



Disclosure Booklet 2013

Financial data

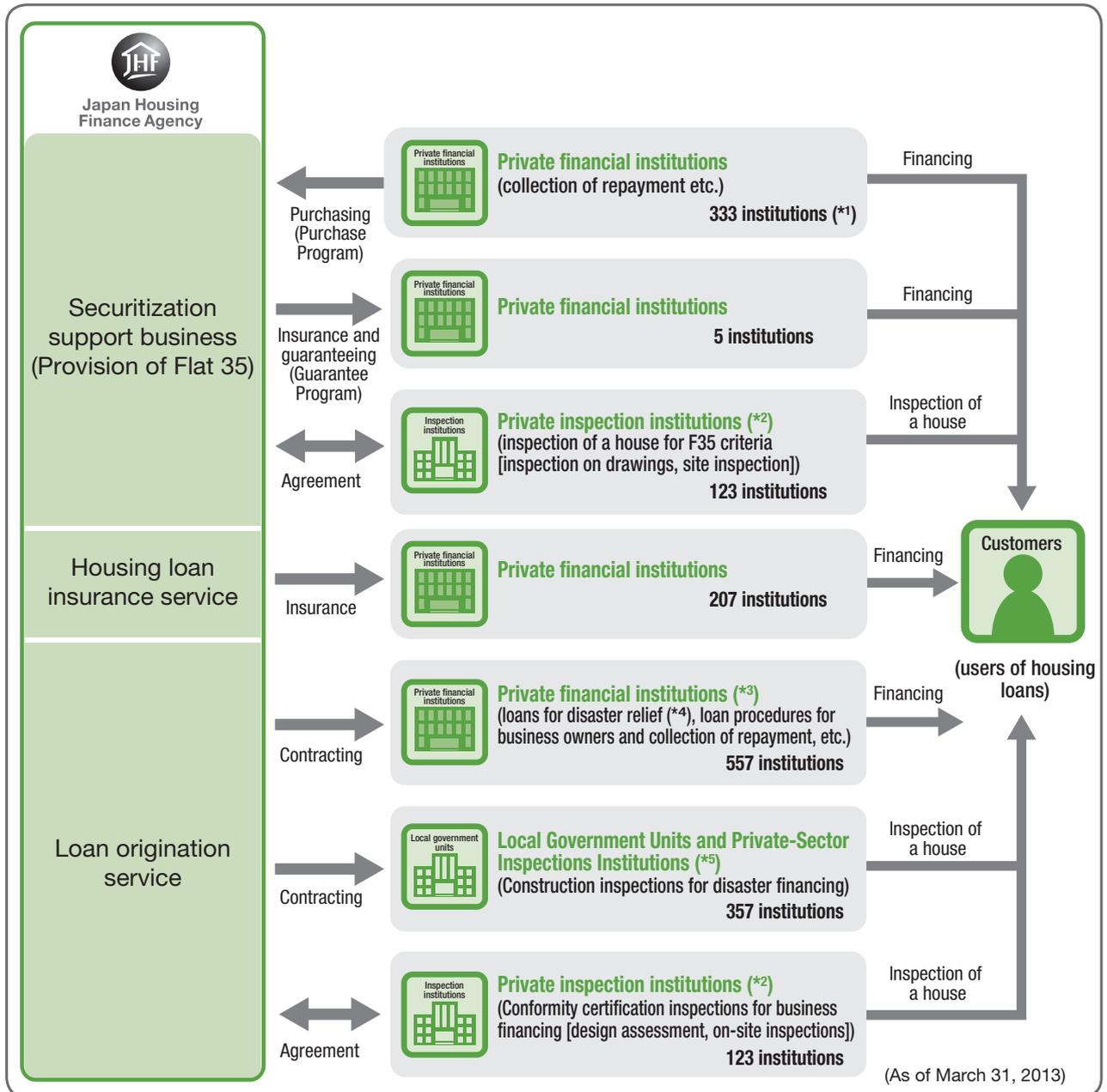
Business Cooperation System	46
Main Management Indices	47
Status of Business Execution	
• Business Plan and Actual Performance	48
• Result of Funding Activities	50
• Outstanding Balance of Purchased Loans, etc.	51
Financial Statements	
• Overall Agency	52
• Securitization Support Account	57
• Housing Loan Insurance Account	61
• Account for Loans for Property Accumulation Saving Scheme-tied Houses	65
• Housing Loan Account	69
• Outstanding Loan Management Account	73
• Details	77
Risk-monitored Loans	86
Policy Cost Analysis	88
Basic Policy on Internal Governance	90
Response Measures Related to the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies	91
• Review of clerical processes and business operations ..	91
• Review of assets and operations, etc.	92
Outline of the Review of Procurement	93
Executive Compensation and Salaries of Employees	94
Product Outline	99
Corporate Data	
• History of GHLC and JHF	101
• Executives and Organization Chart	102
• For Inquiries	103
• Head Office and Regional Offices	103

Business Cooperation System

Business operation is efficiently performed through a network of related organizations.

By contracting out some operations to private financial institutions, private inspection institutions, local government units, etc., JHF efficiently carries out business operations.

Business Cooperation System



*1 Excludes two institutions to which JHF outsources only the collection of loan payments related to Securitization Business and from which JHF does not purchase housing loans. We contract with 3 non-financial institutions regarding the recovery of credits having forfeited the benefit of time.

*2 Private inspection institutions mean specified inspection institutions and registered housing performance evaluation institutions that have concluded an agreement of conformance certificate services with JHF. Architects who are registered in the Japan Association of Architectural Firms or the Japan Federation of Architects & Building Engineers Associations also perform conformance certificate inspections for existing houses or renovations.

*3 We contract out the recovery of credits having forfeited the benefit of time to 3 companies besides private financial institutions.

*4 Applications for loans for recovery from disasters concerning the Great East Japan Earthquake have been entrusted to 128 institutions as of May 31, 2013.

*5 Refers to designated construction inspection institutions that have agreements with JHF and registered housing performance evaluation institutions.

Main Management Indices

(Unit: 100 million yen)

Category	JHF				
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Ordinary income	13,576	12,893	12,545	12,031	10,490
Include purchased loans and interest on loans	12,316	11,361	10,365	9,481	8,547
Include income from government subsidies (reference to government payment) (*2)	(*1) – (865)	(*1) – (200)	(*1) 512 (200)	(*1) 790 (83)	(*3) – (–)
Ordinary expenses	14,030	14,140	12,985	10,823	8,479
Interest expense on borrowings and bonds	11,658	10,350	9,151	8,910	6,715
Net income (△ loss)	△ 146	△ 1,468	△ 366	1,323	2,092
Balance of loans and purchased loans	32,863	40,540	64,372	86,099	99,827
Outstanding balance of loans, etc.	348,775	300,137	253,473	213,555	180,714
Outstanding balance of borrowings and bonds	388,667	362,714	334,195	307,899	292,937
Capital	4,057	9,013	6,977	6,567	6,706

* 1 While JHF received government subsidies of ¥91.2 billion in FY 2008, ¥111.4 billion in FY 2009, ¥82 billion in FY 2010 and ¥79 billion in FY 2011 in the outstanding loan management account, the figure in the above table is reported in the profit and loss statement because of special accounting treatment with regard to the government subsidies as shown in the table below

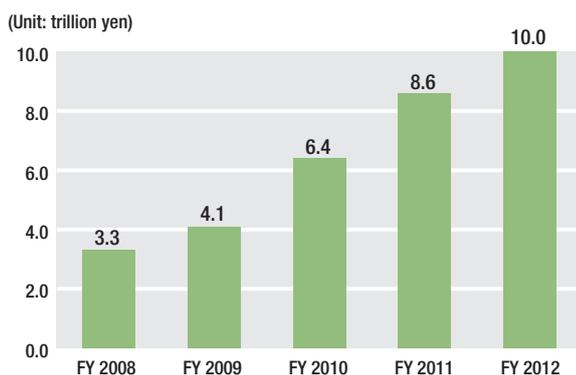
* 2 Government grants are not listed in the statement of profits and losses because special losses (asset) were cut.

* 3 Provisions of government subsidies and government grants ended in the end of FY 2011.

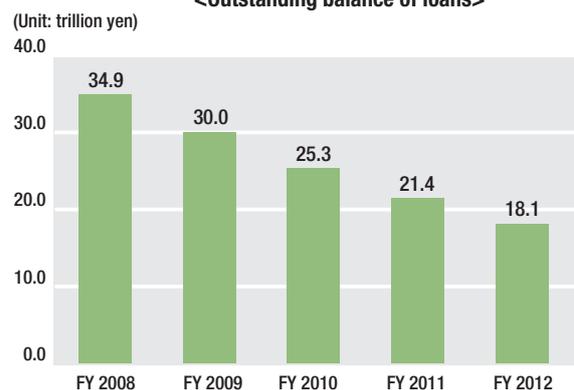
(Unit: 100 million yen)

	FY 2008	FY 2009	FY 2010	FY 2011		
Stocked subsidies from the previous year, etc.⋯①	667	66	26	–		
Expected amount of undisbursed grants and subsidies from the previous year⋯②	3,001	1,487	333	–		
Subsidies received⋯③	912	1,114	820	790		
Required amount of subsidies	Balance of payments⋯④ (disparity between expenditure and revenues excluding the amounts transferred to irrecoverable debt reserves and from guarantee fee repayment reserves)	△ 70	△ 366	△ 620	△ 836	If the balance of payments is positive ④ is included in the income from government subsidies (revenues), and ⑤ is subtracted from the uncollected revenue reserves (assets). If the balance of payment is negative ④ is not included in the income from government subsidies, ⑤ is subtracted from the uncollected revenue reserves (assets).
	Write-off of nonperforming loans, repayments of guarantee fees, and reversal of reserve for mortgage transfer registration ⋯⑤	1,584	1,520	1,636	2,152	
	Total⋯⑥ (= ④ + ⑤)	1,514	1,154	1,016	1,316	
Stocked subsidies for the current year, etc.⋯① + ③ – ⑥	66	26	–	–	Subsidies received, etc., in the fiscal year are not recorded if negative.	
Uncollected revenue reserve of the fiscal year⋯② – ⑥	1,487	333	–	–	Uncollected revenue reserve in the fiscal year is not recorded if negative.	
Income from government subsidies⋯① + ③ – ②	–	–	512	790	Uncollected revenue reserve in the fiscal year is not recorded if positive. ① + ③ – ② are accounted for as income from government subsidies if uncollected revenue reserve in the fiscal year are negative.	

<Outstanding balance of purchased loans>



<Outstanding balance of loans>



Status of Business Execution

Business Plan and Actual Performance

●Securitization support business

Under the FY 2012 business plan for securitization support business (after revision), the number of loans purchased for the Purchase Program was 63,000 units amounting to ¥1,582.9 billion and the insurance value for the Guarantee Program was ¥25.1 billion (for 1,000 units) representing coverage for specific mortgage insurance.

The actual number of loans was 84,345 units amounting to ¥2,184.3 billion and the actual insurance value was ¥5.2 billion for 222 units.

(Unit: houses, million yen)

Item	FY 2011						FY 2012			
	Business plan				Actual record		Business plan		Actual record	
	Initial		After revision				No. of houses	Amount	No. of houses	Amount
	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount				
Purchase Program	108,000	2,304,000	118,000	2,960,900	110,140	2,786,767	63,000	1,582,900	84,345	2,184,300
Guarantee Program	1,000	22,500	1,000	25,100	510	11,712	1,000	25,100	222	5,199

*The FY 2011 business plan (after revision) was formulated based on the third supplementary budget for FY 2011.

●Housing loan insurance business

Under the FY 2012 business plan (after revision), ¥288 billion was authorized for housing loan insurance; however, ¥255.1 billion was actually committed for insurance for 25,519 policies.

(Unit: houses, million yen)

Item		FY 2011	FY 2012
For total insurance value		700,000	288,000
Insurance contracts concluded	No. of contracts	31,422	25,519
	Amount	479,940	255,137

●Housing loan origination business

Under the FY 2012 business plan (after revision), ¥520.1 billion was planned for 38,610 units. Ultimately, the business committed to provide ¥240.6 billion in loans for 15,615 units, and ¥240.6 billion in loans was disbursed.

