of assets collateralized and the amount of liabilities relating to collateral are described in Notes (overall agency).

(2) Financial Derivative Product Profit and Loss Carry Forward

Losses and profit on interest rate swaps stipulated by Article 12 of the Ministerial Ordinance Related to Accounting and Finances and of the Conduct of Operations by Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure and Transportation Ministerial Ordinance No. 1 of 2007) are carried forward.

2. Matters relating to income statement

Based on the Practical Guidelines on Accounting Standards for Financial Instruments (Accounting Practice Committee Report No. 14 of Japanese Institute of Certified Public Accountants.) "gain on written-off claims recovered" is recorded in "ordinary income."

3. Matters Relating to Statement of Cash Flows

(1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank : 278,636,883,173

Closing balance of cash : 278,636,883,173

(2) Material Non-cash Transactions

During FY 2012, the value of newly-recorded assets and liabilities related to finance leases, which are significant non-cash transactions, were both ¥870,865,391.

4. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

5. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

Category	As of March 31, 2013
Retirement benefit obligation (A)	△ 20,339,555,077
Pension assets (B)	5,193,225,540
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 15,146,329,537
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	2,175,243,690
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 12,971,085,847
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 12,971,085,847

(3) Matter Relating to Retirement Benefit Expenses

Category	From April 1, 2012 to March 31, 2013
Service cost	533,170,664
Interest cost	282,993,648
Expected return on plan assets	△ 79,195,190
Amortization of prior service obligations	0
Amortization of actuarial differences	343,091,316
Other (such as extra retirement benefit)	0
Net pension expenses	1,080,060,438

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2013
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.7%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actuarial differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

6. Impairment loss on fixed assets

(1) Assets in which impairment is recognized

The employee dormitories listed below (buildings, etc., and land) are planned to be disposed due to material deterioration in usability, so impairment is recognized in this fiscal year. Impairment losses relating to buildings, etc. are recorded in the income statement, while impairment losses relating to land are not recorded in the income statement as they are treated as impaired loss not included in profit and loss.

JHF	Dormitory designation	Location	Book value			Impairment losses	
			Buildings, etc.	Land	Total	Buildings, etc.	Land
Kinki	Fujidera Dormitory	Fujidera City	42,303,000	134,697,000	177,000,000	3,939,129	12,303,000

(Note 1) Book values are carrying values as of the end of the period under review.

(Note 2) The impairment losses are calculated according to the real estate appraisal values based on the net selling values.

(2) Assets in which impairment is indicated

Indication of impairment was recognized since the employee dormitories listed below (buildings, etc., and land) are to be abolished by FY 2016. However, these dormitories have functions pursuant to their usage and have been ordinarily maintained and managed, so impairment is not recognized.

Agency branch designation	Dormitory designation	Location	Book value			
			Buildings, etc.	Land	Total	
1	Kita-Kanto	Kouun Dormitory	Maebashi City	22,613,234	42,800,000	65,413,234
2	Kita-Kanto	Minami-cho Dormitory	Maebashi City	57,640,549	51,300,000	108,940,549
3	Kita-Kanto	Minami-cho No.2 Dormitory	Maebashi City	83,487,028	44,200,000	127,687,028
4	Head Office	Wakamatsu Dormitory	Sinyukuku	167,730,803	485,000,000	652,730,803
5	Head Office	Daiba Dormitory	Setagayaku	933,249	237,000,000	237,933,249
6	Head Office	Umegaoka Dormitory	Setagayaku	37,808,270	226,000,000	263,808,270
7	Head Office	Shoan Dormitory	Suginamiku	24,853,673	202,000,000	226,853,673
8	Head Office	Asaka Dormitory	Asaka City	108,880,960	104,000,000	212,880,960
9	Tokai	Kanda Dormitory	Nagoya City, Chikusaku	18,190,965	80,000,000	98,190,965
10	Chugoku	Sanjo Dormitory	Hiroshima City, Nishiku	28,053,442	62,300,000	90,353,442
11	Shikoku	Saio Dormitory	Takamatsuku	10,123,014	27,500,000	37,623,014
12	Kyushu	Nishijin No.2 Dormitory	Fukuoka City, Sawaraku	2,409,702	53,400,000	55,809,702
13	Minami-Kyushu	Suizenji No.1 Dormitory	Kumamoto City, Chuoku	49,134,652	50,000,000	99,134,652
14	Minami-Kyushu	Obyama Dormitory	Kumamoto City, Chuoku	20,245,572	23,600,000	43,845,572
		Total		632,105,113	1,889,100,000	2,321,205,113

(Note) Book values at the end of year are recorded as the date of abolishment is not fixed.

7. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial products are described in Notes (overall agency).

(2) The values of major financial products on the balance sheet as of the end of the fiscal year, their market values and differences between the book values are outlined below.

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	278,636,883,173	278,636,883,173	0
(2) Money in trust	514,044,239,395	520,568,023,677	6,523,784,282
(3) Securities			
Securities held to maturity	411,938,492,191	438,213,147,200	26,274,655,009
Other securities	20,000,000,000	20,000,000,000	0
(4) Purchased loans	9,982,719,174,715		
Reserve for possible loan losses (*1)	△ 64,061,103,594		
	9,918,658,071,121	10,004,014,475,435	85,356,404,314
Total assets	11,143,277,685,880	11,261,432,529,485	118,154,843,605
(1) Loans from other accounts	684,600,649,232	695,678,326,791	11,077,677,559
(2) Bonds (*2)	9,242,009,925,774	9,691,866,601,229	449,856,675,455
(3) Accounts payable	212,935,950,000	212,935,950,000	0
Total liabilities	10,139,546,525,006	10,600,480,878,020	460,934,353,014
Financial derivative products (*3)	(9,853,119,852)	(9,853,119,852)	0
Total financial derivative products	(9,853,119,852)	(9,853,119,852)	0

(*1) Amounts of general and individual reserves for possible loan losses for purchased loans are deducted.

(*2) Since bond issue premiums are less important, the values are subtracted from the amount on the balance sheet.

(*3) The values of financial derivative products listed as assets or liabilities are indicated in bloc. The changes in values of assets/liabilities caused by transactions are indicated on a net basis, and if the sum of them results in negative, the item is indicated in parentheses.

(Note) Method of Calculating the Mark to Market Price of Financial Products

Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value.

(2) Money in trust

The market price was based on values provided by counterparty financial institutions.

(3) Securities

The market price of bonds was based on market prices, including quotation by market makers, released by industry groups. The market price of certificates of deposit was indicated by the book value, since they had a short contract period and their market price was close to the book value.

(4) Purchased loans

The future cash flow of loans was estimated in terms of their type, borrowers and maturities. The future cashflow was then discounted at a rate that would be applied to a similar newly purchased mortgage to calculate the market price.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collateral and guarantee, the market price was close to the net of the value on the balance sheet at the fiscal year end and the estimated sum of loan losses.

Accordingly, such price was applied as the market price.

Liabilities

(1) Loans from other accounts

The total amount of principal and interest was discounted at a rate that would be applied to similar newly originated loans to calculate the market price.

(2) Bonds

The prices of mortgage backed securities and general lien bonds were based on market prices, including quotation by market makers, released by industry groups.

For housing land bonds, estimated future cash flows were discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

(3) Accounts payable

The term when the outstanding payment was unpaid was short, and the market price was very close to the book value, the book value was applied as market value.

Financial derivative products

Financial derivative products JHF executes are an interest-rate swap agreement. The market price was calculated based on discount cash flows.

Financial derivative products

Financial derivative products JHF executes are an interest-rate swap agreement. The market price was calculated based on discount cash flows.

8. Securities

(1) Securities held to maturity

Category	Type	Book value on the balance sheet	Market price	Difference
Securities whose market price exceeds the book value on the balance sheet	Government bonds	152,873,935,200	166,821,099,100	13,947,163,900
	Municipal bonds	71,784,034,439	77,723,168,700	5,939,134,261
	Government guaranteed bonds	7,121,669,642	7,580,069,400	458,399,758
	Corporate bonds	133,809,766,865	142,374,234,000	8,564,467,135
	Subtotal	365,589,406,146	394,498,571,200	28,909,165,054
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	0	0	0
	Municipal bonds	0	0	0
	Government guaranteed bonds	0	0	0
	Corporate bonds	46,349,086,045	43,714,576,000	△ 2,634,510,045
	Subtotal	46,349,086,045	43,714,576,000	△ 2,634,510,045
Total		411,938,492,191	438,213,147,200	26,274,655,009

(2) Other securities

Category	Type	Book value on the balance sheet	Acquisition cost	Difference
Book value on the balance sheet does not exceed acquisition cost	Other	20,000,000,000	20,000,000,000	0

None of the book values on the balance sheet exceed its acquisition cost

(3) Securities held to maturity that were sold in FY 2012

Type	Cost	Proceeds	Difference
Government bonds	30,073,324	32,870,970	2,797,646
Corporate bonds	7,714,945,014	8,147,009,000	432,063,986
Total	7,745,018,338	8,179,879,970	434,861,632

Reason for the sale: The securities were sold for payments to the national treasury in connection with unnecessary assets. The said sales have been designated by the competent minister as transactions whose difference on sales is not recorded in income statements.

9. Material Liability Incurring Activities

There is nothing to report.

10. Material Subsequent Events

(1) Return of the subrogated portion of employees' pension fund

As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund. On the dates of approval of returning the past subrogated portion as well as returning pension asset in future, profit and loss concerning return of substitutional part is recorded and extinguishment of retirement benefit obligations is recognized. Accounting effect on the balance remains to be seen.

(2) Appropriation of asset

Important asset which sales contract has been agreed by the end of the period is as follows. This is recorded on the balance sheet since the asset has not yet been delivered.

Agency branch designation	Asset	Location	Book value		
			Buildings, etc.	Land	Total
Head Office	Kouko General Sport Ground	Mitaka City		1,990,000,000	1,990,000,000

(Note) Book values are carrying values as of the end of the fiscal period under review.

11. Material Subsequent Events

(1) Outline of unnecessary assets in relation to which payments were made to the national treasury

(a) Type

Cash and deposits and securities

(b) Book value

Cash and deposits ¥16,340,944 Securities ¥7,745,018,338

(2) Cause of becoming an unnecessary asset

As the result of a review of the execution of capital, based on the future expected business volume, it was found that the above assets became unnecessary to conduct the business without uncertainty.

(3) Method of payment into the national treasury

Payment into the national treasury was made in accordance with the stipulations of Article 46-2 paragraphs 1 and 2 of the Act on General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).

(4) Income from the transfer of assets for which payment was made in cash.

¥8,179,879,970

(5) Amount paid into the national treasury

¥8,156,871,660

(6) Date of payment into the national treasury

November 21, 2012

(7) Amount of reduction in capital

¥7,745,480,000

Housing Loan Insurance Account

In FY 2012, the gross income of the housing loan insurance account was ¥4 billion, an increase of ¥0.3 billion from FY 2011. This was due to a decrease in underwriting expenses by ¥3.4 billion against backdrops of a decrease in newly insured loan amount and an increase in collected amounts after payment of insurance claims, etc., while income from underwriting insurance decreased by ¥3.2 billion.