(Unit: houses, million yen)

Category		FY 2011				
		Business plan		Committed loans		Distributed loans
		No. of houses	Amount	No. of houses	Amount	Amount
Natural disaster, etc.	Post-disaster reconstruction	12,000	210,000	4,340	62,788	16,520
	Disaster prevention	300	2,400	43	69	559
	Subtotal	12,300	212,400	4,383	62,858	17,079
Urban rehabilitation		10,000	254,000	14,841	104,455	108,492
Rental houses		20,000	170,000	10,108	97,254	156,593
Property accumulation saving scheme-tied houses		3,000	56,000	15	246	467
Owner occupied houses (provisional measures)		200	4,000	△ 14	△ 90	9
Total		45,500	696,400	29,333	264,723	282,639

Category		FY 2012				
		Business plan		Committed loans		Distributed loans
		No. of houses	Amount	No. of houses	Amount	Amount
Natural disaster, etc.	Post-disaster reconstruction	17,000	300,000	4,511	70,507	68,442
	Disaster prevention	100	1,000	44	264	361
	Subtotal	17,100	301,000	4,555	70,771	68,803
Urban rehabilitation		5,000	55,000	9,326	69,520	84,498
Rental houses		16,000	155,000	1,713	7,466	87,079
Property accumulation saving scheme-tied houses		500	9,000	16	209	184
Owner occupied houses (provisional measures)		10	100	5	7	6
Total		38,610	520,100	15,615	147,974	240,570

* The FY 2011 business plan for post-disaster reconstruction was revised based on the first supplementary budget for FY 2011.

In the initial FY 2011 business plan for post-disaster reconstruction, ¥30 billion was budgeted for 2,000 units.

* "Committed loans" is the amount of financing the agency approved.

For "committed loans," negative figures represent situations where the actual total of loans such as those that were not accepted (including approved financing for loans such as those that were accepted in previous fiscal years but were not accepted in subsequent years) surpassed the approved financing for the given fiscal year. The FY 2012 committed loans for rental houses exclude those that were not accepted (¥39,495 million for 3,466 houses) while those newly approved financing for loans were ¥46,961 million for 5,179 houses.

●Group credit life insurance business

In FY 2012, the group credit life insurance business held around 1.81 million policies for around ¥20,443.8 billion. The business provided 63,152 new policies for around ¥1,593.2 billion and paid off on 10,745 policies for around ¥89 billion.

(Unit: houses, million yen)

Category		FY 2011		FY 2012	
Policies held as of March, 31st	No. of contracts	1,990,053		1,814,230	
	Amount	22,251,981		20,443,767	
New Policies	No. of contracts	83,162		63,152	
	Amount	2,085,991		1593,188	
Capital Policies paid off on	No. of contracts	11,621		10,745	
	Amount	98,652		88,980	

Result of Funding Activities

In FY 2012, the amount for loan origination and the purchase of loans totaled ¥2.5155 trillion, which was 20.5% less than for the previous fiscal year.

Funding of loan origination and the purchase of loans were raised through the issuance of bonds (¥2.478 trillion, down 15.1% from the previous fiscal year), borrowings from the Fiscal Investment and Loan Program (¥70.2 billion, up 317.9%), borrowings from private institutions (¥110.2 billion, down 9.8%), and repayments from borrowers (¥4.2494 trillion, down 9.1%), less redemption of ¥2.4503 trillion (down 39.6% from the previous fiscal year) on borrowings and ¥1.7007 trillion (up 4.5%) on bonds.

JHF received ¥10.9 billion as capital from government and ¥59.5 billion as treasury subsidies (¥5.6 billion as subsidies for securitization business, ¥53.9 billion as subsidies for emergency measures including loans for disaster mitigation) from the government's general account.

The ¥36.4 billion capital from government's general account was returned to the national treasury in March 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).

The actual figures are shown in the following table.

(Unit: million yen)

Category		FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Expenditure	Purchased loans, etc.	986,286	1,326,280	2,907,562	3,164,639	2,515,508
	Repayments of borrowings	4,587,085	3,824,665	3,301,298	4,058,312	2,450,326
		(700,000)	(300,000)	(-)	(-)	(-)
	Redemption of bonds	965,321	1,128,271	2,080,555	1,627,465	1,700,724
	Other	2,669,706	4,942,507	4,128,884	2,188,075	2,217,547
	Total	9,208,398	11,221,722	12,418,298	11,038,491	8,884,106
Income	Capital from the General Account	86,000	495,600	26,355	10,908	50,403
	Capital from the Special Account	-	-	-	-	-
	Collection of loans	4,791,147	5,345,900	5,273,621	4,672,855	4,249,350
	Borrowings	188,187	165,700	143,600	139,000	180,400
	Bonds	1,942,986	2,188,804	2,385,932	2,917,547	2,477,974
	Treasury subsidies, etc.	177,797	531,405	326,666	310,925	59,452
	Other	2,022,281	2,494,314	4,262,124	2,987,255	1,866,526
		Total	9,208,398	11,221,722	12,418,298	11,038,491

*1 The figure in the "purchased loans, etc." item of the expenditure section is the portion of cash flow statement calculated by the sum of purchased loans and loan originations. Amount of purchased loans and loan origination for FY 2012 were ¥2,274,938 million and ¥240,570 million, respectively.

*2 The figure in parenthesis included in the "repayment of borrowing" item of the expenditure section is the portion of outstanding loan management special account's liabilities related to funds lent to the treasury by the government through March 31, 2005, based on paragraph 13, article 7 of the Supplementary Regulation of JHF Law, whose maturity was set based on discussions by the competent minister and the Minister of Finance and will be repaid. JHF was exempted from paying penalties, which amounted to ¥425,688 million in FY 2005, ¥330,866 million in FY 2006, 412,719 million in FY 2007, ¥96,063 million in FY 2008 and ¥45,555 million in FY 2009.

Of the above figures, borrowings and government subsidies, etc. (receipts from the General Account) are as follows:

[Borrowings]

(Unit: million yen)

Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Borrowings from Fiscal Investment and Loan Program	600	100	-	16,800	70,200
Borrowing from Private-sector Lenders	187,587	165,600	143,600	122,200	110,200
Total	188,187	165,700	143,600	139,000	180,400

[Government subsidies, etc.]

(Unit: million yen)

Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Government subsidies	91,200	111,400	82,000	79,000	-
Government grants	86,500	20,000	20,000	8,325	-
Treasury subsidies	97	400,005	224,666	223,600	59,452
Total	177,797	531,405	326,666	310,925	59,452

* JHF received, from the government's general account, government subsidies to smoothly manage operations, grants to cover extraordinary losses incurred according to Paragraph 17 of the Supplementary Provisions of the GHLC Law before the Law was abolished based on Article 10 of the Supplementary Provisions of JHF Law, and treasury subsidies as subsidies for emergency measures to facilitate housing finance, subsidies for the promotion of activities such as the creation of a housing market, subsidies for securitization business, and subsidies for emergency measures including loans for recovery from disasters based on the provisions of the Law Concerning the Reasonable Execution of Budget Relating to Subsidies, etc. Provisions of government subsidies and government grants ended in the end of FY 2011.

Outstanding Balance of Purchased Loans, etc.

At the end of FY 2012, the outstanding balance of purchased loans, etc., stood at ¥28,159.4 billion (including ¥9,982.7 billion in loans purchased from private lenders under secondary market operation).

(Unit: houses, million yen)

Category	FY 2008		FY 2009		FY 2010	
	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount
Purchased loans	162,324	3,286,301	207,389	4,054,039	308,686	6,437,220
GHLC originated loans	2,816,898	34,877,480	2,492,852	30,013,750	2,200,130	25,347,339
Owner-occupied houses	2,460,843	27,378,170	2,174,362	23,122,595	1,915,274	19,368,794
Rental houses	26,911	3,826,592	26,992	3,592,668	25,145	3,127,197
Urban rehabilitation	72,040	1,651,226	65,826	1,503,607	58,037	1,276,622
Restoration and improvement	151,015	906,818	127,406	801,500	112,092	705,634
Related public facilities, etc.	–	–	–	–	–	–
Subdivision lot development	24	52,364	21	48,777	18	44,654
Property accumulation saving scheme-tied houses	106,065	1,062,311	98,245	944,603	89,564	824,438
Claim on pension transfer	43,964	188,763	39,739	164,037	35,855	141,612
Total	3,023,186	38,352,545	2,739,980	34,231,825	2,544,671	31,926,171

Category	FY 2011		FY 2012	
	No. of houses	Amount	No. of houses	Amount
Purchased loans	401,159	8,609,873	460,819	9,982,719
GHLC originated loans	1,932,765	21,355,489	1,705,408	18,071,402
Owner-occupied houses	1,679,063	16,222,344	1,479,681	13,746,345
Rental houses	22,677	2,692,545	19,542	2,219,987
Urban rehabilitation	50,374	1,067,247	42,177	848,920
Restoration and improvement	99,928	631,830	91,852	621,058
Related public facilities, etc.	–	–	–	–
Subdivision lot development	17	33,879	17	32,655
Property accumulation saving scheme-tied houses	80,706	707,644	72,139	602,437
Claim on pension transfer	32,047	121,690	28,767	105,310
Total	2,365,971	30,087,052	2,194,994	28,159,431

At the end of FY 2012, the outstanding number of guarantees for the securitization business (Guarantee Program, insurance value of loans for which insurance is valid) was 9,116 units for ¥240.7 billion, and the outstanding number of guarantees for the housing loan insurance business (insurance value of loans for which insurance is valid) was 124,915 for ¥2,370.6 billion.

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	Takamatsyu 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 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.

(Unit: yen)

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)

1. 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

2. 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 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.

(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) 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).

3. 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).

4. 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

Acquisition costs are recorded.

5. Method for Valuing Financial Derivative Products (Derivative Transactions)

The market value method is applied.

6. 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.)

7. Depreciation of Bond Issue Premiums

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

8. 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.

9. 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.

10. 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	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	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 financial 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 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 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.

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 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.

(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

● 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

Risk-monitored Loans

HF has, in spite of not being an organization subject to the Bank Law (Law no. 59 of 1981), disclosed risk-monitored loans since FY 1997, according to the standards of disclosure used by private financial institutions. As for risk-monitored loans of FY 2000 and later, JHF has disclosed in accordance with standards formulated based on the results of internal rating. Not all of the risk monitored loans result in the losses because these loans are covered by the first lien upon the property or equivalent collateral.

Table of risk-monitored loans for FY 2008 to FY 2012

(Unit: 100 million yen, %)

Category	FY 2008			FY 2009			FY 2010		
	Outstanding loans*1	Purchased loans	Total	Outstanding loans*1	Purchased loans	Total	Outstanding loans*1	Purchased loans	Total
Loans to borrowers in default (A)	2,436	17	2,453	2,227	28	2,256	1,920	42	1,961
Seriously delinquent loans (B)	9,866	78	9,944	9,126	178	9,304	7,748	361	8,108
Loans past due 3 months or more (C)	1,099	50	1,149	1,453	153	1,605	1,482	151	1,634
Subtotal (D) = (A) + (B) + (C)	13,401	146	13,547	12,806	359	13,165	11,150	554	11,704
Ratio: (D) / (G) x 100	3.80	0.44	3.52	4.23	0.89	3.83	4.36	0.86	3.66
Loans under mitigation (E)	17,611	61	17,672	15,835	174	16,009	15,118	310	15,428
Total (F) = (A) + (B) + (C) + (E)	31,011	207	31,218	28,640	533	29,174	26,268	864	27,132
Ratio: (F) / (G) x 100	8.80	0.63	8.10	9.45	1.32	8.49	10.28	1.34	8.48
Balance of principle (G)	352,358	32,863	385,221	302,987	40,540	343,527	255,587	64,372	319,959

(Unit: 100 million yen, %)

Category	FY 2011			FY 2012		
	Outstanding loans*1	Purchased loans	Total	Outstanding loans*1	Purchased loans	Total
Loans to borrowers in default (A)	1,245	51	1,296	1,050	64	1,113
Seriously delinquent loans (B)	5,940	390	6,330	5,423	379	5,801
Loans past due 3 months or more (C)	1,415	174	1,590	1,284	185	1,469
Subtotal (D) = (A) + (B) + (C)	8,600	615	9,215	7,756	628	8,384
Ratio: (D) / (G) x 100	4.00	0.71	3.06	4.26	0.63	2.98
Loans under mitigation (E)	13,836	422	14,259	12,195	460	12,654
Total (F) = (A) + (B) + (C) + (E)	22,436	1,037	23,474	19,951	1,087	21,038
Ratio: (F) / (G) x 100	10.44	1.20	7.80	10.97	1.09	7.47
Balance of principle (G)	214,972	86,099	301,071	181,920	99,827	281,747

(Note) The totals may differ due to the figures being rounded off.

JHF discloses risk-monitored loans based on the results of internal rating asset.

** "Outstanding loans, etc." are loans receivable and claims for indemnity excluding purchased loans..

(Notes)

1. Loans to borrowers in default (A)

These are the outstanding principal balance of loans to borrowers categorized as borrowers in default as a result of self-assessment.

2. Seriously delinquent loans (B)

These are the outstanding principal balance of loans to borrowers categorized as borrowers in default or with high probability of default as a result of self-assessment.

3. Loans past due 3 months or more (C)

These are the outstanding principal balance of loans where the repayment or interest payment is contractually past due 3 months or more and are not classified as loans to borrowers in default (A) or seriously delinquent loans (B).

4. Loans under mitigation (E)

These are the outstanding principal balance of loans for which such arrangements favoring borrowers as reduction of interest, or moratorium on repayment of interest or principal (hereinafter called modification of repayment terms) are given to support borrowers' restriction, and are not classified as loans to borrowers in default (A) or seriously delinquent loans (B).

When loans, in principle, in the 4 years after the modification of repayment terms (1 year in the case of loans to businesses) are repaid as scheduled, they are excluded from restructured loans because their credit risk is deemed to be equal to that of normal claims. Outstanding principal balance of loans which corresponds to the above description and were not classified as restructured loans totaled 147.3 billion yen.

Disclosed restructured loans include those whose terms are revised by requirements, such as government economic stimulus package.

5. Remark

Not all of the disclosed outstanding amount result in losses because JHF's loans are covered by the first lien upon the property or equivalent collateral.

[Loans under mitigation]

JHF provides consultations on loan repayment and offers loan modification according to the circumstances for supports people who have difficulties in repaying their loans due to changes in the living environment and large-scale natural disasters, such as the Great Hanshin Awaji Earthquake and the Great East Japan Earthquake, so that they can continue to live in their homes, a basic necessity of human life.

For persons experiencing difficulty with repayment of loans due to their company's bankruptcy or other reasons, JHF has also prepared preferential measures according to the Cabinet decision of October 1998 and offer restructuring of loan terms corresponding to the government measures.

The corporation risk managed loans account for about 61%, but for the aforementioned policy objectives, however, it is unlikely that this will directly lead to a surge in bad loans because of low credit loss rate compared to other risk-monitored loans.

JHF allows modification to repayment terms so that borrowers can continue to live in their homes for as long as possible, and hence strives to maintain and improve our financial soundness.

Self-assessment and risk-monitored loans in FY 2012

(Unit: 100 million yen)

	Categories of borrowers under self-assessment	Category of assets under self-assessment				Reserves (reserve ratio)	Risk management	
		Non-categorized	Category II	Category III	Category IV			
Existing loans	Substantially defaulted borrowers 1,057	Portions secured by collateral and guarantees 517		Provision for portions excluding those secured by collateral and guarantees 540		Specific reserve for possible loan losses 540 (100%)	Loans to borrowers in default 1,050	
	Borrowers in default 2,389	Portions secured by collateral and guarantees 1,116		Provision for portions excluding those secured by collateral and guarantees 1,272			1,272 (100%)	Seriously delinquent loans 5,423
	Borrowers with high probability of default 3,062	Portions secured by collateral and guarantees 1,737		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 1,324			658 (49.7%)	
	Watch-list borrowers	Borrowers requiring caution 13,630	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 13,630				General reserve for possible loan losses 1,190 (8.7%)	Loans past due 3 months or more 1,284
		Other borrowers requiring caution 7,846	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 7,846					179 (2.3%)
	Normal borrowers 154,384	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 154,384				199 (0.1%)		
Purchased loans, etc.	Substantially defaulted borrowers 64	Portions secured by collateral and guarantees 31		Provision for portions excluding those secured by collateral and guarantees 33		Specific reserve for possible loan losses 33 (100%)	Loans to borrowers in default 64	
	Borrowers in default 352	Portions secured by collateral and guarantees 144		Provision for portions excluding those secured by collateral and guarantees 209			209 (100%)	Seriously delinquent loans 379
	Borrowers with high probability of default 31	Portions secured by collateral and guarantees 17		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 14			6 (44.4%)	
	Watch-list borrowers	Borrowers requiring caution 650	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 650				General reserve for possible loan losses 63 (9.6%)	Loans past due 3 months or more 185
		Other borrowers requiring caution 305	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 305					16 (5.2%)
	Normal borrowers 98,526	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 98,526				315 (0.3%)		

Note 1: The figures are rounded off.

Note 2: The reserve ratios for the "borrowers in default and substantially defaulted borrowers" and "borrowers with high probability of default" categories are applied to the amount deducting portions secured by collateral and guarantees while the reserve ratios for the "watch list borrowers" and "normal borrowers" are applied to entire outstanding loan balance.

Note 3: Major differences between self-assessment and risk-monitored loans

· Self-assessment loans cover GHLC originated loans, purchased loans, interest on GHLC loans receivable, interest on purchased loans receivable, suspense payable, and advance payments while risk-monitored loans cover GHLC originated loans and purchased loans.

· Borrowers are categorized by the repayment and financial conditions of borrowers in self-assessment and by the repayment of loans excluding loans to borrowers in default and seriously delinquent loans in risk-monitored loans.

Note 4: Reserves for purchased loans are calculated in light of the recent increase in new purchased loans and changes of portfolio in future, in addition to its original calculation from estimated loss rate, etc. for a certain period in the past.

Policy Cost Analysis

Policy cost analysis is made by related organizations as follows: (1) set certain premises (future interest rates, business scale, etc.) for businesses using Fiscal Investment and Loan Program to estimate future cash flow; (2) based on this, determine discounted present value by subtracting the amount to be repaid to the national treasury (repayment to the national government) from the amount of subsidies to be provided by the national government for the implementation of projects under the program (subsidies from the national government); and (3) add the amount of the interest payment-reduction effect of capital and other investments already made (opportunity cost for the government).

The results for FY 2012 were announced by the Ministry of Finance in July 2012 after the Fund Operation Council's Sub-committee on Fiscal Investment and Loan Program examined the policy costs of government-affiliated corporations and incorporated administrative agencies that were subject to Fiscal Investment and Loan Program.

The results of policy cost analysis on JHF showed that a policy cost of \triangle ¥64.4 billion as the present value will accrue in the future. In the analysis, the opportunity cost of government investments, etc. were calculated under the premises of (1) conducting business based on fiscal investment and loan plan for FY 2012 with no such business being conducted in FY 2013 and thereafter and (2) repaying all investments to the national government in FY 2043, the end of the analysis period, when all GHLC originated loans will be collected.

1. Business using Fiscal Investment and Loan Program

Loans for disaster-affected people to reconstruct their damaged housing (Reference) The businesses that are not covered by Fiscal Investment and Loan Program include securitization support, housing loan insurance and housing loan origination (excluding loans for recovery from disasters).

2. Planned amount for Fiscal Investment and Loan Program

(Unit: 100 million yen)

Planned amount for Fiscal Investment and Loan Program in FY 2012	Estimated balance in FILP account at the end of FY 2011
3,000	178,046

(The estimated balance in FILP account at the end of FY 2011 also includes balances other than that of disaster mitigation loans)

3. Results of the business and its social/economic benefits

- ① Results of loan origination
 - Number of houses: 206,879 units
 - Amount: ¥1.747 trillion
 - (As of the end of FY 2011, contract base)
- ② Long-term, fixed and low-interest loans for disaster-affected people
 - Provide long-term, fixed and low-interest loans for affected people soon after a disaster to smoothly restore damaged houses
- ③ Disasters eligible for loans for recovery from disasters
 - Until 2008, Disasters that have caused damage above a certain level as prescribed in the Disaster Relief Act
 - Since FY 2009, based on the recent changes in disaster incidences and in society, irrespective of the magnitude of the disaster damage, loans for disaster mitigation are provided expeditiously after a natural disaster has occurred.

Variation in contracts by fiscal year (for the last 10 years)

(Unit: dwelling unit, million yen)

Fiscal year	Number of dwellings	Amount	Fiscal year	Number of dwellings	Amount
FY2003	329	4,564	FY2008	71	726
FY2004	855	9,365	FY2009	26	292
FY2005	395	3,562	FY2010	7	26
FY2006	411	4,060	FY2011	\triangle 94	\triangle 1,468
FY2007	84	979	FY2012	4,340	62,788

* Negative figures \triangle in the results of loan origination represent situations where the amount of loans declined or canceled in this fiscal year (including loans that were approved in previous fiscal years but were canceled in this fiscal year) surpassed amount of loans approved.

- ④ Measures for the Great Hanshin Awaji Earthquake
 - Results of loans for recovery from disasters concerning the Great Hanshin Awaji Earthquake
 - Number of houses: 70,619 units
 - Amount: ¥1,503.2 billion
 - (As of the end of FY 2011, contract base)
- ⑤ Measures for the Great Hanshin Awaji Earthquake
 - Results of loans for recovery from disasters concerning the Great East Japan Earthquake
 - Number of houses: 4,334 units
 - Amount: ¥62.7 billion
 - (As of the end of FY 2011, contract base)

4. Values estimated in policy cost analysis for the business

[Policy cost]

(Unit: 100 million yen)

Category	FY 2011	FY 2012	Change
1. Subsidies from the national government	-	539	+ 539
2. Fund transfer to the national government	-	\triangle 1,113	\triangle 1,113
Subtotal of 1 and 2	-	\triangle 574	\triangle 574
3. Opportunity cost for investment from the national government	4	1,231	+ 1,227
Subtotal of 1 to 3	4	657	+ 653
4. Reduction in loss	-	\triangle 13	\triangle 13
Total of 1 to 4 = policy cost (A)	4	644	+ 640
Analysis period (year)	27	32	+ 5

[Breakdown of policy cost in terms of the time of investment]

(Unit: 100 million yen)

Category	FY 2011	FY 2012	Change
(A) Policy cost (relisting)	4	644	+ 640
① Opportunity cost for investment provided by the start of analysis	38	43	+ 5
② Newly estimated policy cost during the period of analysis	\triangle 34	601	+ 635
Subsidies from the national government	-	539	+ 539
Fund transfer to the national treasury	-	\triangle 1,113	\triangle 1,113
Policy cost accrued depending on changes in surplus	\triangle 34	1,175	+ 1,209
Opportunity cost for investment	-	-	-

[Comparative analysis in temporal change]

(Unit: 100 million yen)

Category	FY 2011	FY 2012	Change
(A) Policy cost (relisting)	4	644	+ 640
(A') Policy cost obtained by recalculating (A) at the same interest rate applied in the analysis for FY 2009	4	658	+ 654
(B) Of (A'), policy cost to accrue after FY 2010	4	658	+ 654

The policy cost for 2012 was ¥64.4 billion. Comparing the figure after eliminating the influence from premise interest changes in FY 2011 and FY 2012 with the policy cost that will accrue in and after FY 2012, the actual policy cost is considered to be increased by ¥65.4 billion from FY 2011.

These material cost increases are thought to be due to the following factors.

- Cost increase from higher expenditure for clerical operations due to new loans made in FY 2012 (+¥39 billion)
- Cost increase from a growing number of write-offs (+¥12.3 billion)
- Others (const increase due to new loans made in FY 2011) (+¥12.5 billion)

[Breakdown of policy cost in terms of accrual factor]

(Unit: 100 million yen)

(A) Policy cost in FY 2011 (relisting)	644
① Prepayment	2
② Credit loss	378
③ Other (interest margin, etc.)	264

[Sensitivity analysis (when premises are changed)]

(Unit: 100 million yen)

Premises changed and their variation range	Policy cost (change)	
	(No change in discount rate)	(Change in discount rate)
Loan carry rate/borrowing cost +1%	709 (+ 65)	721 (+ 77)
Of the changes, a change in opportunity cost	+ 56	+ 149
Amount of write-offs + 10%	681 (+ 37)	
Change in opportunity cost	+ 37	

(Reference) FY 2012 budget for subsidies/investment
Subsidies: ¥53.9 billion
Investment: ---

5. Outline of estimation in analysis and future business prospect

- ① Estimation was made for loans for recovery from disasters based on the business plan for FY 2012.
- ② The analysis period was set as 32 years during which all loans for recovery from disasters under the business plan for FY 2012 will be redeemed.
- ③ Prepayment was estimated using a computation model to calculate the prepayment ratio by age of loans and the difference in interest rate between JHF loans and private housing loans that will be used to refinance JHF loans.

(Unit: %, 100 million yen)

FY	(Results)					(Estimate)	(Plan)	(Premises for estimation)					
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Prepayment ratio	3.80	1.32	1.88	1.50	2.66	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63
Write-off of nonperforming loans	—	—	—	0.1	—	0.1	0.7	434.0 (Sum of in and after 2013)					

FY	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Prepayment ratio	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63

FY	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Prepayment ratio	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63

6. Rationale for receiving subsidies, the system and regulations regarding redemption to the national treasury

(Rationale)

- JHF is required to ensure the supply of long-term, fixed and low-interest loans for disaster-affected people soon after the disaster to support the speedy restoration of damaged housing. Accordingly, the agency receives subsidies from the government's general account to use their accrued interest income, thereby facilitating loans for recovery from disasters.