Balance Sheet

(unit: million yen)

Item	FY 2011	FY 2012	Item	FY 2011	FY 2012
(Assets)			(Liabilities)		
Cash and deposits	11,021	1,683	Insurance policy reserves	59,695	56,812
Cash	0	0	Reserve for outstanding claims	52	802
Deposits	11,021	1,683	Policy reserve	59,643	56,009
Money in trust	4,734	49	Subsidies payable, etc.	3,984	23
Securities	147,607	129,741	Subsidies payable for emergency measures to facilitate housing finance	3,984	23
Government bonds	56,581	51,652	Other liabilities	132	181
Local government bonds	47,245	35,234	Accrued expenses	37	48
Corporate bonds	6,014	4,063	Other liabilities	8	96
Certificates of deposit	37,766	31,792	Accounts payable for other accounts	87	37
Certificates of deposit	–	7,000	Allowance for bonuses	19	16
Loans to other account	31,975	31,975	Allowance for retirement benefits	834	842
Long-term loans to other account	31,975	31,975			
Other assets	1,449	634	Total liabilities	64,663	57,874
Accrued revenue	380	337			
Accrued insurance premiums	1,004	264	(Net assets)		
Other assets	65	33	Capital	130,000	102,000
			Government injection monies	130,000	102,000
			Capital surplus	–	223
			–	–	223
			Surplus carried forward (or loss carried forward)	2,123	3,986
			Unappropriated profit	2,123	3,986
			(of which, gross profit)	(3,649)	(3,986)
			Total net assets	132,123	106,209
Total assets	196,786	164,082	Total liabilities and net assets	196,786	164,082

Income Statement

(unit: million yen)

Item	FY 2011	FY 2012
Ordinary income	11,803	8,630
Income from asset management	2,755	2,747
Interest and dividends on securities	2,168	2,054
Interest on receivables under repurchase agreement	3	3
Interest on deposits	3	6
Interest from loans to other account	581	685
Income from underwriting insurance	6,718	5,842
Net insurance premium revenue	6,265	2,209
Reimbursement of unused reserve for outstanding claims	453	—
Reversal of policy reserve	—	3,634
Other subsidies	2,325	20
Subsidies for emergency measures to facilitate housing finance	2,325	20
Other ordinary income	5	20
Reversal of reserve for retirement benefits accompanying transfer between accounts	—	15
Other ordinary income	5	5
Ordinary expenses	8,154	4,644
Insurance underwriting expenses	7,392	3,981
Net insurance paid	4,948	3,231
Provision for unused reserve for outstanding claims	—	751
Provision for policy reserve	2,444	—
Service transaction expenses	3	3
Service expenses	3	3
Other operating expenses	706	659
Other ordinary expenses	54	—
Provision of reserve for retirement benefits accompanying transfer between accounts	54	—
Other ordinary expenses	0	—
Ordinary income	3,649	3,986
Net profit (or loss)	3,649	3,986
Gross profit (or loss)	3,649	3,986

Cash Flows Statement

(unit: million yen)

Item	FY 2011	FY 2012
I Cash flow from operating activities		
Outlays on personnel expenses	△ 319	△ 301
Outlays on insurance	△ 4,948	△ 3,231
Other operating outlays	△ 408	△ 297
Income from insurance premiums	6,412	2,953
Income from other operations	5	23
Outlay from transfer of treasury subsidies to other accounts	△ 38,100	△ 3,942
Subtotal	△ 37,358	△ 4,794
Interest and dividends received	2,968	2,959
Payment to the national treasury	—	△ 2,123
Cash flow from operating activities	△ 34,390	△ 3,958
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	—	△ 312
Income from redemption of securities (bonds)	3,640	3,640
Income on sale of securities (bonds)	—	22,183
Net change in securities (certificates of deposit) (△ indicates negative)	—	△ 7,000
Income from the decrease of money in trust	42,731	4,701
Outlays for long-term loans to other account	△ 5,500	—
Cash flow from investing activities	40,871	23,211
III Cash flow pertaining to financial transaction		
Outlays for payments to national treasury concerning unnecessary assets	—	△ 28,591
Cash flow pertaining to financial transaction	—	△ 28,591
IV Increase (decrease) in cash	6,481	△ 9,338
V Opening balance of cash	4,540	11,021
VI Closing balance of cash	11,021	1,683

Statement of Appropriation of Income

(unit: million yen)

I Unappropriated profit		3,986
Gross profit	3,986	
II Appropriated profit		
Voluntary reserve fund		3,986

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2011	FY 2012
I Operating expenses		
(1) Expenses recorded in income statement		
Insurance underwriting expenses	7,392	3,981
Service transaction expenses	3	3
Business expenses	706	659
Other operation expenses	54	—
Subtotal	8,154	4,644
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 2,755	△ 2,747
Income from insurance underwriting	△ 6,718	△ 5,842
Other ordinary income	△ 5	△ 20
Subtotal	△ 9,479	△ 8,610
Total operating expenses	△ 1,324	△ 3,966
II Other than difference on sales not recorded in the income statement	—	△ 814
III Expected increase in retirement benefits not recorded in allowances	0	0
IV Opportunity costs		
Opportunity costs related to items such as central and local government injection monies	1,281	672
IV Administrative cost	△ 44	△ 4,108

Significant Accounting Policies (Housing Loan Insurance Account)

1. Criteria for Recording Reserves

(1) Allowance for Bonuses

In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.

(2) Allowance for Retirement Benefits

In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year.

Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.

Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.

2. Criteria for Recording Mandatory Policy Reserves

In order to pay for future liabilities related to insurance relations stipulated by Article 3 of the Home Mortgage Insurance Law (Law No. 63 of 1955), an amount is recorded based on the method given in Calculation Method Designated by the Competent Minister Based on Article 13 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Finance No. 203 and National Housing

Material No. 29: May 30, 2011). The above ministerial ordinance is Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency (Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism Ministerial Ordinance No. 1 of 2007, referred to below as the ministerial ordinance).

3. Method and Criteria for Valuing Marketable Securities (including those invested as trust asset in the money in trust)

(1) Securities held to maturity

The amortized cost method (straight-line method) is applied.

(2) Other securities

Acquisition costs are recorded.

4. Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations

Taking into account the interest on 10-year government bonds at the end of March 2013, 0.560% was applied for calculating the opportunity costs for central government investments and local government investments.

5. Accounting for consumption tax

The tax inclusive method is applied.

Notes (Housing Loan Insurance Account)

1. Matters Relating to Statement of Cash Flows

Breakdown of closing balance of cash on the balance sheet by item
 Cash and due from bank : ¥1,683,202,827
 Closing balance of cash : ¥1,683,202,827

2. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

3. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2013
Retirement benefit obligation (A)	△ 1,320,520,134
Pension assets (B)	337,163,662
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 983,356,472
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	141,224,972
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 842,131,500
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 842,131,500

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2012 to March 31, 2013
Service cost	34,615,437
Interest cost	18,373,008
Expected return on plan assets	△ 5,141,648
Amortization of prior service obligations	0
Amortization of actuarial differences	21,477,714
Other (such as extra retirement benefit)	0
Net pension expenses	69,324,511

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2013
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.7%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

4. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial products are described in Notes (overall agency).

(2) Matters Relating to the Mark to Market Prices of Financial Products

The values of major financial products on the balance sheet as of the end of the fiscal year, and their market values and differences between the book values are outlined below.

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	1,683,202,827	1,683,202,827	0
(2) Money in trust	48,925,486	50,421,089	1,495,603
(3) Securities			
Securities held to maturity	122,741,399,928	132,019,081,800	9,277,681,872
Other securities	7,000,000,000	7,000,000,000	0
(4) Loans to other accounts	31,974,764,420	35,505,509,226	3,530,744,806
Total assets	163,448,292,661	176,258,214,942	12,809,922,281

(Note) Method of Calculating the Market Price of Financial Products
 Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Money in trust

The market price was based on values provided by counterparty financial institutions.

(3) Securities

The price of bonds was based on market prices, including quotation by market makers,

released by industry groups. The market price of certificates of deposit was based on book value, since they had a short contract period and their market price was close to the book value.

(4) Loans to other accounts

The total amount of principal and interests was discounted at a rate that would be applied to possible similar newly originated loans to calculate the market price.

5. Securities

(1) Securities held to maturity

(Unit: yen)

Category	Type	Book value on the balance sheet	Market price	Difference
Securities whose market price exceeds the book value on the balance sheet	Government bonds	51,652,429,576	57,565,883,000	5,913,453,424
	Municipal bonds	35,234,045,690	38,105,610,400	2,871,564,710
	Government guaranteed bonds	3,663,059,236	3,768,530,400	105,471,164
	Corporate bonds	23,283,117,668	24,428,887,000	1,145,769,332
	Subtotal	113,832,652,170	123,868,910,800	10,036,258,630
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	0	0	0
	Municipal bonds	0	0	0
	Government guaranteed bonds	400,140,193	400,000,000	△ 140,193
	Corporate bonds	8,508,607,565	7,750,171,000	△ 758,436,565
	Subtotal	8,908,747,758	8,150,171,000	△ 758,576,758
Total		122,741,399,928	132,019,081,800	9,277,681,872

(2) Other securities

(Unit: yen)

Category	Type	Book value on the balancesheet	Acquisition cost	Difference
Book value on the balance sheet does not exceed acquisition cost	Other	7,000,000,000	7,000,000,000	0

None of the book values on the balance sheet exceed its acquisition cost

(3) Securities held to maturity that were sold in FY2012

(Unit: yen)

Type	Cost	Proceeds	Difference
Government bonds	4,920,194,138	5,201,512,700	281,318,562
Municipal bonds	10,364,354,590	10,754,929,600	390,575,010
Government guaranteed bonds	1,424,667,957	1,490,524,800	65,856,843
Corporate bonds	4,659,417,551	4,735,699,400	76,281,849
Total	21,368,634,236	22,182,666,500	814,032,264

(Reason for the sale) The securities were sold for payments to the national treasury in connection with unnecessary assets. The said sales have been designated by the competent minister as transactions whose difference on sales is not recorded in income statements.

6. Material Liability Incurring Activities

There is nothing to report.

7. Material Subsequent Events

Return of the subrogated portion of employees' pension fund

As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund. On the dates of approval of returning the past subrogated portion as well as returning pension asset in future, profit and loss concerning return of substitutional part is recorded and extinguishment of retirement benefit obligations is recognized. Accounting effect on the balance remains to be seen.

8. Payments to the national treasury in connection with unnecessary assets

(1) Outline of unnecessary assets in relation to which payments were made to the national treasury

a) Type

Cash, deposits and securities

b) Book value

Cash and deposits ¥6,973,283,500 Securities ¥21,368,634,236

(2) Cause of becoming an unnecessary asset

As the result of a review of the execution of capital, based on the future expected business volume, it was found that the above assets became unnecessary to conduct the business without uncertainty.

(3) Method of payment into the national treasury

Payment into the national treasury was made in accordance with the stipulations of Article 46-2 paragraphs 1 and 2 of the Act on General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).

(4) Income from the transfer of assets for which payment was made in cash.

¥22,182,666,500

(5) Amount paid into the national treasury

¥28,590,790,544

(6) Date of payment into the national treasury

November 21, 2012

(7) Amount of reduction in capital

¥28,000,000,000

Account for Loans for Property Accumulation Saving Scheme-tied Houses

In FY 2012, the gross profit of the account for loans for property accumulation saving scheme-tied houses was ¥4.2 billion, a decrease of ¥2.6 billion from FY 2011. This was a result of ¥0.4 billion reversal of reserve for possible loan losses, which was a decrease of ¥2 billion from FY2011.