(Regulations regarding subsidies and its redemption)

- The Japan Housing Finance Agency Law stipulates government investments as follows (Article 6):
- The Japan Housing Finance Agency Law stipulates government investments as follows (Article 6):
 - Article 6 ② The national government may make an additional investment to JHF within the limits of the budget if necessary. In this case, if the whole or any part of the said investment should be allocated to the interest-rate fluctuation reserve prescribed in Paragraph 1, Article 25, the government shall indicate the amount.
 - Article 6 ③ When the agency receives investment from the government as prescribed in the preceding paragraph, it shall increase its capital by the same amount of the investment.
- The Japan Housing Finance Agency Law stipulates the redemption to the national treasury as follows (Article 18):
 - Article 18 ④ If there is a residual after deducting an approved amount prescribed in Paragraph 1 and Paragraph 2 from an amount equivalent to the reserve prescribed in Paragraph 1, the residual shall be redeemed to the national treasury.

7. Special notes

- ① This analysis was made for loans for recovery from disasters (those accepted in and after 2005) that are subject to Fiscal Investment and Loan Program.
- ② In accordance with the Japan Housing Finance Agency Law (Law No. 82 of 2005), the Government Housing Loan Corporation was dissolved, and Japan Housing Finance Agency was established on April 1, 2007.
- ③ With respect to the Fundamental Review of Incorporated Administrative Agencies (Cabinet Decision of December 25, 2009) a temporary freeze has been imposed on the affairs (excluding instances already implemented) stipulated in the Incorporated Administrative Agencies Rationalization Plan (Cabinet Decision of December 24, 2007), with further deliberations to be held as part of the Fundamental Review of Incorporated Administrative Agencies.
- ④ The Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the cabinet on December 7, 2010) have indicated reviews of some business operations.
- ⑤ Basic points of JHF's organizational direction are to be compiled by the end of FY 2011 and reached a conclusion by summer in FY 2012 the Basic Policies for Reviewing the Business and Organizational Structure of Incorporated Administrative Agencies (approved by the cabinet on January 20, 2012)
- ⑥ The changes in policy cost are as follows (the figures until FY 2006 indicate the policy cost of the GHLC):

(Unit: 100 million yen)

FY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Policy cost	△ 5,434	△ 810	△ 69	17	10	△ 7	△ 11	1	4	644

(Note 1) The figures in FY 2001 to 2004 indicate the policy cost in the housing loan origination business excluding loans for property accumulation saving scheme-tied houses.

(Note 2) The figure in 2005 indicates the policy cost in loans for recovery from disasters (those accepted in and after 2005) and the securitization support business.

(Note 3) The figures in and after 2006 indicate the policy cost in loans for recovery from disasters (those accepted in and after 2005).

Basic Policy on Internal Governance

To realize its management concept, the Japan Housing Finance Agency (“JHF”) establishes the following internal governance systems to secure proper implementation of our business.

1. Systems to ensure all executives and employees implement their business in compliance with laws, rules and regulations.

- (1) Establishment of a compliance charter
 - The President shall establish a compliance charter based on observance of laws, rules, and regulations in order to set codes of conduct to realize JHF’s management philosophy and to enforce business conducts with its basic mission and social responsibility in mind.
- (2) Compliance enforcement system
 - i. The President shall establish and head a Compliance Committee to discuss and decide important compliance matters.
 - ii. The President shall develop rules for compliance and establish a department to oversee compliance as well as appoint an executive officer responsible for developing an agency-wide compliance enforcement system.
 - iii. The President shall create a Compliance Program each fiscal year, make it acknowledged by all employees, and promote systematic measures to establish compliance. The President shall regularly implement an intermediate inspection on how the program is conducted and make revisions if necessary, and also check employees’ awareness of compliance to reflect the results to the Compliance Program.
 - The President shall also create a compliance manual that sets out specific guidelines for realizing compliance and distribute it to all employees as well as conduct compliance training.
 - iv. The President shall assign a compliance activities enforcement officer in each department to promote compliance activities.
 - v. Executives and employees shall take an uncompromising stance against all forces that threaten social order and safety.
- (3) System for dealing with compliance violations
 - i. The President shall establish a system that enable prompt reporting to the department in charge of compliance when an executive or employee identifies cases that are or may be compliance violations.
 - ii. Aiming at the prevention, early detection and correction of compliance violations, the President shall set up a compliance helpline that allows employees to directly consult with or report to the department in charge of compliance or outside consultation services.
 - iii. When the department in charge of compliance is consulted upon or informed about a case violating compliance, it shall investigate the consultation and the information, discuss the case with the relevant department and take countermeasures.
- (4) Sanction for violations
 - If an executive or employee has violated laws or regulations, disciplinary action shall be taken against that person in accordance with the regulations concerning disciplinary action.
- (5) Internal audit
 - i. The President shall establish Internal Auditing Department that is independent of other departments which reports directly to the President.
 - ii. The Internal Audit Department shall carry out internal audits based on internal audit regulations and report the results to the President.

2. Systems to manage matters related to customer protection and the storage and management of information on executing duties by executives and employees.

- (1) Ensure a system for managing customer protection-related matters
 - i. The President shall establish regulations for explanations to customers and ensure a system for providing customers with proper and adequate explanations and information on JHF products and services.
 - ii. The President shall establish regulations for customer support management and ensure a system for proper and adequate responses to consultations, requests and complaints.
 - iii. The President shall establish regulations for customer information management and ensure a system for proper management of customer information such as preventing leaks of customer information.
- (2) Privacy policy
 - The President shall establish a privacy policy for proper handling of customer information as well as establish information security regulations so that information including customer information are used and managed properly.
- (3) Establishment of document management regulations
 - i. The President shall establish regulations for document management for the storage and management of information by executives and employees in the course of executing their duties.
 - ii. Auditor inspections
 - Auditor shall have access to all documents as necessary.

3. Regulations and other systems for risk management of losses

- (1) Establishment of risk management regulations
 - The President shall establish risk management regulations to manage risks properly.
- (2) Development of risk management systems
 - i. The President shall comprehensively manage risks by identifying the risks inherent to JHF business activities and their specific types and natures.
 - ii. The President shall manage risks categorized as “credit risks”, “guarantee risks”, “insurance risks”, “market risks”, “counterparty risks”, “liquidity risks” and “operational risks” and, as necessary, identify important new categories of risk that should be managed according to their importance.
 - iii. The President shall establish the necessary risk management committees to properly deal with each category of risk.
 - iv. The President shall assign a department in charge of integrated risk management and assign an executive to supervise that work and acts to maintain an organizational and cross-sectional risk management system and identify problems.

v. Board of Directors shall evaluate integrated risk management and the inherent risks in new businesses and products.

- (3) Preparation of emergency measures
 - The President shall take the proper precautionary measures for emergencies such as major impediments and defects, major information leaks, serious losses of trust and disasters. Additionally, the President shall undertake appropriate emergency measures when a disaster or other crisis occurs in order to resume business activities as early as possible.

4. Systems to ensure that executives and employees carry out their work duties effectively

- (1) Mandate administrative authority and decision making rules
 - The President shall establish regulations for organization and document approvals to clarify administrative authority and decision-making rules.
- (2) Establishment of Board of Directors
 - The President shall set up Board of Directors with which to discuss important management matters and contribute to the President’s decision making.
- (3) Setting of performance targets and budgets for each area of business based on the Annual Plan
 - i. The President shall set specific targets, concrete actions, and budgets for each area of business in order to achieve the Annual Plan.
 - ii. In principle, the President shall assign priorities for new product development, system investments and new businesses based on contribution to the achievement of Annual Plan.
 - iii. The President shall undertake efficient allocation of human resources to each department.
 - iv. The executive officers responsible for each department shall determine concrete measures and effective systems for conducting business for their responsible departments within their responsibilities.
- (4) Quarterly management review of the Annual Plan
 - i. The executive officer in charge of the Corporate Strategy Department shall carry out a quarterly internal review of the Annual Plan and report the results to the Board of Directors.
 - ii. The President shall reexamine or set the concrete measures to be taken in individual departments or improve the work systems in the departments based on the results in i) above.
- (5) Appointment of a Chief Information Officer
 - The President shall appoint a Chief Information Officer responsible for general operations in order to optimize JHF business processes and system structures.

5. Internal audit system to ensure appropriate business operations

- (1) Establishment of a department in charge of internal audit
 - The President shall establish a direct internal audit department that is independent of other departments.
- (2) Implementation of internal audit
 - The internal audit department shall implement such audit based on related rules and regulations, and report the results to the President.

6. System for the employees assigned to assist Auditor Generals and their independence from the President

- (1) Assistant Auditor Generals
 - Assistant Auditor Generals will be assigned to support auditory work exclusively.
- (2) Independence of employees assisting Auditor Generals
 - i. Auditor Generals shall be consulted in advance regarding personnel transfers of their assistants.
 - ii. Auditor Generals shall be consulted in advance regarding the consideration of disciplinary action against their assistants.

7. Systems for executives and employees to report to Auditor Generals

- (1) Establish guidelines for auditing inspections
 - i. In order to ensure a smooth audit, executives and employees shall promptly cooperate with Auditor Generals or their assistant when asked to provide the necessary explanations or materials based on auditing inspection guidelines.
 - ii. Auditor Generals shall be able to attend Board Meetings or other important committees to make a suggestion.
 - iii. Executives and employees shall circulate to Auditor Generals any important documents or materials stipulated in the auditing guidelines.
- (2) Reports to Auditor Generals or is the subject of whistle blowing from either internal or external sources.
 - Auditor Generals shall be immediately informed when an employee has violated the law or caused an incident that significantly affects business operations

8. Other systems to ensure effective audits

- (1) Opinion exchanges between the President and Auditor Generals
 - Auditor Generals can exchange opinions with the President at any time.
- (2) Coordination with other auditing organizations
 - i. Auditor Generals will coordinate closely with the internal audit department in order to make use of those department’s internal audits as well as request explanations and reports from the internal department.
 - ii. Auditor Generals will coordinate closely with accounting auditors and actively exchange information as well as request explanations and reports on auditing plans, systems, methods and results from accounting auditors.

9. Establishment of a PDCA cycle in internal control

- (1) The director in charge of the management and planning department shall check on internal control every quarter and report the results.
- (2) Based on the results in (1), the President shall improve the structure on internal control and review the fundamental policy on internal control if necessary.

Response Measures Related to the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies

Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies

Japan Housing Finance Agency engages in response measures in accordance with the Basic Policies for Reviewing the Clerical and Business Operations of Incorporated Administrative Agencies (approved by the cabinet on December 7, 2010).