As for ¥22.6 billion of profit surplus recorded in FY 2011 financials, it was carried forward to the second mid-term target period according to the approval of the competent minister.

Balance Sheet

(unit: million yen)

Item	FY 2011	FY 2012	Item	FY 2011	FY 2012
(Assets)			(Liabilities)		
Cash and deposits	9,789	8,126	Borrowings	122,200	110,200
Cash	0	0	Borrowings from private institutions	122,200	110,200
Due from banks	5,024	2,265	Bonds	539,749	485,254
Agency deposits entrusted	4,765	5,861	Property accumulation saving-tied housing bonds	540,200	485,700
Money in trust	569	569	Bond issue premiums(△)	△ 451	△ 446
Securities	—	15,000	Subsidies payable, etc.	569	569
Certificates of deposit	—	15,000	Subsidies payable for emergency measures including loans for recovery from disasters	569	569
Loans	707,644	602,437	Other liabilities	232	193
Loans on bills	9	—	Accrued expenses	127	128
Loans on deeds	707,635	602,437	Other liabilities	39	35
Other assets	1,027	773	Accounts payable for other accounts	67	30
Accrued revenue	1,020	757	Allowance for bonuses	25	21
Other assets	7	15	Allowance for retirement benefits	1,105	1,096
Accounts receivable for other accounts	—	0	Allowance for refund of guarantee fees	941	755
Reserve for possible loan losses(△)	△ 2,233	△ 1,677	Reserve for mortgage transfer registration	655	331
			Total liabilities	665,477	598,419
			(Net assets)		
			Profit surplus	51,319	26,809
			Voluntary reserve fund	44,460	—
			Voluntary reserve fund pursuant to Section 2, Article 18 of the Japan housing Finance Agency Law	—	22,576
			Unappropriated profit	6,858	4,233
			(of which, gross profit of the current year)	(6,858)	(4,233)
			Total net assets	51,319	26,809
Total assets	716,796	625,228	Total liabilities and net assets	716,796	625,228

Income Statement

(unit: million yen)

Item	FY 2011	FY 2012
Ordinary income	15,974	11,131
Income from asset management	13,408	10,611
Interest on loans	13,391	10,601
Interest and dividends on securities	6	2
Interest on receivables under repurchase agreement	5	3
Interest on deposits	6	5
Income from service transactions, etc.	14	11
Other operating income	14	11
Other subsidies	1	1
Subsidies for emergency measures including loans for recovery from disasters	1	1
Other ordinary income	2,551	509
Reversal of reserve for possible loan losses	2,413	440
Reversal of reserve for retirement benefits accompanying transfer between accounts	6	57
Reversal of reserve for mortgage transfer registration	123	0
Gain on written-off claim recovered	—	4
Other ordinary income	8	8
Ordinary expenses	9,116	6,899
Fund raising expenses	7,989	5,906
Interest on borrowings	2,132	1,839
Interest on bonds	5,856	4,058
Interest on other account borrowings	1	9
Service transaction expenses	285	255
Service expenses	285	255
Other operating expenses	8	11
Amortization of bond issuing expenses	8	11
Business expenses	789	703
Other ordinary expenses	46	24
Provision for allowance for refund of guaranteed fees	46	24
Other ordinary expenses	0	—
Ordinary income	6,858	4,233
Extraordinary income	1	—
Gain on written-off claims recovered	1	—
Net income	6,858	4,233
Gross income	6,858	4,233

Cash Flows Statement

(unit: million yen)

Item	FY 2011	FY 2012
I Cash flow from operating activities		
Loan disbursement	△ 467	△ 184
Outlays on personnel expenses	△ 393	△ 364
Other operating outlays	△ 1,080	△ 1,128
Income from collection of loans	116,978	105,273
Income from interest on loans	13,602	10,864
Loan origination fees and other revenue	13	11
Income from other operations	11	13
Income from treasury subsidies	570	—
Subtotal	129,234	114,485
Interest and dividends received	17	9
Interest paid	△ 7,727	△ 5,688
Payment to the national treasury	—	△ 28,743
Cash flow from operating activities	121,524	80,063
II Cash flow from investing activities		
Net change in securities (certificates of deposit) (△ indicates negative)	—	△ 15,000
Outlays on the increase of money in trust	△ 570	—
Income from the decrease of money in trust	1	1
Cash flow from investing activities	△ 569	△ 14,999
III Cash flow from financing activities		
Income from long-term borrowings from private institutions	122,200	110,200
Outlays on redemption of long-term borrowings from private institutions	△ 143,600	△ 122,200
Income from issuance of bonds (after deducting issuance expense)	53,702	86,773
Outlays on repayment of bonds	△ 151,000	△ 141,500
Cash flows from financial activities	△ 118,698	△ 66,727
IV Increase (or decline) in cash	2,256	△ 1,663
V Opening balance of cash	7,533	9,789
VI Closing balance of cash	9,789	8,126

Statement of Appropriation of income

(unit: million yen)

I Unappropriated profit		4,233
Gross profit	4,233	
II Appropriated profit		4,233
voluntary reserve fund		4,233

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2011	FY 2012
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	7,989	5,906
Service transaction expenses	285	255
Other operating expenses	8	11
Business expenses	789	703
Other ordinary expenses	46	24
Subtotal	9,116	6,899
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 13,408	△ 10,611
Income from service transactions	△ 14	△ 11
Other ordinary income	△ 2,551	△ 509
Gain on written-off claims recovered	△ 1	-
Subtotal	△ 15,974	△ 11,130
Total operating expenses	△ 6,858	△ 4,232
II Expected increase in retirement benefits not recorded in allowances	0	0
III Administrative cost	△ 6,858	△ 4,231

Significant Accounting Policies (Account for Loans for Property Accumulation Saving Scheme-tied Houses)

1. Criteria for Recording Reserves

(1) Reserves for possible loans losses

Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on loans on the following bases.

- a. For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.
- b. For "borrowers with high probability of default," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.
- c. For "borrowers requiring caution" and "other borrowers requiring caution" concerning loans that cash flow in collection of principal of loans and interests received can be rationally estimated, the difference between the discounted amount of the cash flow by agreed interest rate and book value is recorded.
- d. For loans other than listed above, an amount is recorded based on the historic possible loss rate during a particular period.

(2) Allowance for Bonuses

In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.

(3) Allowance for Retirement Benefits

In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year.

Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.

Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.

(4) Allowance for Refund of Guarantee Fees

Parties who receive loans and paid a guarantee fee when entrusting a guarantee to the Housing Loan Guarantee Corporation on their loans as stipulated by Paragraph 1, Article 6, of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as JHF Law). In order to cover the necessary expenses for refunds of prepaid fees, the expected amount of refunds is recorded.

(5) Reserve for Mortgage Transfer Registration

The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to JHF regarding purchased loans inherited from GHLC as stipulated by Paragraph 1, Article 3 of the Supplementary Provisions of JHF Law (Law No. 82 of 2005).

2. Method and Criteria for Valuing Marketable Securities (including marketable securities invested as a trust asset in the money in trust)

(1) Securities held to maturity

The amortized cost method (straight-line method) is applied.

(2) Other securities

The purchase price is recorded

3. Depreciation of Bond Issue Premiums

Bond issue premiums are amortized using a straight line method over the maturity of the bond

4. Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations.

Taking into account the interest on 10-year government bonds at the end of March 2013, 0.560% was applied for calculating the opportunity costs for central government investments and local government investments.

5. Accounting for consumption tax

The tax inclusive method is applied.

Notes (Account for Loans for Property Accumulation Saving Scheme-tied Houses)

1. Matters Relating to Statement of Cash Flows

(1) Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank:	¥8,126,263,747
Closing balance of cash:	¥8,126,263,747

2. Matters relating to income statement

Based on the Practical Guidelines on Accounting Standards for Financial Instruments (Accounting Practice Committee Report No. 14 of Japanese Institute of Certified Public Accountants,) "gain on written-off claims recovered" is recorded in "ordinary income."

3. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

4. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2013
Retirement benefit obligation (A)	△ 1,719,334,939
Pension assets (B)	438,991,614
Unfunded retirement benefit obligations (C)=(A)-(B)	△ 1,280,343,325
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	183,876,809
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 1,096,466,516
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 1,096,466,516

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2012 to March 31, 2013
Service cost	45,069,764
Interest cost	23,921,903
Expected return on plan assets	△ 6,694,494
Amortization of prior service obligations	0
Amortization of actuarial differences	33,949,999
Other (such as extra retirement benefit)	0
Net pension expenses	96,247,172

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2013
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.7%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

5. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial products are described in Notes (overall agency).

(2) Matters Relating to the Mark to Market Prices of Financial Products.

The values of major financial products on the balance sheet as of the end of the fiscal year, their market values and differences between the book value are outlined below.

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	8,126,263,747	8,126,263,747	0
(2) Money in trust	568,584,578	568,983,832	399,254
(3) Securities			
Other securities	15,000,000,000	15,000,000,000	0
(4) Loans	602,436,917,961		
Reserve for possible loan losses (*1)	△ 1,674,623,811		
	600,762,294,150	624,034,300,241	23,272,006,091
Total assets	624,457,142,475	647,729,547,820	23,272,405,345
(1) Borrowings	110,200,000,000	110,200,000,000	0
(2) Bonds (*2)	485,253,939,662	489,062,767,351	3,808,827,689
Total liabilities	595,453,939,662	599,262,767,351	3,808,827,689

(*1) Amounts of general and individual reserves for possible loan losses for loans are deducted.

(*2) Since bond issue premiums are less important, the values are subtracted from the amount on the balance sheet.

(Note) Method of Calculating the Mark to Market Price of Financial Products

Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Money in trust

The market price was based on values provided by counterparty financial institutions.

(3) Securities

The market price was indicated by the book value since they had a short contract period and their market price was close to the book value.

(4) Loans

The future cash flow of loans was estimated in terms of their type, borrowers and maturities. The future cashflow was then discounted at a rate that would be applied to similar newly originated mortgage to calculate the market value.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collateral, the market price was close to the net of the value on the balance sheet at the fiscal year end and the estimated sum of loan losses. Accordingly, the difference was applied as the market price.

Liabilities

(1) Borrowings

The market price of borrowings was indicated by the book value, since they had a short contract period and their market price was close to the book value.

(2) Bonds

The total amount of principal and interest was discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

6. Securities

Other securities

(Unit: yen)

Category	Type	Book value on the balancesheet	Acquisition cost	Difference
Book value on the balance sheet does not exceed acquisition cost	Other	15,000,000,000	15,000,000,000	0

None of the book values on the balance sheet exceed its acquisition cost

7. Material Liability Incurring Activities

There is nothing to report.

8. Material Subsequent Events

Return of the subrogated portion of employees' pension fund

As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund. On the dates of approval of returning the past subrogated portion as well as returning pension asset in future, profit and loss concerning return of substitutional part is recorded and extinguishment of retirement benefit obligations is recognized. Accounting effect on the balance remains to be seen.

Housing Loan Account

The housing loan account consists of the housing loan operation account (loans for which applications were received in and after FY 2005) and account for operations taken over from the Housing Loan Guarantee Corporation.

In FY 2012, the gross income of the housing loan operation account was ¥5.0 billion, an increase of ¥4 billion from FY 2011. This was mainly because (of shifting the provision for the reserve of possible loan losses to the reversal of reserve of possible loan losses.)