Review of clerical processes and business operations

Clerical processes / business operations	Steps to be taken	Time of implementation	Specific content	Response measures
Securitization support business	Repayment to the national treasury of capital provided for ALM risk management	Implementation in FY 2011	Out of ¥48.0 billion provided between FY 2007 and FY 2009 by the government in capital for ALM risk management purposes, taking into account business volume over time and the overcollateralization ratio of MBS (the ratio of overcollateralization relative to the MBS issuance amount to ensure the stable provision of the "Flat 35" loans), the necessary minimum amount will be retained and the rest will be repaid to the national treasury.	An amount of ¥11.3 billion was repaid to the national treasury on March 16, 2012.
	Repayment of reserve funds for interest rate change to the national treasury	Implementation in FY 2011	With regard to ¥45.0 billion in reserve funds for interest rate change, based on the "Flat 35" business volume over time, the minimum necessary amount will be retained and the remainder will be repaid to the national treasury.	An amount of ¥10.6 billion was repaid to the national treasury on March 16, 2012.
Housing loan insurance business	To be discontinued	Implementation beginning in FY 2012	As part of the Policy Package to address Economic Crisis in April 2009, insurance premium rates have been lowered until FY 2011 (as part of the Emergency Economic Countermeasures of December 2009, rates were lowered further until December 2010). After the end of the economic countermeasures, the existing operations will be discontinued and government funds no longer needed will be paid to the national treasury. Exceptions to the above are, however, limited operations necessary to be maintained in step with securitization business (insurance coverage for package loans and bridge loans connecting to "Flat 35" loans), and such operations will be implemented until they can be substituted by the private sector.	With regard to the housing loan insurance business, limited operations necessary to be maintained in step with securitization business (insurance coverage for package loans and bridge loans connecting to Flat 35 loans) have been implemented since FY 2012, and will be continued until they can be substituted by the private sector. Regarding government funds no longer needed, an amount of ¥23.4 billion was repaid to the national treasury on November 21, 2012.
	Creation of new schemes for residences for the aged	Implementation beginning in FY 2011	With regard to residences for the aged (Residence with Support Services for Seniors (provisional name) cooperating with medical care and nursing care), schemes will be reviewed, including the cooperation with other ministries and government agencies. If relevant new legislations are implemented, strictly based on a scrap-and-build approach, related loan insurance will be implemented.	In line with the enactment of the Act for Partial Revision of the Act on Securement of Stable Supply of Elderly Persons' Housing (Act No. 32 of 2011), the housing loan insurance business has been implemented to cover upfront admission fees for serviced housing for the elderly when private financial institutions provide such funding under reverse mortgage program. From 2012, the current housing loan insurance business was discontinued, and operations, etc., limited in those necessary to be maintained in step with securitization business have been implemented until they can be substituted by the private sector.
Loan origination business	Discontinuation of mortgage loan operations for rental housing	Implementation beginning in FY 2011	Existing mortgage loan operations for rental housing will be discontinued in FY 2011. However, with regard to loan operation related to the supply of highly energy efficient housing, acquisition of which is particularly promoted at securitization business, operations will be implemented until they can be substituted by the private sector.	With regard to loan origination related to the supply of highly energy-saving rental housing, acquisition of which has been particularly promoted at the securitization business as well, operations have been implemented since FY 2011, and will be continued until they can be substituted by the private sector.
	Creation of new schemes for residences for the aged	Implementation beginning in FY 2011	With regard to residences for the aged (Residence with support services for seniors (provisional name) cooperating with medical care and nursing care), schemes will be reviewed, including the cooperation with ministries and other government agencies. If relevant new legislations are implemented, strictly based on a scrap-and-build approach, related loan will be implemented.	In line with the enactment of the Act for Partial Revision of the Act on Securement of Stable Supply of Elderly Persons' Housing (Act No. 32 of 2011) on October 20, 2011, loan origination has been implemented for serviced rental housing for the elderly since November 7, 2011. From FY 2011, the current mortgage loan operations for rental housing was discontinued, and loan operation related to the supply of highly energy efficient housing, acquisition of which is particularly promoted at securitization business, operations will be implemented until they can be substituted by the private sector.
	Discontinuation of town development loan	Implementation beginning in FY 2012	After the end of the measure for the relaxation of lending conditions until the end of FY 2011 implemented under the Policy Package to Address Economic Crisis of April 2009, existing operations will be discontinued, and unnecessary government capital will be paid to the national treasury. However, with regard to condominium rebuilding operations where the reorganization of property rights causes problems and operations last for a long term, operations only implemented by small and medium-sized enterprise will be continued until they can be substituted by the private sector.	With regard to town development loan origination, operations have been implemented since FY 2012 exclusively for condominium rebuilding projects (which involve complexity of property rights adjustment among owners and whose procedure would likely to last for a long term) conducted by small and medium-sized enterprise, and will be continued until they can be substituted by the private sector. Regarding government funds no longer needed, an amount of ¥0.7 billion was repaid to the national treasury on November 21, 2012.
Management of outstanding loans	—	—	—	—
Operation of group credit life insurance	—	—	—	—
Housing information providing business	To be discontinued	Implementation beginning in FY 2011	Operations will be discontinued, and the field will be left to the private sector (relevant operations do not include the provision of information related to the implementation of the respective operations of securitization business, etc.).	Operations were terminated at the end of March, 2011 except for the housing information website service, which was also terminated on July 26, 2011.

Review of assets and operations, etc.

Steps to be taken		Time of implementation	Specific content	Response measures
Return of unnecessary assets to the national treasury	Capital for ALM risk management	Implementation in FY 2011	Out of ¥48.0 billion provided between FY 2007 and FY 2009 by the government in capital for ALM risk management purposes, taking into account business volume over time and the overcollateralization ratio of MBS (the ratio of overcollateralization relative to the MBS issuance amount to ensure the stable provision of the "Flat 35" loans) the necessary minimum amount will be retained and the rest will be repaid to the national treasury.	An amount of ¥11.3 billion was repaid to the national treasury on March 16, 2012.
	Reserve funds for interest rate change	Implementation in FY 2011	With regard to ¥45.0 billion in reserve funds for interest rate change, based on the "Flat 35" business volume over time, the minimum necessary amount will be retained and the remainder will be repaid to the national treasury.	An amount of ¥10.6 billion was repaid to the national treasury on March 16, 2012.
	¥200.0 billion in government capital funds related to Securitization business	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥200.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.	Repaid to the national treasury on March 14, 2011.
	¥30.0 billion in capital funds from the government related to town development loan operations	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥30.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.	Repaid to the national treasury on March 14, 2011.
Review of offices, etc.	A review plan will be prepared at an early time	Implementation beginning in FY 2010	Over the course of FY 2010, an examination will be conducted on the appropriateness of the holding and/or renting of all assets including the headquarters, branch offices, lodging facilities, and rented offices. Based on this examination, a review plan will be formulated at an early time and deliberations will be implemented on consolidating offices and lodging facilities, etc.	With regard to the current branch office system divided their responsible regions in 11 blocks, their reallocation, etc., including deliberations, towards an efficient and effective system has been reviewed in the second mid-term plan based on their volume of business. A review plan was formulated. As for employee dormitories, a review plan was formulated in December 2012 in line with the Review Plan for Employee Dormitories of Incorporated Administrative Agencies (approved by the Administrative Reform Executive Headquarters on April 3, 2012). The plan indicates that 15 dormitories (91 houses) and 13 rented dormitories are to be disposed by the end of FY 2016, in addition to 3 dormitories decided their disposal in the second mid-term plan.
Review of employee dormitories	Disposal of employee dormitories and the Kouko General Sport Ground.	Implementation beginning in FY 2010	Employee dormitories facilities and Kouko General Sport Ground will be sold.	With regard to employee dormitories, a review plan was formulated in December 2012 in line with the Review Plan for Employee Dormitories of Incorporated Administrative Agencies (approved by the Administrative Reform Executive Headquarters on April 3, 2012). The plan indicates that 15 dormitories (91 houses) and 13 rented dormitories are abolished by the end of FY 2016, in addition to 3 dormitories decided their disposal in the second mid-term plan. With reference to disposal of neighboring state-owned lands Kouko General Sports Ground was sold through the public invitation in order to choose the counterparty using the asset for the use of public, official or utility services (the public invitation was announced through the JHF website from December 21, 2012 to March 21, 2013). As a result, an incorporated education institution was chosen and the sales process was advanced.
Review of personnel expenditures	Lowering of the Laspeyres index	Implementation beginning in FY 2010	Steps will be taken with certainty to reduce the Laspeyres index through such as reviews of employees' base salaries and the allowances for officials above director level, among other steps, with further checks on overall personnel expenses.	For FY 2012, employee's monthly based salary has been lowered (average revision rate: $\Delta 0.23\%$) and measures for lowered salary payment has been taken from August 2012 (the measures for executives has been taken from April 2012), in line with the Act on Revision of Remuneration for National Civil Servant and Temporary Special Provisions (Law No. 2, 2012). In addition, personnel and salary systems were reformed including review of the salary structure (terminate periodic pay raises of relevant employees in line with the lowering of the maximum rank in the salary table to the 81st rank) and the following efforts were made to normalize wage levels. (1) Implementation of revision of salary and adjustment of measures for lowered salary payment applied to bonus payment in December 2012 (accordingly, the end of implementation of the measures was moved up from July 2014 to March of the same year) (2) Introduction of a retirement system for management positions (staff members who will turn 55 years or older at the end of FY 2012 become non-management employee and their salary level is lowered to around 70%) From FY 2013, with the consideration of total personnel expenses reduction of the government, personnel expense is reviewed continuously through reform of personnel and salary systems (*) including continuous efforts such as retirement system for management positions, etc. and revision of the salary structure as well as further efforts are made to normalize salary level. Though such efforts, the pay-scale is to be declined to the level equivalent to that of the national government employees after adjusting age and regional differences and educational level by FY 2016. * The abolishment of the current job category (operational work) and the creation of a new job category (business career work) (approximately 10% reduction in the salary level compared to the current level)

Outline of the Review of Procurement

With regard to procurement of good and services, Japan Housing Finance Agency has terminated direct appointment and moved to a system such as general competitive bidding except those that truly must be negotiated directly, in accordance with the Review Plan for Negotiated Contracts (set in December 2007) and the Incorporated Administrative Agency Rationalization Plan, which was approved by the Cabinet on December 24, 2007.

In addition, based on the Inspection and Review of Contracts by Incorporated Administrative Agencies (approved by the Cabinet on November 17, 2009), JHF newly formulated the Review Plan for Negotiated Contracts (June 2010) considering the results of the inspection and review of contracts by the Contract Surveillance Committee, which includes outside experts. Regarding the general competitive bidding, JHF ensures competitiveness and promotes fairness and transparency.

1. Review Plan for Direct Appointment

(1) Review of non-competitive direct appointment

Regarding non-competitive direct appointments, JHF has moved to a system such as to one based on general competitive bidding for all contractors except those that truly must be a direct appointment based on the Review Plan for Direct Appointments (set in 2007).

The following are the results of the inspection and review of noncompetitive direct appointments made in 2008:

	Results of FY 2009		After review	
	Number of contracts	Amount (1,000 yen)	Number of contracts	Amount (1,000 yen)
Competitive contracts	(83%) 1,045	(94%) 49,054,414	(86%) 1,088	(95%) 49,655,482
Competitive bidding	(24%) 304	(21%) 11,177,351	(28%) 356	(38%) 19,875,910
Planned competition, open recruitment, etc.	(59%) 741	(72%) 37,877,063	(58%) 732	(57%) 29,779,572
Non-competitive direct appointments	(17%) 213	(6%) 3,253,661	(14%) 170	(5%) 2,652,593
Total	(100%) 1,258	(100%) 52,308,075	(100%) 1,258	(100%) 52,308,075

(Note 1) Post review direct appointments are those that are truly necessary.

(Note 2) The total may differ due to rounding.

(Note 3) The figures in the above table do not include contracts that are continuously made with financial institutions, such as those for the purchase of housing loans, group credit life insurance and interest-rate swaps, as well as consignment contracts for loans for property accumulation saving scheme-tied houses.

(2) Review of single-bidder bidding

Of competitive contracts made in FY 2008, those for which only one bidder participated in the bidding were inspected and reviewed.

Based on the results, the conditions and procedures of the contracts were amended as outlined below to ensure competitiveness.

(Results of FY 2008)

Results	Number of contracts	Amount (1,000 yen)
Competitive contracts	1,045	49,054,414
Of which, those with single-bidder bidding	(10%) 102	(34%) 16,782,729

(Note) The figures (%) in the upper line indicate the percentage of the total competitive contracts.

(Review of contracts with single-bidder bidding)

Reviewing method	Number of contracts	Amount (1,000 yen)
No changes were made for the contract method, but conditions, etc. were amended (Note 1)	(46%) 47	(48%) 8,130,719
Changes in specification	5	18,899
Changes in requirements for participation	20	735,690
Amendment of the notification period	33	8,049,247
Other	36	7,908,545
Review of the contract method	(12%) 12	(49%) 8,290,988
Other reviews	(40%) 41	(2%) 310,105
Contracts that did not need to be reviewed	(2%) 2	(0%) 50,916

(Note 1) The number and amount of contracts may not be the same as the totals of those in the breakdown, as there is a possibility that some of them were reviewed in multiple items.

(Note 2) The total may differ due to rounding.

(Note 3) The figures (%) in the upper line indicate the percentage of contracts with singlebidder bidding in FY 2008.

2. Implementation program to achieve the Review Plan for Direct Appointments

(1) Periodic inspections of contracts by the Contract

Surveillance Committee, etc.

Implementation of periodic inspections by the Contract Surveillance

Committee, concerning non-competitive direct appointments and contracts that ended up with single-bidder bidding

(2) Review of non-competitive direct appointments, etc.

Avoidance of non-competitive direct appointments except those that truly must be a direct appointment

(3) Review of single-bidder bidding

Securement of competitiveness through the efforts outlined below to create an accessible environment in general competitive bidding

① Streamlining of bidding procedures Implementation of electronic bidding to reduce bidding-related clerical burdens

② Review of specification

a. Setup of truly necessary bidding requirements according to the business content

b. Enabling bid participants to see specification necessary for the maintenance, etc. of existing systems

③ Mitigation of requirements for participation in bidding

a. Expansion of bidding qualification grades to all grades for contracts that ended up single-bidder bidding in the past

b. Expansion of eligibility to include bidders qualified by government ministers and agencies, in addition to those qualified by JHF

④ Securement of a sufficient notification period, etc.

Securement of sufficient notification/preparation periods according to the term of the contract

⑤ Use of multiple-year contracts

Making use of multiple-year contracts for integrated operation when it is more efficient to make multiple contracts with a single business, such as the lease contract and maintenance contract of copiers, and when the first bidding winner has an advantage in the subsequent bids

⑥ Interview survey from non-participating bidder

Holding of interviews with businesses that did not participated in bidding despite their receipt of bidding documents, etc. to understand the reasons for their nonattendance. The results are reflected in the improvement of procedures for similar bidding as needed.

(4) Appropriate planned price setting

Setting of appropriate planned prices by collecting a broad range of information on market prices, etc.

(Reference) The outlines of the contracts indicated in Note 3 of the table in section 1 (1) are shown as below.

Item	Description	Contract form	Contract amount
Housing loans purchase contract	Contract of purchasing long-term, fixed housing loans originated by private financial institutions for securitization	Competitive bidding	¥724.7 billion
Group credit life	Insurance contract concluded with insurance companies for the system to repay an outstanding GHLC-originated loan or Flat 35 loan with insurance money when the borrower dies or has severe disability (mutual relief contract with Zenkyoren for JA-related loans)	Competitive bidding and non-competitive direct appointment (mutual relief contract)	¥120.3 billion (of which, mutual relief: 4.4 billion)
Interest-rate swap contract	Transaction to hedge interest-rate risk from the time of purchasing a housing loan to the time of deciding conditions for securities with the housing loan as collateral (pipeline risk)	Competitive bidding	The concept of "contract money" does not exist as no fees accrue in swap transactions.
Consignment contract for loans for property accumulation saving scheme-tied houses	For the consignment of operations for housing funding contracts to financial institutions, operations include everything from the acceptance of loan applications to loan collection, and are related to housing funding contracts for workers or insured people provided by the Employment and Human Resources Development Organizations and the Welfare and Medical Service Agency.	Noncompetitive direct appointments	¥355 million

Executive Compensation and Salaries of Employees

I Executive Compensation

1. Fundamental policy on executive compensation

① Linking operation results and FY 2012 executive compensation

Taking into consideration the evaluation of operation results made by the Performance Assessment Committee, the President can increase or decrease the end-of-term allowance for an executive by up to 10% based on the executive's work performance.

② Revision of standards for executive compensation

President
Senior Executive Vice President
Executive Vice President
Senior Executive Director
Auditor General

The salary payment was lowered at a rate (9.77% of the monthly base salary) from April 2012 in accordance with the salary reduction of national civil servants (until March 2014).

2. Compensation for Directors

Position	Total amount of annual remunerations, etc., for FY 2012				Inauguration and retirement		Previous position
	Remuneration(salary)	Bonus	Other (details)	Inauguration	Retirement		
President	Thousand yen 19,667	Thousand yen 12,214	Thousand yen 5,002	Thousand yen 2,198 (Regional adjustment) 253 (Commuting allowance)			※
Senior Executive Vice President	Thousand yen 16,678	Thousand yen 10,492	Thousand yen 4,297	Thousand yen 1,889 (Regional adjustment)			◇
Executive Vice President	Thousand yen 16,111	Thousand yen 10,016	Thousand yen 4,102	Thousand yen 1,803 (Regional adjustment) 191 (Commuting allowance)			◇
Senior Executive Director A	Thousand yen 14,508	Thousand yen 9,074	Thousand yen 3,716	Thousand yen 1,633 (Regional adjustment) 85 (Commuting allowance)		March 31	◇
Senior Executive Director B	Thousand yen 13,322	Thousand yen 9,074	Thousand yen 2,482	Thousand yen 1,633 (Regional adjustment) 133 (Commuting allowance)	April 1		
Senior Executive Director C	Thousand yen 14,595	Thousand yen 9,074	Thousand yen 3,716	Thousand yen 1,633 (Regional adjustment) 172 (Commuting allowance)		March 31	◇
Senior Executive Director D	Thousand yen 14,500	Thousand yen 9,074	Thousand yen 3,716	Thousand yen 1,633 (Regional adjustment) 77 (Commuting allowance)		March 31	※
Senior Executive Director E	Thousand yen 14,143	Thousand yen 9,074	Thousand yen 3,324	Thousand yen 1,633 (Regional adjustment) 112 (Commuting allowance)	April 1		※
Auditor General A	Thousand yen 13,175	Thousand yen 8,207	Thousand yen 3,361	Thousand yen 1,477 (Regional adjustment) 129 (Commuting allowance)		March 31	
Auditor General B	Thousand yen 13,209	Thousand yen 8,207	Thousand yen 3,361	Thousand yen 1,477 (Regional adjustment) 163 (Commuting allowance)		March 31	*
Auditor General C	Thousand yen 13,172	Thousand yen 8,207	Thousand yen 3,361	Thousand yen 1,477 (Regional adjustment) 126 (Commuting allowance)			※

(Notes) 1. The special regional allowance is paid to executives working in areas with high private-sector wages.

2. The following symbols are used in the above table to designate the previous position. Blank column when not applicable.

- * → Retired civil servant
- ◇ → Seconded executive (presently an executive at an organization such as an incorporated administrative agency after having retired in order to become an executive at an organization such as an incorporated administrative agency as stipulated under Paragraph 1, Article 8 of the National Civil Servant Retirement Allowance Law (Law No. 182 of 1953)).
- ※ → Retired employee of an organization such as an incorporated administrative agency (retired from an agency covered by the law Concerning Access to Information Held by Incorporated Administrative Agencies (Law No. 140 of 2001)).
- * ※ → In the case a retired civil servant became an executive after having worked as an employee or executive of an organization such as an incorporated administrative agency

3. Retirement allowances paid to executives (directors who resigned during FY 2012 and were paid a retirement allowance)

Category	Total payment	Length of service at agency		Date resigned	Performance rate	Notes	Previous position
President	Thousand yen	Year	Month			N/A	
Executive Vice President	Thousand yen	Year	Month			N/A	
Senior Executive Vice President	Thousand yen	Year	Month			N/A	
Senior Executive Director A	Thousand yen 5,657	Year 5	Month 0	March 31, 2012	0.9	The Performance Assessment Committee for incorporated administrative agencies, which assesses performance in FY 2011, decided the performance rate (0.9). (The amount described in the left column is the amount of total payment decided)	
Senior Executive Director B	Thousand yen 4,525	Year 4	Month 0	March 31, 2012	0.9	The Performance Assessment Committee for incorporated administrative agencies, which assesses performance in FY 2011, decided the performance rate (0.9). (The amount described in the left column is the amount of total payment decided)	※
Auditor General C	Thousand yen	Year	Month			N/A	

Note 1: The "Notes" section provides the reasons for the decisions regarding the amount of retirement allowances, including the performance rating by the Performance Assessment Committee.

Note 2: The following symbols are used in the above table to designate the previous position. Retired civil servant " * ", Seconded executive " ◇ ", Retired employee of an organization such as an incorporated administrative agency " ※ ", Retired civil servant who retired later from an organization such as an incorporated administrative agency " * ※ ", Blank column when not applicable.

II Salaries of Employees

1. Fundamental policy on salaries of employees

① Fundamental policy regarding labor costs management

As stipulated in Paragraph 1, Article 30 of the Law on General Rules on Independent Administrative Institutions (Law No. 103 of 1999 and referred to below as the General Rules Law), JHF creates a plan to achieve the relevant medium-term goals set by the minister of Infrastructure, Land, Transport and Tourism for the period extending from April 1, 2007, through March 31, 2012, and this plan receives the approval of the Minister of Infrastructure, Land, Transport and Tourism.

The basic policy on labor costs is set in the medium term plan as “labor costs excluding retirement benefits and social insurance shall be reviewed rigidly based on the government’s reduce in its total personnel expenses.”

② Basic policy on determining the salary of employees

a. Items taken into consideration when setting salary levels and the rationale for taking those items into consideration

Paragraph 3, Article 63 of the General Rules Law stipulates that employee salary standards must take into consideration the performance of the agency and conform with general social trends, and there was a request from the government (approved by the Cabinet on January 24, 2013) for salary revision that appropriate salary levels be reviewed rigidly and set by taking into due consideration the salary level of national civil servants.

b. Rationale behind the method for reflecting employee skills and work performance in salaries

Paragraph 1, Article 63 of the General Rules Law stipulates that the salary of an employee must take into consideration the employee’s work performance; therefore based on JHF’s personnel evaluation system, the work performance evaluations are reflected in bonuses and periodic pay raises. As for the overall performance of JHF, an intra-department evaluation system that evaluates each department’s contribution to the agency’s performance has been introduced, and the results of these evaluations are reflected in bonuses.

(Details of salaries that reflect efficiency and work performance)

Salary items	Details of the system
Base salary	· Periodic pay raises and promotions (pay raise accompanying a promotion) are determined based on skill evaluations for a set period of time.
Diligence allowance	· The pay rate for the diligence allowance is determined based on the work performance evaluations for a six month period.

c. Main revisions to the salary system in FY 2012

- Terminate periodic pay raises of relevant employees in line with the lowering of the maximum rank in the salary table to the 81st rank
- Lower monthly base salary in accordance with the revision of the remuneration for national civil servants (average revision rate: \triangle 0.24%)
- The following measures were to be taken in relation to the revision of national civil servants’ salary based on the Act on Revision of Remuneration for National Civil Servant and Temporary Special Provisions (Law No. 2, 2012): (for employees)

- Implementation period: August 2012 – March 2014(*)

* Implementation period of the measures for lowered salary payment was formally set until July 2014. In terms of normalization of salary level, however, it was moved up to March 2014 in accordance with the adjustment concerning measures for salary revision and lowered salary payment for winter bonus.

- Details of measures for employees’ base salary schedule: reduction rate of monthly base salary was from 4.77% to 9.77%

- Details of measures for various allowances: reduction rate of allowances for officials above director level was 10% and reduction rate of the end-of-term allowance and diligence allowance was 9.77%. Reduction rates of regional allowance, transfer allowance, and overtime allowance reflect that of monthly base salary.

- Details of measures different from the governmental policy: nothing in particular (for executives)

- Implementation period: April 2012 – March 2014

- Details of measures for salary schedule: reduction rate of monthly salary was 9.77%

- Details of measures for various allowance: reduction rate of the end-of-year allowance was 9.77%. Reduction rate of regional allowance reflects that of monthly salary.

- Details of measures different from the governmental policy: nothing in particular

[Status of the measures in light of salary reexamination]

Introduction of reviewed personnel and payment systems was decided in FY 2011 (sequential implementation in and after FY 2012). For FY 2012, periodic pay raises of relevant employees were terminated in line with the lowering of the maximum rank in the salary table to the 81st rank and the current efforts on retirement system for management positions, etc. had been progressed.

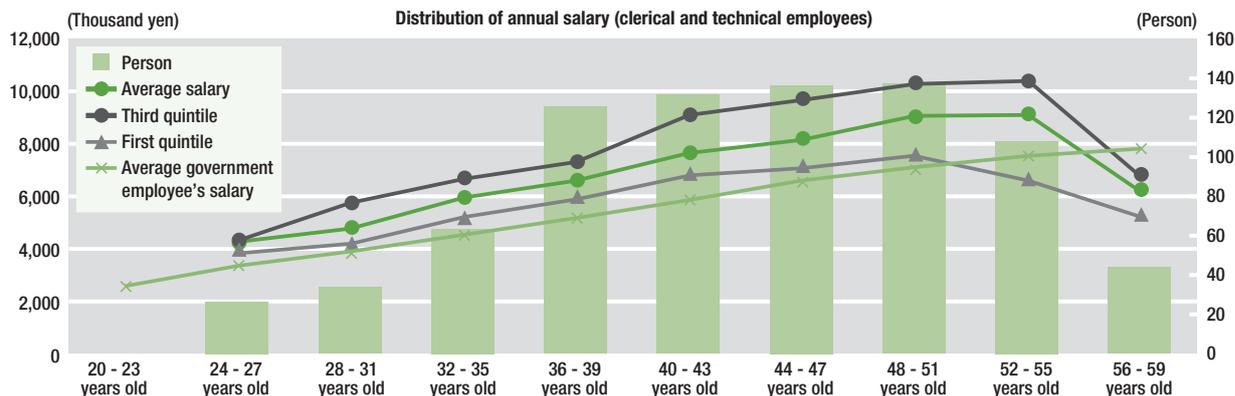
2. Employee salaries

① Salary by type of work

Type	Employees	Average age	FY 2012 annual salary (average)			
			Total amount	Contract earnings	Commuting allowance	Bonus
Full-time employees	Persons 804	Age 44.4	Thousand yen 7,642	Thousand yen 5,943	Thousand yen 142	Thousand yen 1,699
Clerical/technical	Persons 803	Age 44.4	Thousand yen 7,645	Thousand yen 5,944	Thousand yen 143	Thousand yen 1,701
Others	Persons 1	Age —	Thousand yen —	Thousand yen —	Thousand yen —	Thousand yen —

(Notes) 1. "Other" under full-time employees refers to one employee, a telephone operator. Since there are concerns that it would be possible to identify personal information about them, only the number of such employees has been included.
2. This section has been omitted since overseas employees, fixed-term employees, rehired employees, temporary employees and full-time employees are only involved in the types of work listed above, not research, medicine (hospital doctors and nurses) and education (instructors at technical colleges).