The gross profit of the account for operations taken over from the Housing Loan Guarantee Corporation was ¥3.2 billion, a decrease of ¥0.1 billion from FY 2011. This was mainly because of a decrease in income from asset management in accordance with decreased balance of transferred claims (pension). The transfer from reserve for the previous mid-term target period for allocation to the operations of group credit life insurance was ¥8 billion.

Profit surplus recorded in FY 2011 accounting was carried forward to the second mid-term target period according to the approval of the competent minister.

Balance Sheet

(unit: million yen)

Item	FY 2011	FY 2012	Item	FY 2011	FY 2012
(Assets)			(Liabilities)		
Cash and due from banks	79,175	72,249	Borrowings	21,501	88,882
Cash	0	0	Fiscal Investment Loan Program borrowings	21,501	88,882
Due from banks	59,529	34,389	Bonds	1,193,621	1,125,006
Agency deposits entrusted	19,646	37,860	Government guaranteed bonds	95,000	—
Receivables under resale agreement	56,991	34,992	Mortgage-backed securities	53,927	44,153
Money in trust	188,766	241,358	General lien loans	587,746	642,898
Securities	426,604	351,966	Housing land bonds	457,130	438,109
Government bonds	35,566	31,354	Bond issue premiums(△)	△ 181	△ 154
Municipal bonds	41,276	41,278	Subsidies payable, etc.	188,809	241,559
Government guaranteed bonds	10,385	9,261	Subsidies payable for emergency measures including loans for recovery from disasters	188,809	241,559
Corporate bonds	114,378	111,072	Other liabilities	72,603	68,931
Certificates of deposit	225,000	159,000	Accrued expenses	16,815	16,811
Loans	945,849	955,464	Advanced earnings	46,552	43,020
Loan on bills	70,460	30,784	Financial derivative products	1,379	2,288
Loans on deeds	875,390	924,680	Other liabilities	7,462	6,608
Loans to other accounts	38,804	140,148	Accounts payable for other accounts	395	204
Long-term loan to other accounts	38,804	140,148	Bonus payment reserve	137	115
Other assets	154,470	135,564	Allowance for retirement benefits	6,092	6,048
Claims for indemnity	20,038	15,275	Allowance for refund of guarantee fees	190	149
Transferred claims (pension)	121,690	105,310	Reserve for mortgage transfer registration	343	191
Accrued revenue	2,453	2,094	Guarantee obligation	506,452	428,085
Financial derivative products	173	—			
Other assets	10,116	12,881			
Accounts receivable for other accounts	—	2			
Guarantee obligation reversal	506,452	428,085			
Reserve for possible loan losses(△)	△ 37,263	△ 29,613			
			Total liabilities	1,989,750	1,958,966
			(Net assets)		
			Capital	43,000	42,900
			Government injection monies	43,000	42,900
			Capital surplus	—	16
				—	16
			Profit surplus	329,870	330,136
			Group credit life insurance rider long-term stabilization reserve	307,026	—
			Transfer from reserve for the previous mid-term target period	—	321,912
			Reserve	18,510	—
			Unappropriated profit (of which, gross profit)	4,334	8,224
				(4,334)	(8,224)
			Valuation and translation adjustments	△ 2,771	△ 1,805
			Deferred gains or losses on hedges	△ 2,771	△ 1,805
			Total net assets	370,099	371,247
Total assets	2,359,848	2,330,213	Total liabilities and net assets	2,359,848	2,330,213

Income Statement

(unit: million yen)

Item	FY 2011	FY 2012
Ordinary income	226,186	217,755
Income from asset management	34,034	33,593
Interest on loans	24,891	24,809
Charges on claims for indemnity	211	170
Interest on transferred claims (pension)	4,620	3,995
Interest and dividends on securities	3,437	3,038
Interest on receivables under repurchase agreement	28	65
Interest on deposits	80	43
Interest on other account	767	1,474
Income from underwriting insurance	190,676	177,843
Fee from group credit life insurance riders	89,581	82,781
Revenue from group credit life insurance	96,860	87,359
Dividends on group credit life insurance	4,234	7,702
Income from service transactions, etc.	924	752
Guarantee fee	377	247
Other service incomes	548	505
Other subsidies	111	1,430
Subsidies for emergency measures including loans for disaster mitigation	111	1,430
Other ordinary income	440	4,138
Reversal of reserve for possible loan losses	—	1,576
Reversal of reserve for refund of guarantee fees	28	31
Reversal of reserve for retirement benefits accompanying transfer between accounts	—	301
Reversal of reserve for mortgage transfer registration	57	—
Income from written-off claims recovered	—	1,167
Other ordinary income	355	1,062
Ordinary expenses	232,373	217,489
Fund raising expenses	16,078	16,998
Interest on borrowings	101	529
Interest on bonds	15,977	16,469
Insurance underwriting expenses	202,270	187,566
Group credit life insurance premium paid	104,384	99,335
Payment of group credit life insurance claims	97,886	88,231
Service transaction expenses	2,004	2,021
Service expenses	2,004	2,021
Other operating expenses	545	4,220
Amortization of bond issuing expenses	213	269
Financial derivatives expenses	306	3,930
Other operating expenses	25	21
Business expenses	6,964	6,662
Other ordinary expenses	4,512	22
Provision for reserve for possible loan losses	4,363	—
Provision for reserve for retirement benefits accompanying transfer between accounts	149	—
Provision for reserve for mortgage transfer registration	—	18
Other ordinary expenses	0	4
Ordinary losses	△ 6,187	266
Extraordinary income	666	—
Gain on written-off claims recovered	666	—
Net loss	△ 5,522	266
Transfer from reserve for special purpose	9,856	—
Transfer from reserve for the previous mid-term target period	—	7,957
Gross income	4,334	8,224

Cash Flows Statement

(unit: million yen)

Item	FY 2011	FY 2012
I Cash flow from operating activities		
Loan disbursement	△ 281,860	△ 240,386
Outlays on personnel expenses	△ 2,145	△ 1,988
Outlays on group credit life insurance premium	△ 104,670	△ 99,769
Outlays on payment of group credit life insurance claims	△ 98,514	△ 89,194
Other operating outlays	△ 14,011	△ 12,313
Income from collection of loans	213,197	230,170
Income from interest on loans	25,075	25,044
Income from fees from loans	3	2
Income from fees from group credit life insurance rider	86,610	79,594
Income from group credit life insurance	96,800	88,262
Dividends received from group credit life insurance	3,291	4,234
Income from other operations	33,882	28,241
Income from treasury subsidies	188,830	53,900
Subtotal	146,489	65,797
Interest and dividends received	4,539	4,782
Interest paid	△ 17,110	△ 18,534
Cash flow from operating activities	133,918	52,045
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	—	△ 699
Income from redemption of securities (bonds)	42,000	8,500
Income from sales of securities (bonds)	—	791
Net change in securities (certificates of deposit) (△ indicates negative)	△ 225,000	66,000
Net change in receivables under repurchase agreement (△ indicates negative)	△ 56,991	21,999
Outlays on the increase of money in trust	△ 188,830	△ 53,900
Income on the decrease of money in trust	64	1,347
Outlays for long-term loans to other account	—	△ 101,345
Cash flow from investing activities	△ 428,757	△ 57,307
III Cash flow from financing activities		
Income from issuance of bonds (after deducting issuance expense)	56,947	56,731
Outlays on redemption of bonds	△ 22,685	△ 125,642
Income from Fiscal Investment Loan Program borrowings	16,800	70,200
Outlay on repayment of Fiscal Investment Loan Program borrowings	△ 378	△ 2,819
Income from government injection monies	600	600
Outlays for payments to national treasury concerning unnecessary assets	—	△ 733
Cash flows from financing activities	51,284	△ 1,664
IV Decrease in cash	△ 243,555	△ 6,926
V Opening balance of cash	322,730	79,175
VI Closing balance of cash	79,175	72,249

Statement of Appropriation of Income

(unit: million yen)

I Unappropriated profit		8,224
Gross profit	8,224	
II Appropriated profit		8,224
Voluntary reserve fund		

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2011	FY 2012
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	16,078	16,998
Insurance underwriting expenses	202,270	187,566
Service transaction expenses	2,004	2,021
Other operating expenses	545	4,220
Business expenses	6,964	6,662
Other ordinary expenses	4,512	22
Subtotal	232,373	217,489
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 34,034	△ 33,593
Income from insurance underwriting	△ 190,676	△ 177,843
Income from service transactions	△ 924	△ 752
Other ordinary income	△ 440	△ 4,138
Gain on written-off claims recovered	△ 666	—
Subtotal	△ 226,740	△ 216,325
Total operating expenses	5,633	1,164
II Impairment loss not recorded in the income statement	—	△ 50
III Other than expected increase in retirement benefits not recorded in allowances	2	1
IV Opportunity costs		
Opportunity costs related to items such as central and local government injection monies	420	243
V Administrative cost	6,055	1,358

Significant Accounting Policies (Housing Loan Account)

1. Criteria for Recording Reserves
 - (1) Reserves for possible loans losses

Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on loans, etc. on the following bases.

 - a. For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.
 - b. For "borrowers with high probability of default," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.
 - c. For "borrowers requiring caution" and "other borrowers requiring caution" concerning loans that cash flow in collection of principal of loans and interests received can be rationally estimated, the difference between the discounted amount of the cash flow by agreed interest rate and book value is recorded.
 - d. For loans other than listed above, an amount is recorded based on the historic possible loss rate during a particular period.
 - (2) Allowance for Bonuses

In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.
 - (3) Allowance for Retirement Benefits

In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year.

Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.

Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.
 - (4) Allowance for Refund of Guarantee Fees

Parties who receive loans related to transferred claims (from pension) described in Notes 1 (2) paid a guarantee free when entrusting a guarantee to the Housing Loan Guarantee Corporation on their loans as stipulated by Paragraph 1, Article 6, of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as JHF Law). In order to cover the necessary expenses for refunds of prepaid fees, the expected amount of refunds is recorded.
 - (5) Reserve for Mortgage Transfer Registration

The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to JHF regarding GHLC originated loans inherited from GHLC as stipulated by Paragraph 1, Article 3, of the Supplementary Provisions of JHF Law and transferred claims (pension).
2. Method and Criteria for Valuing Marketable Securities (including marketable securities invested as a trust asset in the money in trust)
 - (1) Securities held to maturity

The amortized cost method (straight-line method) is applied.
 - (2) Other securities

The purchase price is recorded.
3. Method for Valuing Financial Derivative Products (Derivative Transactions)

The market value method is applied.
4. Treatment of interest rate swaps

Deferred hedge accounting is used to account for interest rate swap transactions contracted in order to hedge the pipeline risk of bonds the Agency issues to procure funds for lending for rental house construction.

Hedge effectiveness is assessed based on the variation in the amount of hedged objects and hedging instruments.
5. Depreciation of Bond Issue Premiums

Bond issue premiums are amortized using a straight line method over the maturity of the bond
6. Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations

Taking into account the interest on 10-year government bonds at the end of March 2013, 0.560% was applied for calculating the opportunity costs for central government investments and local government investments.
7. Accounting for consumption tax

The tax inclusive method is applied.

Notes (Housing Loan Account)

Overview of JHF

Activities of JHF

Corporate Governance

Details of JHF Business

Financial Data

- Matters Relating to the Balance Sheet
 - Collateralized Assets

Loans are entrusted as collateral for mortgage backed securities.
The amount of assets collateralized and the amount of liabilities relating to collateral are described in Notes (overall agency).
 - Transferred Claims (Pension)

Based on Item 3, Paragraph 1, Article 7 of the Supplementary Provisions of Japan Housing Finance Agency Law (Law No. 82 of 2005), the balance of claims transferred from the Welfare and Medical Service Agency are recorded.
- Matters relating to income statement

Based on the Practical Guidelines on Accounting Standards for Financial Instruments (Accounting Practice Committee Report No. 14 of Japanese Institute of Certified Public Accountants,) "gain on written-off claims recovered" is recorded in "ordinary income."
- Matters Relating to Statement of Cash Flows

Breakdown of closing balance of cash on the balance sheet by item
Cash and due from bank: ¥72,249,304,355
Closing balance of cash: ¥72,249,304,355
- Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.
- Matters Relating to Retirement Benefits
 - Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.
 - Matters Relating to Retirement Benefit Obligations

Category	As of March 31, 2013	(Unit: yen)
Retirement benefit obligation (A)	△ 9,482,929,819	
Pension assets (B)	2,421,242,408	
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 7,061,687,411	
Unrecognized prior service obligations (D)	0	
Unrecognized actuarial differences (E)	1,014,165,904	
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 6,047,521,507	
Prepaid pension costs (G)	0	
Reserve for retirement benefit (F)-(G)	△ 6,047,521,507	

(3) Matter Relating to Retirement Benefit Expenses

Category	From April 1, 2012 to March 31, 2013	(Unit: yen)
Service cost	248,580,658	
Interest cost	131,940,394	
Expected return on plan assets	△ 36,923,247	
Amortization of prior service obligations	0	
Amortization of actuarial differences	174,485,572	
Other (such as extra retirement benefit)	0	
Net pension expenses	518,083,377	

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2013
a. Discount rate	1.4%
b. Expected rate of return on plan assets	1.7%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

6. Financial Products

- Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial instruments are described in Notes (overall JHF).
- Matters Relating to the Mark to market Prices of Financial Products

The values of major financial products on the balance sheet as of the end of the fiscal year, their market values and differences between the book values are outlined below.

	Book value on the balance sheet	Market price	Difference	(Unit: yen)
(1) Cash and due from banks	72,249,304,355	72,249,304,355	0	
(2) Receivables under resale agreement	34,991,894,000	34,991,894,000	0	
(3) Money in trust	241,357,666,945	241,735,406,901	377,739,956	
(4) Securities				
Securities held to maturity	192,965,882,527	201,287,368,000	8,321,485,473	
Other securities	159,000,000,000	159,000,000,000	0	
(5) Loans	955,463,941,943			
Reserve for possible loan losses (*1)	△ 9,159,893,567			
	946,304,048,376	971,074,007,702	24,769,959,326	
(6) Loans for other account	140,148,327,175	146,984,777,362	6,836,450,187	
(7) Claims for indemnity (*1)	6,185,344,989	6,185,344,989	0	
(8) Transferred claims (pension) (*1)	102,975,518,544	110,041,492,158	7,065,973,614	
Total assets	1,896,177,986,911	1,943,549,595,467	47,371,608,556	
(1) Borrowings	88,881,922,000	89,860,761,357	978,839,357	
(2) Bonds (*2)	1,125,006,403,487	1,209,137,883,326	84,131,479,839	
Total liabilities	1,213,888,325,487	1,298,998,644,683	85,110,319,196	
Financial derivative products (*3)	(2,287,757,203)	(2,287,757,203)	0	
Total Financial derivative products	(2,287,757,203)	(2,287,757,203)	0	

(*1) Amounts of general and individual reserves for possible loan losses for loans are deducted. Since reserves for possible loan losses for claims for indemnity and transferred claims (pension) are less important, their values are subtracted from the amounts on the balance sheet.
(*2) Since bond issue premiums are less important, the values are subtracted from the amount on the balance sheet.
(*3) Derivatives stated in other assets and liabilities are stated in aggregate amounts. Net claims and liabilities from transactions are stated in net amounts with sums representing net obligations stated in parentheses.

(Note) Method of Calculating the Market Price of Financial Products

Assets

- Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.
- Receivables under resale agreements

Since contracts are for short-term and fair value approximate book value, book values are used as fair value.
- Money in trust

The market price was based on values provided by counterparty financial institutions.

(4) Securities

The market price of bonds was based on market prices, including quotation by market makers, released by industry groups. The market price of certificates of deposit is indicated by the book value, since they had a short contract period and their market price was close to the book value.

(5) Loans

The future cashflow of loans was estimated in terms of their type, borrowers and maturities. The future cashflow was then discounted at a rate that would be applied to similar newly originated mortgage to calculate the market value.

(6) Loans on other accounts

The total amount of principal and interest was discounted at a rate that would be applied to similar newly originated loans to calculate the market value.

(7) Claims for indemnity

As the sum of loan losses was estimated based on an expected recoverable amount from the collateral, the market price was close to the difference between the value on the balance sheet at the closing day and the market estimated sum of bad loans. Accordingly, the difference was applied as the market price.

(8) Transferred claims (from pension)

The future cashflow of transferred claims (pension) was estimated in terms of their type, borrowers and maturities. The future cashflow was then discounted at a rate that would be applied to similar newly originated mortgage to calculate the market price. Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collateral and others, the market price was close to the net of the value on the balance sheet at the fiscal year end and the estimated sum of loan losses. Accordingly, such price was applied as the market price.

Liabilities

(1) Borrowings

The total amount of principal and interest was discounted at a rate that would be applied to a possible similar borrowing to calculate the market price.

(2) Bonds

The prices of mortgage-backed securities and general lien bonds were based on market prices, including quotation by market makers, released by industry groups. For housing land bonds, estimated future cash flows were discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

Derivatives other than for trading

Derivatives consist of interest rate swaps. Amounts are stated discounted to present value.

7. Securities

(1) Securities held to maturity

(Unit: yen)

Category	Type	Book value on the balance sheet	Market price	Difference
Securities whose market price exceeds the book value on the balance sheet	Government bonds	31,354,334,182	34,634,260,000	3,279,925,818
	Municipal bonds	41,278,467,133	43,341,844,000	2,063,376,867
	Government guaranteed bonds	9,261,163,769	9,732,750,000	471,586,231
	Corporate bonds	89,810,361,956	92,831,614,000	3,021,252,044
Subtotal	171,704,327,040	180,540,468,000	8,836,140,960	
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	0	0	0
	Municipal bonds	0	0	0
	Government guaranteed bonds	0	0	0
	Corporate bonds	21,261,555,487	20,746,900,000	△ 514,655,487
Subtotal	21,261,555,487	20,746,900,000	△ 514,655,487	
Total	192,965,882,527	201,287,368,000	8,321,485,473	

(2) Other securities

(Unit: yen)

Category	Type	Book value on the balance sheet	Acquisition cost	Balance
Book value on the balance sheet does not exceed acquisition cost	other	159,000,000,000	159,000,000,000	0

None of the book values on the balance sheet exceed its acquisition cost.

(3) Securities held to maturity that were sold in FY2012

(Unit: yen)

Type	Cost	Proceeds	Difference
Government bonds	740,935,306	790,685,000	49,749,694
Total	740,935,306	790,685,000	49,749,694

(Reason for the sale) The securities were sold for payments to the national treasury in connection with unnecessary assets. The said sales have been designated by the competent minister as transactions whose difference on sales is not recorded in income statements.

8. Material Liability Incurring Activities

There is nothing to report.

9. Material Subsequent Events

Return of the subrogated portion of employees' pension fund
As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund. On the dates of approval of returning the past subrogated portion as well as returning pension asset in future, profit and loss concerning return of substitutional part is recorded and extinguishment of retirement benefit obligations is recognized. Accounting effect on the balance remains to be seen.

10. Payments to the national treasury in connection with unnecessary assets

- Outline of unnecessary assets in relation to which payments were made to the national treasury
 - Securities
 - Book value
¥740,935,306
- Cause of becoming an unnecessary asset

As the result of a review of the execution of capital, based on the future expected business volume, it was found that the above assets became unnecessary to conduct the business without uncertainty.
- Method of payment into the national treasury

Payment into the national treasury was made in accordance with the stipulations of Article 46-2 paragraphs 1 and 2 of the Act on General Rules for Incorporated Administrative Agencies (Law No. 103 of 1999).
- Income from the transfer of assets for which payment was made in cash.
¥790,685,000
- Amount paid into the national treasury
¥733,404,000
- Date of payment into the national treasury
November 21, 2012
- Amount of reduction in capital
¥700,000,000

Outstanding Loan Management Account

In FY 2012, the gross profit of the outstanding loan management account was ¥165.9 billion, an increase of ¥82.2 billion from FY 2011. This was mainly because of the improvement of difference between income from asset management and fund raising expenses and shifting the provision for possible loan losses to the reversal of reserve of possible loan losses in accordance with a decrease in the outstanding balance of loans and delinquent loans. JHF will strengthen its efforts to curb delinquent loans, in order to improve income and expense.

Balance Sheet

(unit: million yen)

Item	FY 2011	FY 2012	Item	FY 2011	FY 2012
(Assets)			(Liabilities)		
Cash and due from banks	415,920	223,313	Borrowings	17,500,999	15,175,692
Cash	0	0	Fiscal Investment Loan Program borrowings	17,500,999	15,175,692
Due from banks	220,645	124,600	Bonds	3,569,957	3,066,680
Agency deposits entrusted	195,275	98,713	Mortgage-backed securities	3,235,766	2,639,845
Money in trust	14,444	13,018	General lien bonds	—	200,400
Securities	450,016	1,110,016	Housing land bonds	339,337	228,705
Stock	16	16	Bond issue premiums (△)	△ 5,147	△ 2,270
Certificates of deposit	450,000	1,110,000	Subsidies payable, etc.	14,239	12,840
Loans	19,701,996	16,513,501	Subsidies payable for emergency measures including loans for recovery from disasters	14,239	12,840
Loan on bills	33,882	32,657	Other liabilities	92,369	192,479
Loans on deeds	19,668,114	16,480,843	Accrued expenses	90,657	71,198
Loans for other account	459,364	512,478	Other liabilities	1,271	121,079
Long-term loan for other account	459,364	512,478	Accounts payable for other accounts	442	202
Other assets	64,820	54,915	Bonds payment reserve	164	139
Accrued revenue	59,261	50,498	Allowance for retirement benefits	7,284	7,302
Other assets	4,427	3,449	Allowance for refund of guarantee fees	30,670	23,299
Accounts receivable for other accounts	1,132	968	Allowance for refund of guarantee fees	15,510	7,512
Reserve for possible loan losses(△)	△ 481,558	△ 381,586	Reserve for mortgage transfer registration		
			Total liabilities	21,231,191	18,485,942
			(Net assets)		
			Capital	9,600	9,600
			Government injection monies	9,600	9,600
			Loss carry forward	△ 615,788	△ 449,888
			Unappropriated loss	△ 615,788	△ 449,888
			(of which, gross profit (or loss))	(83,653)	(165,900)
			Total net assets	△ 606,188	△ 440,288
Total assets	20,625,003	18,045,654	Total liabilities and net assets	20,625,003	18,045,654

Income Statement

(unit: million yen)