② Distribution of annual salary (clerical and technical employees)



(Note) From the annual salary amount in ①, commutation allowances are deducted. The same applies through ⑤ below.

(Clerical & technical employees)

Groups used in distribution	Employees	Average age	Quartile		Average	Quartile
			First quartile	Third quartile		
Representative position	Persons	Age	Thousand yen	Thousand yen	Thousand yen	Thousand yen
Director at head office	143	48.2	9,344	9,366	10,014	
Clerk at head office	29	34.5	4,123	4,492	4,860	

(Note) Given that there is only one staff member corresponding to category-1 staff, since information concerning the subject person can be individually identified, only the number of persons is stated.

③ Employee by grade (as of April 1, 2013) (Clerical and technical employees)

Rank	Total	First grade	Second grade	Third grade	Fourth grade	Fifth grade	Sixth grade
Standard position		Clerk	Clerk	Deputy Manager	Manager	Director in charge	Managing Director
Employees (percentage)	Persons	Persons	Persons	Persons	Persons	Persons	Persons
	—	60 (7.5%)	103 (12.8%)	345 (43.0%)	253 (31.5%)	41 (5.1%)	
Age (youngest - oldest)	Age	Age	Age	Age	Age	Age	Age
	—	47 ~ 24	58 ~ 26	59 ~ 31	58 ~ 38	58 ~ 48	
Scheduled annual salary (low - high)	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen
	—	4,242 ~ 2,796	5,643 ~ 2,958	6,613 ~ 3,798	9,052 ~ 5,506	9,803 ~ 7,478	
Annual salary (low - high)	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen
	—	5,367 ~ 3,610	6,556 ~ 3,817	8,546 ~ 4,926	11,649 ~ 5,992	12,769 ~ 9,767	

(Note) Information only about "standard position" is provided because there is only one staff member in the first grade category, and detailed information could be a personal identifier.

④ Bonuses (FY 2012) assessed portion (clerical and technical employees)

Rank		Summer bonus (paid in June)	Winter bonus (paid in December)	Total
Managing grade employees	Constant payment (year-end bonus)	% 61.1	% 47.2	% 55.5
	Evaluation-based payment (diligence allowance) (average)	% 38.9	% 52.8	% 44.5
		Upper - lower	% 100.0 ~ 24.8	% 280.6 ~ 41.1
General employees	Constant payment (year-end bonus)	% 63.3	% 54.5	% 59.6
	Evaluation-based payment (diligence allowance) (average)	% 36.7	% 45.5	% 40.4
		Upper - lower	% 100.0 ~ 30.1	% 358.7 ~ 36.9

⑤ Salary level (annual) comparative index between national civil servants and other agencies (clerical and technical employees)

National civil servant comparative index: 123.3

Other agencies comparative index (clerical and technical employees): 115.6

(Note) The National Personnel Agency calculates the index based on the salaries JHF is presently paying and setting to 100 the salary level if JHF's salaries were replaced by the national government's salary level (for the other agencies comparative index, the price level if other administrative agencies were a single agency) and weighing for the age distribution of JHF employees.

Reference items for the salary level comparative index

○ Clerical and technical employees

Item	Details																															
Index	Comparison with national civil servants 123.3																															
	Reference	Regional differences 114.0																														
		Academic history 119.6																														
		Regional differences and academic history 111.5																														
Quantitative reasons why the salary level is high compared to national civil servants	<p>JHF, whose predecessor was the Government Housing Loan Corporation, was founded on April 1, 2007, as a financial institution whose core operations are securitization in order to create a new market-based housing financial system and to provide a stable supply of long-term, fixed rate home loans to the private sector.</p> <p>In order to smoothly and properly conduct the agency's operations, which are centered on securitization, it is necessary to recruit and keep talented personnel with extremely specialized and advanced knowledge of financial techniques and skills in financial operations, and the personnel must be appropriately compensated for their abilities.</p> <p>On account of this, decisions regarding the agency's salary level, which are covered in II-1-② -a Items taken into consideration when setting salary levels and the rationale for taking those items into consideration, were made also taking into consideration private financial institutions.</p> <p>The following table, which provides a comparison between JHF and financial institutions with a similar number of employees and offices, shows that the salary levels are in general the same.</p> <p>Comparison of average salary (FY 2011)</p> <table border="1"> <thead> <tr> <th></th> <th>Employees</th> <th>Offices</th> <th>Average Age</th> <th>Average salary (thousand yen)</th> </tr> </thead> <tbody> <tr> <td>JHF</td> <td>923</td> <td>11</td> <td>43.6</td> <td>8,540</td> </tr> <tr> <td>Financial institution A</td> <td>1,590</td> <td>28</td> <td>40.3</td> <td>7,688</td> </tr> <tr> <td>Financial institution B</td> <td>1,466</td> <td>18</td> <td>40.9</td> <td>7,573</td> </tr> <tr> <td>Financial institution C</td> <td>1,085</td> <td>12</td> <td>37.8</td> <td>7,729</td> </tr> <tr> <td>Financial institution D</td> <td>1,147</td> <td>10</td> <td>38.2</td> <td>10,968</td> </tr> </tbody> </table> <p>Note: Data such as average salaries for private institutions were taken from the particular institution's FY 2011 securities reports.</p> <p>Note: Since the average salary for private financial institutions in the securities report include overtime allowances and commuting allowances, the average salary for the agency given in the above table also includes overtime allowances and commuting allowances.</p> <p>[Affects taken into consideration regional differences and academic history]</p> <p>JHF's salary is affected by the fact that the majority of the agency's employees work in major metropolitan areas, and the organization and personnel were centralized in Tokyo to rationalize and improve the efficiency of operations (eliminating the effect of regional differences reduces the national civil servant comparative index to 114.0 from 115.5), the high percentage of employees with at least a college degree (eliminating the effect of higher education reduces the national civil servant comparative index to 119.6 from 121.3; and eliminating the effect of regional differences and higher education reduces the national civil servant comparative index to 111.5 from 112.8), and benefits in order to keep talented employees.</p> <p>[Result of the inspection by the competent minister of state]</p> <p>Since the salary levels exceed that of national civil servant, measures will be taken steadily to achieve the target level.</p>			Employees	Offices	Average Age	Average salary (thousand yen)	JHF	923	11	43.6	8,540	Financial institution A	1,590	28	40.3	7,688	Financial institution B	1,466	18	40.9	7,573	Financial institution C	1,085	12	37.8	7,729	Financial institution D	1,147	10	38.2	10,968
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	Verification of the appropriateness of wage levels	<p>[National government financial support]</p> <p>National government financial support as percentage of total projected expenditures: 1.3% (national government financial support - ¥109.9 billion; total projected expenditures - ¥8,300.1 billion [FY 2012 budget, after the second supplementation])</p> <p>[Examination result]</p> <p>Fiscal spending from the state (¥222.6 billion) is allocated for subsidies for reducing interest-rate of loans for recovery from disasters which support people affected by the Great East Japan Earthquake for reconstruction, etc. of housings (¥53.9 billion), investment to deal with credit risk in securitization support business, etc. (¥50.4 billion), and subsidies for implementation of Flat 35S (¥5.6 billion).</p>																														
		<p>[Accumulated losses]</p> <p>Accumulated loss: ¥79.2 billion (FY 2012)</p> <p>* Outstanding loan management account: ¥449.9 billion, other accounts: N/A (earned surplus: ¥370.7 billion)</p> <p>[Results of the verification]</p> <p>Concerning the outstanding loan management account, based on the Greater Efficiency and the Improved Operations of the Government Housing Loan Corporation with the Goal of Transforming into an Incorporated Administrative Agency (formulated on July 6, 2005) (in the following, Management Improvement Plan) and its mid-term plan, JHF used funds raised through securitization of outstanding housing loans to implement advanced redemption of borrowings from the Fiscal Investment and Loan Program (no compensation), and subsidies from the national government were abolished by the final year (FY 2012) of the first mid-term period after necessary amounts were set.</p> <p>In other accounts, JHF recorded retained earnings in total.</p>																														
		<p>[Details of measures]</p> <p>1. Efforts by JHF (FY 2006 - FY 2012)</p> <p>The following efforts have been made to normalize wage levels since the time of the Government Housing Loan Corporation, the predecessor of JHF:</p> <p>(1) Efforts by the Government Housing Loan Corporation (FY 2006)</p> <ul style="list-style-type: none"> Reduce the base salary by 6% on average (this was done for management positions starting in October 2005) Hold down average pay raises to 1/2 that of national civil servants 																														
Measures	<p>(2) Efforts by JHF (FY 2007 -) (FY 2007)</p> <ul style="list-style-type: none"> Lower base salary 5.03% on average Reduce the number of months applied to calculate bonuses by 0.3 months (4.75 months-> 4.45 months*) <p>* Months applied to calculate annual bonus as of April 1, 2007 (FY 2008)</p> <ul style="list-style-type: none"> Lower base salary for operations (employees who transferred from comprehensive work to operations work in FY 2007 and 2008) 5% on average (FY 2009) Lower base salary for operational staff (employees who transferred from generalist work to operational work in FY 2009) 5% on average Lower monthly base salary and reduced number of months applied to calculate bonuses Lower monthly base salary in accordance with the revision of the remuneration for national civil servants (average revision rate: △0.24%) and a reduction in the number of months applied to calculate bonuses (△0.35 months (4.50 months → 4.15 months)) (FY 2010) Lower base salary for operational staff (employees who transferred from generalist work to operational work in FY 2010) 5% on average Terminate guarantee for the current salary for operations (employees who were in a job type which does not require transfers to different areas at the time of the Government Housing Loan Corporation) (5% reduction from March 2007) Review payment category for the allowance for above the director level officials (approx. 3% reduction of the total compensation) Lower monthly base salary and reduced number of months applied to calculate bonuses Lower monthly base salary in accordance with the revision of the remuneration for national civil servants (average revision rate:△0.19%) and a reduction in the number of months applied to calculate bonuses (△ 0.20 months (4.15 months → 3.95 months)) (FY 2011) Introduce a retirement system for management positions (for staff members who will turn 55 years or older at the end of FY 2011) Lower maximum amount of allowance for officials above the director level Introduce personnel and salary systems including a revision of the salary structure (sequential implementation in and after FY 2012) (FY 2012) Lower monthly base salary In line with revision of remuneration for national civil servants, monthly base salary was lowered (average revision rate △ 0.23%) In line with the revision of national civil servants' salary based on the Act on Revision of Remuneration for National Civil Servant and Temporary Special Provisions (Law No. 2, 2012), measures for lowered salary payment was taken (reduction rate of monthly base salary was from 4.77% to 9.77%) Terminate periodic pay raises of relevant employees in line with the lowering of the maximum rank in the salary table to the 81st rank Introduce a retirement system for management positions (for staff members who will turn 55 years or older at the end of FY 2012) <p>2. Measures to be taken by JHF (FY 2014)</p> <p>Abolish a current type of work (operational work) and create a new type of work (business career work) (approx. 10% reduction in salary level)</p> <p>[Present effect and projected national civil servant comparative index]</p> <p>For FY 2012, the index declined 14.5 percentage points after eliminating the effects of regional differences and higher education (11.7 percentage points if only age is taken into consideration) compared to FY 2005 as a result of efforts to normalize wage levels.</p> <p>From FY 2013, with the consideration of total personnel expenses reduction of the government, personnel expense is reviewed continuously through reform of personnel and salary systems (*) including continuous efforts such as retirement system for management positions, etc. and revision of the salary structure as well as further efforts are made to normalize salary level. Though such efforts, the pay-scale is to be declined to the level equivalent to that of the national government employees after adjusting age and regional differences and educational level by FY 2016.</p> <p>* The abolishment of the current job category (operational work) and the creation of a new job category (business career work) (approximately 10% reduction in the salary level compared to the current level)</p> <p>[Projected national civil servant comparative index for FY2013]</p> <p>The national civil servant comparative index: below approx. 123.3</p> <p>The index after eliminating the effects of regional differences and higher education: below approx. 111.5</p>																															
	Other reference items	<p>[Total compensation, including salary, as percentage of total expenditures]</p> <p>0.1% (total compensation, including salary - ¥7.4 billion; total expenditures - ¥8,300.1 billion (FY 2012))</p> <p>* The absolute level of total compensation, including salary, as percentage of total expenditures, is small.</p> <p>[Percentage of managerial positions]</p> <p>32.1% (clerical and technical service; as of April 1, 2013)</p> <p>* The percentage of managerial position for the national government: 15.7% (the percentage of Grade 6 or higher national civil servants in the FY 2012 National Civil Servant Survey [National Personnel Agency])</p> <p>* The promotion of employees to managerial positions in a strict way will be continued.</p> <p>[Percentage of employees with at least a college degree]</p> <p>82.6% (clerical and technical service; as of April 1, 2012)</p> <p>* For the national government: 53.4% (the percentage of national civil servants in the FY 2012 National Civil Servant Survey [National Personnel Agency] with a college degree whose salary is based on the administrative service salary schedule)</p> <p>* In order to smoothly and properly conduct the agency's operations, which are centered on securitization and include the operations of the Government Housing Loan Corporation, the predecessor of JHF, it is necessary to recruit talented personnel with extremely specialized and advanced knowledge of financial techniques and skills in financial operations, and most recruits have at least a college degree; therefore, a high percentage of the employees have a high level of education.</p>																														