Item	FY 2011	FY 2012
Ordinary income	847,244	688,721
Income from asset management	760,141	652,242
Interest on loans	757,250	649,338
Interest and dividends on securities	792	938
Interest on receivables under repurchase agreement	153	101
Interest on deposits	280	102
Interest on loans for other account	1,666	1,763
Income from service transactions, etc.	186	144
Other service incomes	186	144
Income from government subsidies	79,000	—
Other subsidies	815	1,411
Subsidies for emergency measures including loans for recovery from disasters	815	1,411
Other ordinary income	7,102	34,924
Reversal of reserve for possible loan losses	—	27,649
Reversal of reserve for refund of guarantee fees	2,861	3,621
Reversal of reserve for retirement benefits accompanying transfer between accounts	144	319
Reversal of reserve for mortgage transfer registration	2,825	75
Income from written-off claims recovered	—	2,211
Other ordinary income	1,271	1,050
Ordinary expenses	764,624	522,821
Fund raising expenses	743,421	504,782
Interest on borrowings	669,115	443,782
Interest on bonds	74,306	61,000
Service transaction expenses	11,857	10,023
Service expenses	11,857	10,023
Other operating expenses	—	750
Amortization of bond issuing expenses	—	750
Business expenses	7,719	7,266
Other ordinary expenses	1,627	0
Provision for reserve for possible loan losses	1,627	—
Other ordinary expenses	0	0
Ordinary income (or loss)	82,619	165,900
Extraordinary income	1,034	—
Gain on written-off claim recovered	1,034	—
Net income (or loss)	83,653	165,900
Gross profit (or loss)	83,653	165,900

Cash Flows Statement

(unit: million yen)

Item	FY 2011	FY 2012
I Cash flow from operating activities		
Loan disbursement	△ 313	—
Outlays on personnel expenses	△ 2,595	△ 2,436
Other operating outlays	△ 26,711	△ 26,931
Income from collection of GHLC originated loans	3,739,132	3,116,172
Income from interest on GHLC originated loans	766,853	658,149
Loan origination fees and other revenue	181	140
Income from other operations	3,385	4,429
Income from government subsidies	79,000	—
Income from government grants	8,325	—
Income from treasury subsidies	15,050	—
Subtotal	4,582,307	3,749,523
Interest and dividends received	2,945	2,857
Interest paid	△ 790,897	△ 527,736
Cash flow from operating activities	3,794,355	3,224,644
II Cash flow from investing activities		
Net change in securities (certificates of deposit) (△ indicates negative)	350,000	△ 540,000
Net change in receivables under repurchase agreement (△ indicates negative)	249,936	—
Outlays on the increase of money in trust	△ 15,050	—
Income from the decrease of money in trust	606	1,430
Net change in short-term loans on other accounts (△ indicates negative)	241,700	—
Outlays for long-term loans for other account	△ 314,943	△ 53,114
Cash flow from investing activities	512,249	△ 591,683
III Cash flow from financing activities		
Income from issuance of bonds (after deducting issuance expense)	—	199,650
Outlays on redemption of bonds	△ 922,805	△ 699,911
Outlays on repayment of Fiscal Investment Loan Program borrowings	△ 3,914,334	△ 2,325,307
Cash flows from financial activities	△ 4,837,139	△ 2,825,568
IV Decrease in cash	△ 530,534	△ 192,607
V Opening balance of cash	946,454	415,920
VI Closing balance of cash	415,920	223,313

Statement of Appropriation of Loss

(unit: million yen)

I Unappropriated loss			△ 449,888
Gross profit		165,900	
Loss carry forward (from previous year)	△ 615,788		
II Loss carry forward			△ 449,888

Statement of Administrative Cost Calculations

(unit: million yen)

Item	FY 2011	FY 2012
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	743,421	504,782
Service transaction expenses	11,857	10,023
Other operating expenses	—	750
Business expenses	7,719	7,266
Other ordinary expenses	1,627	0
Subtotal	764,624	522,821
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 760,141	△ 652,242
Income from service transactions, etc.	△ 186	△ 144
Other ordinary income	△ 7,102	△ 34,924
Gain on written-off claims recovered	△ 1,034	—
Subtotal	△ 768,463	△ 687,310
Total operating expenses	△ 3,838	△ 164,489
II Expected increase in retirement benefits not recorded in allowances	2	2
III Opportunity costs		
Opportunity costs related to items such as central and local government investments	95	54
IV Administrative cost	△ 3,742	△ 164,434

Significant Accounting Policies (Outstanding Loan Management Account)

1. Criteria for Recording Reserves

(1) Reserves for possible loans losses

Borrowers are categorized into one of six groups - normal borrowers, borrowers requiring caution, other borrowers requiring caution, borrowers with high probability of default, substantially defaulted borrowers, and borrowers in default - and reserves are recorded to cover losses on loans on the following bases.

a. For "substantially defaulted borrowers" and "borrowers in default," an amount is recorded for each loan that is the difference between the balance of the loan and the expected recoverable amount from the collateral.

b. For "borrowers with high probability of default," a necessary amount of the difference between the balance of the loan and expected recoverable amount from the collateral for each loan is recorded.

c. For "borrowers requiring caution" and "other borrowers requiring caution" concerning loans that cash flow in collection of principal of loans and interests received can be rationally estimated, the difference between the discounted amount of the cash flow by agreed interest rate and book value is recorded.

d. For loans other than listed above, an amount is recorded based on the historic possible loss rate during a particular period.

(2) Allowance for Bonuses

In order to pay bonuses to directors and employees, the amount of expected bonus payments for the following year that is attributable to the current year is recorded.

(3) Allowance for Retirement Benefits

In order to pay retirement benefits to directors and employees, an allowance is recorded based on the retirement benefits obligations and projected pension assets at the end of the particular business year.

Past service liabilities are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee from the time the liability is generated.

Actuarial differences are recorded as expenses equally over a set number of years (10 years) within the average remaining number of working years of the director or employee starting from the business year after the business year that the difference was generated.

(4) Allowance for Refund of Guarantee Fees

Parties who receive loans paid a guarantee fee when entrusting a guarantee to the Housing Loan Guarantee Corporation on their loans as stipulated by Paragraph 1, Article 6 of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as JHF Law). In order to cover the necessary expenses for refunds of prepaid fees, the expected amount of refunds is recorded.

(5) Reserve for Mortgage Transfer Registration

The estimated amount of future payment is recorded to cover registration fees for future mortgage transfers to JHF regarding GHLC originated loans inherited from GHLC as stipulated by Paragraph 1, Article 3, of the Supplementary Provisions of JHF Law.

2. Method and Criteria for Valuing Marketable Securities

(1) Securities held to maturity

The amortized cost method (straight-line method) is applied.

(2) Other securities

The purchase price is recorded.

3. Depreciation of Bond Issue Premiums

Bond issue premiums are amortized using a straight line method over the maturity of the bond

4. Method for Recording Opportunity Costs in the Statement of Administrative Cost Calculations

Taking into account the interest on 10-year government bonds at the end of March 2013, 0.560% was applied for calculating the opportunity costs for central government investments and local government investments.

5. Accounting for consumption tax

The tax inclusive method is applied.

Overview of JHF

Activities of JHF

Corporate Governance

Details of JHF Business

Financial Data

Notes (Outstanding Loan Management Account)

1. Matters Relating to the Balance Sheet

Collateralized Assets

Loans are entrusted as collateral for mortgage backed securities.

The amount of assets collateralized and the amount of liabilities relating to collateral are described in Notes (overall agency).

2. Matters relating to income statement

Based on the Practical Guidelines on Accounting Standards for Financial Instruments (Accounting Practice Committee Report No. 14 of Japanese Institute of Certified Public Accountants,) "gain on written-off claims recovered" is recorded in "ordinary income."

3. Matters Relating to Statement of Cash Flows

Breakdown of closing balance of cash on the balance sheet by item

Cash and due from bank: ¥223,313,377,378

Closing balance of cash: ¥223,313,377,378

4. Matters Relating to Statement of Administrative Cost Calculations

The expected increase in retirement benefits not included in allowances is related to parties seconded from the central government.

5. Matters Relating to Retirement Benefits

(1) Overview of the Retirement Benefit Plan

A lump-sum retirement benefit and employee pension have been established as a defined benefit pension plan.

(2) Matters Relating to Retirement Benefit Obligations

(Unit: yen)

Category	As of March 31, 2013
Retirement benefit obligation (A)	△ 11,450,416,192
Pension assets (B)	2,923,593,637
Unfunded retirement benefit obligations (C)=(A) + (B)	△ 8,526,822,555
Unrecognized prior service obligations (D)	0
Unrecognized actuarial differences (E)	1,224,581,634
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 7,302,240,921
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 7,302,240,921

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2012 to March 31, 2013
Service cost	300,155,337
Interest cost	159,314,943
Expected return on plan assets	△ 44,583,958
Amortization of prior service obligations	0
Amortization of actuarial differences	242,191,900
Other (such as extra retirement benefit)	0
Net pension expenses	657,078,222

(4) Matters Relating to Basis for Calculating Retirement Benefit Obligations, etc.

Category	As of March 31, 2013
a. Discount rate	1.4%
b. Expected rate of return	1.7%
c. Method for attributing the projected benefits to periods of services	Straight-line method
d. Number of years for disposal of past service liabilities	10 years (past service liabilities are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee at the time the liability is generated.)
e. Amortization of recognized actuarial differences	10 years (actual differences are recorded as expenses or income equally over a set number of years of the average remaining number of working years of the director or employee starting from the business year after the business year that the difference is generated.)

6. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial products are described in Notes (overall agency).

(2) Matters Relating to the Mark to market Prices of Financial Products

The values of major financial products on the balance sheet as of the end of the fiscal year, their market values and differences between the book values are outlined below. The values of products whose market prices are difficult to obtain are not included in the table (refer to Note 2).

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	223,313,377,378	223,313,377,378	0
(2) Money in trust	13,018,136,885	13,028,562,020	10,425,135
(3) Securities			
Other securities	1,110,000,000,000	1,110,000,000,000	0
(4) Loans	16,513,500,787,087		
Reserve for possible loan losses (*1)	△ 380,410,905,428		
	16,133,089,881,659	17,281,430,233,649	1,148,340,351,990
(5) Loans to other accounts	512,477,557,637	513,188,040,203	710,482,566
Total assets	17,991,898,953,559	19,140,960,213,250	1,149,061,259,691
(1) Borrowings	15,175,692,000,000	16,400,423,966,889	1,224,731,966,889
(2) Bonds (*2)	3,066,679,805,028	3,245,369,243,151	178,689,438,123
Total liabilities	18,242,371,805,028	19,645,793,210,040	1,403,421,405,012

(*1) Amounts of general and individual reserves for possible loan losses for loans are deducted.

(*2) Since bond issue premiums are less important, the differences between the market value and book value are directly reflected in the amount on book value of the balance sheet.

(Note 1) Method of Calculating the Mark to market Price of Financial Products

Assets

(1) Cash and due from banks

All dues from banks had no fixed maturity date, and the market price was close to the book value. Accordingly, the book value was applied as the market price.

(2) Money in trust

The market price was based on values provided by counterparty financial institutions.

(3) Securities

The market price is indicated by the book value, since they had a short contract period and their market price was close to the book value.

(4) Loans

The future cashflow of loans was estimated in terms of their type, borrowers and maturities. The future cashflow was then discounted at a rate that would be applied to a similar newly originated loan to calculate the market price.

Regarding the loans of borrowers in default, substantially defaulted borrowers and borrowers with high probability of default, as the sum of loan losses was estimated based on an expected recoverable amount from the collateral and guarantee, the market price was close to the net of the value on the balance sheet at the fiscal year end and the estimated sum of loan losses.

Accordingly, such price was applied as the market price.

Loans on bills of GHLC originated loans had a short contract period and their market price was close to the book value. Accordingly, the book value was applied as the market price.

(5) Loans on other accounts

The total amount of principal and interest was discounted at a rate that would be applied to similar newly originated loans to calculate the market value.

Liabilities

(1) Borrowings

The total amount of principal and interest was discounted at a rate that would be applied to a possible similar borrowing to calculate the market price.

(2) Bonds

The price of mortgage-backed securities was based on market prices, including quotation by market makers, released by industry groups.

For housing land bonds, estimated future cash flows were discounted at a rate that would be applied to a new similar bond issue to calculate the market price.

(Note 2) Unlisted stocks (value on the balance sheet: ¥16,150,000) have no market price, which makes it difficult to estimate their market price. Accordingly, the market price is not required to be disclosed.

7. Securities

Other securities

(Unit: yen)

Category	Type	Book value on the balance sheet	Acquisition cost	Difference
Book value on the balance sheet does not exceed acquisition cost	Other	1,110,000,000,000	1,110,000,000,000	0

None of the book values on the balance sheet exceed acquisition cost.

8. Material Liability Incurring Activities

There is nothing to report.

9. Material Subsequent Events

Return of the subrogated portion of employees' pension fund

As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund. On the dates of approval of returning the past subrogated portion as well as returning pension asset in future, profit and loss concerning return of substitutional part is recorded and extinguishment of retirement benefit obligations is recognized. Accounting effect on the balance remains to be seen.

Details

● Investment in JHF capital and its funding sources (FY 2012)

In FY 2012, JHF received ¥50.4 billion in government capital from the government's general account. With regard to ¥36.4 billion capital injection money from the government's general account, it was returned to the national treasury in November 2012 pursuant to the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the cabinet on December 7, 2010) and other measures.

Therefore, the balance of capital at the end of FY 2012 was ¥670.6 billion and its breakdowns are ¥581.7 billion from the general account, ¥54.5 billion from Fiscal Investment and Loan Program special account, and ¥34.4 billion from the reserve fund for interest rate change.

Of the capital, ¥84 million will be returned to the national treasury in FY 2013.

(Unit: million yen)

Category under government account and name of fund	Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year
General account	567,763	50,403	36,445	581,721
Special account for the Fiscal Investment and Loan Program	88,900	—	—	88,900
Capital from the special account for the Fiscal Investment and Loan Program	54,500	—	—	54,500
Reserve fund for interest rate change	34,400	—	—	34,400
Total	656,663	50,403	36,445	670,621

● Major assets and liabilities (FY 2012)

• Long-term borrowings

In FY 2012, JHF borrowed ¥70.2 billion from Fiscal Investment and Loan Program, and ¥110.2 billion from the private institutions. As ¥2,328.1 billion was repaid to Fiscal Investment and Loan Program, and ¥122.2 billion repaid to the private institutions, the outstanding balance of long-term borrowings at the end of FY 2012 was ¥15,374.8 billion and its breakdowns are ¥15,264.6 billion from Fiscal Investment and Loan Program, and ¥110.2 billion from the private institutions.

(Unit: million yen)

Category	Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year
Borrowings from Fiscal Investment and Loan Program	17,522,500	70,200	2,328,126	15,264,574
Borrowings from the private institutions	122,200	110,200	122,200	110,200
Total	17,644,700	180,400	2,450,326	15,374,774

• Details of bonds issued by JHF

In FY 2012, ¥2,365 billion (face value amount, applicable herein below) of Japan Housing Finance Agency bonds, ¥87 billion of JHF's property accumulation saving scheme-tied houses bonds, and ¥26.2 billion of JHF's housing land bonds were issued. In addition, ¥1,437.5 billion of Japan Housing Finance Agency bonds, ¥141.5 billion of JHF's property accumulation saving scheme-tied houses bonds, and ¥128.4 billion of JHF's housing land bonds were redeemed. Therefore the total outstanding balance of bonds at the end of FY2012 was ¥13,922 billion which consists of ¥12,830.9 billion of Japan Housing Finance Agency bonds, ¥485.7 billion of JHF's property accumulation saving scheme-tied houses bonds, and ¥605.4 billion of JHF's housing land bonds.

(Unit: million yen)

Category	Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year
Japan Housing Finance Agency bonds	11,903,365	2,364,954	1,437,468	12,830,851
JHF's Property accumulation saving scheme-tied houses bonds	540,200	87,000	141,500	485,700
JHF's housing land bonds	707,609	26,237	128,399	605,446
Total	13,151,174	2,478,191	1,707,367	13,921,997

• Reserves

(Unit: million yen)

Category	Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year
Reserve for possible loan losses	569,665	—	92,649	477,016
Allowance for bonuses	611	538	611	538
Allowance for retirement benefits	27,077	2,421	1,239	28,259
Allowance for refund of guarantee fees	31,800	—	7,598	24,203
Reserve for mortgage transfer registration	17,234	—	8,801	8,433

● Acquisition and disposal of fixed assets and depreciation costs (FY 2012)

(Unit: million yen)

Type of asset		Balance at the beginning of current fiscal year	Increase during current fiscal year	Decrease during current fiscal year	Balance at the end of current fiscal year	Accumulated depreciation		Accumulated impairment loss	Balance after deduction at the end of current fiscal year
						Depreciation expenses for the current fiscal year			
Tangible fixed assets (Depreciation is recorded as losses in the income statement)	Buildings	15,604	64	—	15,669	3,842	530	29	11,797
	Other tangible fixed assets	1,012	876	49	1,839	704	265	1	1,134
	Total	16,616	940	49	17,507	4,546	795	30	12,931
Non-depreciable assets	Land	22,048	—	—	22,048	—	—	448	21,600
	Construction in process account	—	86	—	86	—	—	—	86
	Other tangible fixed assets	5	—	—	5	—	—	—	5
	Total	22,052	86	—	22,138	—	—	448	21,690
Total tangible fixed assets		38,669	1,026	49	39,645	4,546	795	478	34,621

● Affiliated corporations

JHF does not invest in any corporations, but the following corporations are considered specific affiliated companies or specific public interest companies, etc. under incorporated administrative agency accounting standards.

All specific affiliated companies are small and do not have a material impact on the total gross assets or sales found on the financial statements. Therefore, the companies are excluded from the scope of consolidation.

Company name	Summary of operations	Relationship with agency	Date founded	Capital or core assets
Housing Support Information System Co., Ltd. (specific affiliated company)	Business of development, operation and maintenance of software; Internet related operations; system related services, etc.	System development, etc.	April 1997	¥24.9 million
Jutaku Loan Service, Ltd. (specific affiliated company)	Business of management and recovery of the specific monetary claims, etc.	Loan servicing	August 2004	¥500 million

● Transition in capital

(Unit: 100 million yen)

Fiscal year	Capital	Fiscal year	Capital
June 1950	136	1965	970
1951	230	1966	971
1952	310	1967 – 1997	972
1953	368	1998	1,522
1954	418	1999 – 2000	1,662
1955 – 1956	425	2001 – 2004	1,687
1957	455	2005	2,237
1958	480	2006	2,537
1959	525	2007	3,197
1960	575	2008	4,057
1961	665	2009	9,013
1962	760	2010	6,977
1963	855	2011	6,567
1964	955	2012	6,706

(Note) ¥36.4 billion government injection monies from the general account was returned to the national treasury in November 2012 in line with the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the cabinet on December 7, 2010) and other measures.

● Details of business expenses

(Unit: million yen)

Category	FY 2011	FY 2012
Overhead expenses	10,919	10,654
Management travel expenses	57	79
Various management expenses	2,841	2,592
Entertainment expenses	0	—
Tax	269	257
Fixed asset depreciation expenses	554	551
Leased asset depreciation expenses	1,124	244
Operational travel expenses	76	74
Various operating costs	3,867	4,517
Expenses for special servicing of loans	900	595
Reparations and repayments	—	—
Other expenses including bond issuance costs and trust fees	168	204
System operation outsourcing costs	4,493	4,500
Total	25,268	24,267

● Capital adequacy ratio

(Unit: 100 million yen)

Category	FY 2011	FY 2012
Net capital	3,762	5,567
Reserve for possible loan losses	752	715
Owned capital (A)	4,514	6,283
Assets (on balance sheet)	109,514	103,959
Off balance sheet transactions	7,809	6,704
Amount equivalent to operational risk	2,944	3,792
Risk weighted assets total (B)	120,268	114,455
Capital adequacy ratio ((A) / (B)) x 100	3.75%	5.49%

(Notes) The capital adequacy ratio is calculated in accordance with the Basel II criteria, but since it is difficult to determine attributes for some loans, simple calculations were applied.

The following are such examples:

- In terms of type of borrowers, loans were categorized according to the type of loan since it is difficult to differentiate between individuals and corporations and the size of corporations for borrowers taking out housing loans.
- In terms of type of collateral, all loans are assumed to be housing loans with mortgage claims since it is difficult to determine whether there exists an attached store or mortgage claim exists on the properties.

● Overhead ratio

(Unit: 100 million yen)

Category	FY 2011	FY 2012
Expenses* (A)	589	569
Average balance of purchased loans (B)	311,865	291,180
Overhead ratio (A) / (B)	0.1887%	0.1954%

* Expenses = services expenses + (business expenses – commission fees) + amortized bond issuing expenses + miscellaneous losses

● Status of revenue and expenditure in a single fiscal year for the accounts other than the outstanding loan management account and the account related to operations acquired from the Housing Loan Guarantee Corporation

Operations acquired from the Housing Loan Guarantee Corporation (“Acquired Operation from HLGC”) refer to group credit life insurance and other operations taken over from the Housing Loan Guarantee Corporation at the time of the establishment of JHF, in accordance with Paragraph 3, Article 6 of the Supplementary Provisions of JHF Law.

Acquired Operations from HLGC are recorded under the housing loan account, and are accounted as the “Account for Acquired Operations from HLGC” in accordance with Item 2, Article 10 of the Ministerial Ordinance Related to Accounting and Finances of and the Conduct of Operations by Japan Housing Finance Agency.

JHF aims to achieve a surplus in single-year revenues and expenditures by the final year for the first medium-term target, and to eliminate loss carried forward by the final year for the second medium-term target for the overall account excluding “operations acquired from the Housing Loan Guarantee Corporation” and the outstanding loan management account. The current status is as shown in the table below.

(Unit: million yen)

	FY 2011		FY 2012	
	Gross profit/loss (△)	Surplus/loss carried forward (△)	Gross profit/loss (△)	Surplus/loss carried forward (△)
Securitization support account	33,830	△ 17,090	26,887	9,797
Account for transfer of claims	32,556	4,214	25,585	29,799
Account for loan guarantees	1,274	△ 21,304	1,303	△ 20,002
Housing loan insurance account	3,649	2,123	3,986	3,986
Account for loans for property accumulation saving scheme-tied houses	6,858	51,319	4,233	26,809
Housing loan account	4,334	329,870	8,224	330,136
Account for housing loans	981	△ 19,549	5,002	△ 14,547
Account for Acquired Operations from HLGC	3,353	349,419	3,222	344,683
Overall agency (excluding the outstanding loan management account and Account for Acquired Operations from HLGC)	45,318	16,803	40,107	26,045

● Reference – List of government investment monies injected to JHF (by type of business)

(Unit: million yen)

Type	Purpose	Total at the end of FY 2012	Total at the end of FY 2013 (estimate)
Securitization support business	Credit risk management, Provision of Flat 35S ALM risk management, Interest rate fluctuation risk management, Management of interest to be paid to originators Before replenishment	516,121	546,186
Housing loan insurance business	Insurance risk management	102,000	102,000
Housing loan business	Credit risk management concerning town development loans (short-term business funds), ALM risk management related to loans for recovery from disasters Credit risk management measures related to loans for serviced residences for the aged	42,900	42,900
Outstanding loan management	Implementation of special preferential measures of repayment condition changes (lowering of interest rate)	9,600	9,600
Total		670,621	700,686

The figures are estimated amounts reflecting ¥0.84 billion government injection monies of Securitization Support Business returned to the national treasury.

●Reference - Status of long-term bonds being held

FY 2011

(Unit: 100 million yen)

Type	Classification (purpose)	At the end of FY 2011				
		Government bonds	Municipal bonds	Government guaranteed bonds	FILP agency bonds, etc.	
Securitization support account	Government injection monies (purposed to extend Flat 35S housing loans and manage credit risks)	3,902	1,398	707	102	1,695
Housing loan insurance account	Government injection monies (purposed to manage insurance underwriting risks)	1,225	541	417	19	248
	Mandatory policy reserves (purposed for future insurance payments)	251	25	55	41	130
Housing loan account	Government injection monies (purposed to manage credit risk of town development loan, a short-term business loan)	423	121	122	1	180
	Reserve for the long-term stabilization of premiums for group credit life insurance (purposed for future operation of group credit life insurance business)	1,593	234	291	103	964
Total		7,395	2,320	1,593	266	3,216

FY 2012

(Unit: 100 million yen)

Type	Classification (purpose)	At the end of FY 2012				
		Government bonds	Municipal bonds	Government guaranteed bonds	FILP agency bonds, etc.	
Securitization support account	Government injection monies (purposed to extend Flat 35S housing loans and manage credit risks)	4,119	1,529	718	71	1,802
Housing loan insurance account	Government injection monies (purposed to manage insurance underwriting risks)	977	491	297	0	188
	Mandatory policy reserves (purposed for future insurance payments)	251	25	55	41	130
Housing loan account	Government injection monies (purposed to manage credit risk of town development loan, a short-term business loan)	423	118	122	1	183
	Reserve carried over from previous mid-term target years (purposed for future operation of group credit life insurance business)	1,506	196	291	92	928
Total		7,276	2,359	1,483	204	3,230

* The securities eligible to be held by JHF are government bonds, municipal bonds and government guaranteed bonds as well as bonds issued by corporations under special laws (securities designated by the competent ministers) as determined under Article 47 of the Law for General Rules for Incorporated Administrative Agencies. JHF holds these securities for the purpose of stable and efficient implementation of operations. In FY 2012, JHF sold long-term bonds amounting ¥29.9 billion in order to pay the government injection monies to the national treasury.

Reference – Status of receiving subsidies

(Unit: million yen)

Type	Purpose	Amount received in FY 2012	Amount received in FY 2013 *1
Subsidies for promotion projects for development of high-quality housings *2	Interest rate reduction, etc. of Flat 35S.	5,552	16,285
Subsidies for emergency measures including loans for recovery from disasters	Expansion, etc. of the systems of loans for disaster mitigation and the changes of repayment methods for the people affected by the Great East Japan Earthquake.	53,900	—

*1 The amounts received for FY 2013 are budgeted amounts.

*2 Renamed from "subsidies for securitization support business" in FY 2012

Reference - Use of subsidies for emergency measures to facilitate housing finance

Subsidies for emergency measures to facilitate housing finance are subsidies received in a lump sum to lowering interest rate on housing loans for promoting recovery from the Great East Japan Earthquake and promoting energy conservation of housing as prescribed in the Emergency Economic Countermeasures for Future Growth and Security (approved by the Cabinet on December 8, 2009) and in the Three-Step Economic Measures for the Realization of New Growth Strategy (approved by the Cabinet on September 10, 2010). Subsidies are simultaneously applied to costs realized by lowering interest rate and others.

● Results of purchases, etc.

• Securitization Support business

- Applied expansion of Flat 35S interest rate discount pursuant to the Emergency Economic Countermeasures for Future Growth and Security and the Three-Step Economic Measures for the Realization of New Growth Strategy (the application period ended on September 30, 2011. The results are total between February 15, 2010 and March 31, 2013)

* First 10 years minus 0.3% → minus 1.0%

Number of loans purchased/insured amount	Subsidies used		
	Past fiscal years	This fiscal year	Total
213,766	¥50.75 billion	¥55.77 billion	¥106.51 billion
¥5,589.4 billion			

- Applied expansion of Flat 35S interest rate discount in order to promote recovery from the Great East Japan Earthquake and Promoting energy conservation of housing* (the application period ended on October 31, 2012. The results are total between December 1, 2011 and March 31, 2013)

* First 5 years minus 0.3% → minus 1.0% (areas affected by the Great East Japan Earthquake)

Number of loans purchased/insured amount	Subsidies used		
	Past fiscal years	This fiscal year	Total
6,672 (40,722)	¥0.01 billion	¥0.83 billion	¥0.84 billion
¥170 billion (¥1119.6 billion)			

* The figures in brackets () indicated the numbers for regions other than areas affected by the Great East Japan Earthquake (first 5 years: minus 0.3% → minus 0.7%)

Expenses for unaffected areas are ineligible for emergency housing subsidies.

• Housing loan insurance business

Insurance premium rate reduced (ended on December 30, 2010 on loan approval base. The results are total between January 29, 2010 and March 31, 2013)

Number of loans purchased/ insured and their amount	Subsidies used		
	Past fiscal years	This fiscal year	Total
19,577 ¥447.9 billion	¥28.03 billion	¥0.02 billion	¥28.05 billion

● Use of subsidies

• Securitization support business

- Applied expansion of Flat 35S interest rate discount* pursuant to the Emergency Economic Countermeasures for Future Growth and Security and the Three-Step Economic Measures for the Realization of New Growth Strategy (the application period ended on September 30, 2011. The results are total between February 15, 2010 and March 31, 2013)

* First 10 years minus 0.3% → minus 1.0%

(Unit: 100 million yen)

Amount / as of	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
Subsidies received	2,600.0	2,235.0	—	—
Transfer from housing loan insurance business	—	700.0	381.0	—
Amount carried forward	—	2,599.3	5,437.9	5,419.8
Accrued interest income	—	4.9	6.4	16.0
(Accumulated gains)	(—)	(4.9)	(11.3)	(27.3)
Subtotal ①	2,600.0	5,539.2	5,825.3	5,435.8
Expenses for interest rate discount ②	0.7	101.3	405.5	557.7
(Accumulated expenses for interest rate discount)	(0.7)	(102.0)	(507.5)	(1,065.1)
Balance of subsidies ① – ②	2,599.3	5,437.9	5,419.8	4,878.1
Estimate required amount of subsidies for the following years ③	—	—	—	4,878.1
Planned repayment to the national treasury for the following year ① – ② – ③	—	—	0.0	0.0

- Applied expansion of Flat 35S interest rate discount in order to promote recovery from the Great East Japan Earthquake and promoting energy conservation of housing* (the application period ended on October 31, 2012. The results are total between December 1, 2011 and March 31, 2013)

* First 5 years minus 0.3% → minus 1.0% (areas affected by the Great East Japan Earthquake)

Amount / as of	March 31, 2011	March 31, 2012
Subsidies received	159.0	—
Transfer from housing loan insurance business	—	39.4
Amount carried forward	—	158.9
Accrued interest income	0.0	0.2
(Accumulated gains)	(0.0)	(0.2)
Subtotal ①	159.0	198.6
Expenses for interest rate discount ②	0.1	8.3
(Accumulated expenses for interest rate discount)	(0.1)	(8.4)
Balance of subsidies ① – ②	158.9	190.3

• **Housing loan insurance business**

Insurance premium rate reduced (ended on December 30, 2010 on loan approval base. The results are total between January 29, 2010 and March 31, 2013)

(Unit: 100 million yen)

Amount / as of	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
Subsidies received	1,400.0	—	—	—
Amount carried forward	—	1,341.0	443.9	39.8
Accrued interest income	—	1.0	0.1	0.0
(Accumulated gains)	(—)	(1.0)	(1.2)	(1.2)
Subtotal ①	1,400.0	1,342.0	444.1	39.8
Expenses for premium rate discount ②	59.0	198.1	23.2	0.2
(Accumulated premium rate discount)	(59.0)	(257.1)	(280.3)	(280.5)
Transfer to the securitization business ③	—	700.0	381.0	39.4
Balance of subsidies ① - ② - ③	1,341.0	443.9	39.8	0.2
Estimate required amount of subsidies for the following years ④	—	—	—	0.0
Planned transfer to the securitization support account for the following year ⑤	—	—	—	0.0
Planned repayment to the national treasury for the following year ① - ② - ③ - ④ - ⑤	—	—	—	0.2

Reference - Use of subsidies for emergency measures including loans for recovery from disasters

Subsidies for emergency measures including loans for recovery from disasters are subsidies received in a lump sum to provide housing loans under loans for recovery from disasters business or to lower interest rate on housing loans for people affected by the Great East Japan Earthquake. The subsidies are simultaneously applied to costs realized by lowering interest rate and others.

● Results of loans, etc.

- Actual applications accepted and loans provided relating to loans for recovery from disasters business (interest rate discount applied) (the results are total between March 11, 2011 and March 31, 2013)

Number of houses of applications accepted and their amount	Number of houses of loans provided and their amount
9,789	5,586
¥148.73 billion	¥84.88 billion

The "number of houses of loans provided" indicates the number of loans on deeds.

- Results of loan modifications (interest rate discount applied) (the results are total between March 11, 2011 and March 31, 2013)

Number of loan modifications applied	4,249 cases
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● Use of subsidies

- Use of subsidies relating to loans for recovery from disasters (interest rate discount applied) (the results are total between March 11, 2011 and March 31, 2013)

(Unit: 100 million yen)

Amount / as of	March 31, 2011	March 31, 2012
Subsidies received	1,884.0	539.0
Amount carried forward	—	1,884.0
Accrued interest income	0.9	2.8
(Accumulated gains)	(0.9)	(3.7)
Subtotal ①	1,884.9	2,425.8
Expenses for interest rate discount ②	0.9	14.0
(Accumulated interest rate discount)	(0.9)	(14.9)
Balance of subsidies ① - ②	1,884.0	2,411.8

- Use of subsidies relating to loan modification (interest rate discount applied) (the results area total loans executed between March 11, 2011 and March 31, 2013)

(Unit: 100 million yen)

Amount / as of	March 31, 2011	March 31, 2012
Subsidies received	183.0	—
Amount carried forward	—	174.1
Accrued interest income	0.1	0.1
(Accumulated gains)	(0.1)	(0.2)
Subtotal ①	183.1	174.3
Expenses for interest rate discount ②	8.9	15.4
(Accumulated interest rate discount)	(8.9)	(24.3)
Balance of subsidies ① - ②	174.1	158.9