III Total Personnel Expenses

Rank	Current fiscal year (FY 2012)	Current fiscal year (FY 2011)	Comparative increase △ decrease	Change compared to figure at the start of the medium △ term plan (FY2012)
Total payments of salary and bonus, etc. (A)	Thousand yen 7,423,382	Thousand yen 8,047,255	Thousand yen (%) △ 623,873 (△ 7.8)	Thousand yen (%) - (-)
Payment of retirement benefits (B)	Thousand yen 512,125	Thousand yen 210,738	Thousand yen (%) 301,387 (143.0)	Thousand yen (%) - (-)
Salary of non-permanent directors and employees, etc. (C)	Thousand yen 942,479	Thousand yen 963,690	Thousand yen (%) △ 21,211 (△ 2.2)	Thousand yen (%) - (-)
Welfare expenses (D)	Thousand yen 1,134,897	Thousand yen 1,183,422	Thousand yen (%) △ 48,525 (△ 4.1)	Thousand yen (%) - (-)
Personnel expenses at the broadest base (A + B + C + D)	Thousand yen 10,012,883	Thousand yen 10,405,105	Thousand yen (%) △ 392,222 (△ 3.8)	Thousand yen (%) - (-)

Reference items for the overall labor costs

- Reason for year-on-year changes in total compensation, including salary, and broadly-defined labor costs
 - The total compensation, including salary, shrank 7.8% or around ¥0.62 billion from the previous year, mainly due to a reduction in the amount of salary, etc. in accordance with measures for lowered salary payment which resulted in around ¥0.62 billion of reduction.
 - Payment of retirement benefits increased 143% or around ¥0.3 billion from the previous year, mainly because that the retirement benefits for employees retired in the end of FY 2011 were paid in April 2012. Regarding the payment of retirement benefits for FY 2012, it was paid before measures were taken after June 30, 2013, based on the Reduction of Payment Level of Retirement Benefits for National Civil Servants (adopted by the cabinet on August 7, 2012).
 - As a result based on above matters, broadly defined labor costs declined 3.8%, or around ¥0.39 billion from the previous year.

IV Matters that JHF finds necessary

Based on the Reduction of Payment Level of Retirement Benefits for National Civil Servants (adopted by the cabinet on August 7, 2012), the following measures were determined to be taken.

(Executives)

- The payment level of retirement benefits was lowered for those executives who will retire after March 31, 2013, by deciding adjustment ratio*1 in accordance with the numeration of national civil servants.

- *1
- ① Retirement date is from March 31, 2013, to September 30, 2013: 98/100
 - ② Retirement date is from October 1, 2013, to June 30, 2014: 92/100
 - ③ Retirement date is after July 1, 2014: 87/100

(Employees)

- The payment level of retirement benefits was lowered for those employees who will retire after June 30, 2013, by deciding adjustment ratio*2 in accordance with the numeration of national civil servants.

- *2
- ① Retirement date is from June 30, 2013, to December 31, 2013: 98/100
 - ② Retirement date is from January 1, 2014, to June 30, 2014: 92/100
 - ③ Retirement date is after July 1, 2014: 87/100

Product Outline

Product outline of Flat 35 (Purchase Program)

As of April 1, 2013

<p>Application requirements</p>	<ul style="list-style-type: none"> ● Those aged less than 70 at the time of application (if the two-generation loan repayment scheme (there are certain requirements) is applied, this loan applies also to people aged 70 years and over). ● Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status. ● Those whose repayments on all loans*, including Flat 35, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined, but the repayment period may be shortened). <table border="1" data-bbox="280 439 850 495"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <p>* Besides loans under the Flat 35 program, all loans include those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including income of the co-borrowers, if any).</p> <ul style="list-style-type: none"> ● In the case that the house and its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership of the property <p>(Note 1) The income, in principle, must be based on income stated in the official certificate for the year before the fiscal year in which the application is made (in the case of FY 2013, the income must be based on income between January and December 2012 in principle.). The income stated in the official certificate is as follows:</p> <ol style="list-style-type: none"> ① For those other than the above, amount of salary income; or ② For those other than the above, amount of incomes (a total income from business, real estate, and interest, salary income, and dividend income) <p>(Note 2) The number of applicants is limited to two people including a co-borrower.</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
Annual income	Less than 4 million yen	4 million yen or more					
DTI	30% or less	35% or less					
<p>Purpose of the loan</p>	<ul style="list-style-type: none"> ● Loans for construction/purchase of a new home or purchase of an existing home for occupation by the applicant or relatives ● Loans for construction/purchase of a house for weekends (a second house) to be used by the applicant <p>(Note) This loan cannot be offered for reform of a house.</p>						
<p>House covered by loan</p>	<ul style="list-style-type: none"> ● Houses that satisfy the technical criteria set by JHFF ● Have a floor area*¹ of 70 m² or more for a detached house, a terrace house style including semi-detached house and a flat ²style, ² or 30 m or more for a condominium style, etc. <table border="1" data-bbox="280 831 1038 887"> <tbody> <tr> <td>Detached house, terrace house style including semi-detached house, flat style</td> <td>70 m² or more</td> </tr> <tr> <td>Apartment complex (condominium and similar)</td> <td>30 m² or more</td> </tr> </tbody> </table> <p>* 1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.).</p> <p>* 2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls.</p> <p>Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house. ● Costs of housing construction (including the land purchased for the house), or a purchase price of 100 million yen and under (including consumption tax). ● No conditions on the size of land for the house </p>	Detached house, terrace house style including semi-detached house, flat style	70 m ² or more	Apartment complex (condominium and similar)	30 m ² or more		
Detached house, terrace house style including semi-detached house, flat style	70 m ² or more						
Apartment complex (condominium and similar)	30 m ² or more						
<p>Amount of the loan</p>	<p>One to 80 million yen (in increment of 10 thousand yen), provided that the total LTV (loan to value) ratio is 90% or less of construction or purchase cost (excluding costs for the nonresidential space)*.</p>						
<p>Duration of the loan</p>	<ul style="list-style-type: none"> ● 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over at the ^{*1,2} time the application is filed) or over, and whichever is shorter between 1) and 2) below (increment: 1 year) ① 80 years minus the age of the applicant at the time the application is filed with the part of the period less than one year counted as one year. * 1 If the two-generation loan repayment scheme (there are certain requirements) is applied, the loan term shall be based on the age of the successor regardless of any co-borrower. * 2 If the two-generation loan repayment scheme (there are certain requirements) is applied, the loan term shall be based on the age of the successor regardless of any co-borrower. ② 35 years <p>(Note 1) The loan is not available if whichever shorter between 1) and 2) is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over).</p> <p>(Note 2) Customers who have selected a loan of 20 years or less cannot change the period to 21 years or more during the repayment period.</p>						
<p>Borrowing rate</p>	<ul style="list-style-type: none"> ● Fixed rate*¹ ● The borrowing rate ^{*2,3} applicable to loans of 20 years and under is different from the rate applicable to loans of 21 ^{*4} years and over. * 1 Under Flat 35S, the interest rate is reduced for a certain period (please visit the Flat 35 website for more information). * 2 Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website (www.flat35.com). * 3 The interest rate applied is that on the date of disbursement, not of application. The disbursement date shall be determined by the financial institution. * 4 Some financial institutions offer the same borrowing rate regardless of the duration of the loan. 						
<p>Amortization</p>	<ul style="list-style-type: none"> ● Monthly principal and interest equal repayment or monthly principal equal repayment. Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen. 						
<p>Collateral</p>	<ul style="list-style-type: none"> ● JHF holds a first-lien mortgage on the house and land to which the loan is extended. <p>(Note) Fees for closing the mortgage (registration license tax, compensation for an escrow agents, etc.) shall be paid by the borrower.</p>						
<p>Surety</p>	<ul style="list-style-type: none"> ● Not required. 						
<p>Group credit life insurance</p>	<ul style="list-style-type: none"> ● The use of JHF credit life insurance is recommended It is strongly recommended to prepare for unexpected adverse events. <p>(Note) A special contract premium shall be paid by the customer. Some customers may not be able to be accepted depending on their health conditions.</p>						
<p>Fire insurance</p>	<ul style="list-style-type: none"> ● Customers of the scheme must until the end of repayment of the loans take out fire insurance (meaning either a fire insurance provided by an insurance company selected at the discretion of the customer or a mutual aid fire insurance stipulated by laws; the same hereinafter.) for the dwelling that is the purpose of borrowing the loan. ● The insurance amount must at least equal the loan amount (Note) and the subject of indemnification must be fire damage to the building. (Note) The appraisal amount if the amount (appraisal amount) computed on the basis of the criteria of the insurance company is less than the loan amount. ● If a mortgage is placed on the lot, the insurance period, premium payment method and requirements for a pledge vary by the financial institution offering the loan. If a mortgage is not placed on the lot, the maturity date of the insurance policy shall be the day of the final repayment or later, the payment method shall be long-term lump-sum payment, and JHF takes a first priority pledge on the recipient's right to obtain fire insurance benefits. <p>(Note) A fire insurance premium shall be paid by the customer. JHF's special fire insurance is not applicable.</p>						
<p>Fees for the Origination of the loan Fees for the inspection of the property</p>	<ul style="list-style-type: none"> ● Origination fees ^{*1,2} may differ between financial institutions offering loans. ● Different institutions/experts that certify suitability impose different fees for inspecting properties. ^{*2} * 1 Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com). * 2 Origination fees and property inspection fees shall be paid by the borrower. 						
<p>Guarantee Fee and Prepayment penalty</p>	<ul style="list-style-type: none"> ● Not required. <p>(Note) When the loan is prepaid in a whole, the day of the payment shall be the on the monthly payment day. There is a minimum amount for prepayment in a whole, which is one million yen.</p>						

Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or JHF which purchases the loan.

Overview of JHF

Activities of JHF

Corporate Governance

Details of JHF Business

Financial Data

Product outline of Flat 35 (loan refinance)

As of April 1, 2013

<p>Application requirements</p>	<ul style="list-style-type: none"> In principle, the applicant for loan refinance is the same person as the borrower of the outstanding loan. However, a co-borrower can be added at the time of refinancing (the number of borrowers is limited to two people). <ul style="list-style-type: none"> If a borrower is added or if the proportion of the ownership to the house is changed at the time of refinancing, please consult with the local tax office or a tax accountant on housing loan tax credit and tax. In the case that the house or its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership. Those aged less than 70 at the time of application (if the two-generation loan repayment scheme is applied (there are certain requirements), this loan applies also to people aged 70 years and over). Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status. Those whose repayments on all loans, including* Flat 35, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined) <table border="1" data-bbox="303 347 869 398"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Besides loans under the Flat 35 program, all loans include those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including the income of the co-borrower, if any). Those who have not missed a repayments on an outstanding loan for at least one year from the loan agreement date (+) to the refinancing application date. <ul style="list-style-type: none"> The loan agreement date is the date when a new borrower is registered in case the original borrower is changed due to inheritance or other reason (excluding the addition of a borrower). <p>(Note 1) The property subject to the loan must be owned by the applicant and must be occupied by the applicant or relatives. * Eligible for loan refinancing are also dwellings used as second residences (dwellings that are used during temporary long-distance job transfers or on weekends but are not rented out) provided that the applicant is the owner and the dwelling is used by the applicant. (Note 2) shortened the year before the year of application (between January and December 2012 in the case of FY 2013) shall be examined in principle. The income stated in the official certificate is as follows: ① For those other than the above, amount of salary income; or ② For those other than the above, amount of incomes (a total income from business, real estate, and interest, salary income, and dividend income)</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
Annual income	Less than 4 million yen	4 million yen or more					
DTI	30% or less	35% or less					
<p>Purpose of the loan</p>	<ul style="list-style-type: none"> Refinancing for the housing loan of either ① or ② outlined below <ul style="list-style-type: none"> Construction/purchase of a house that is owned and occupied by the applicant Eligible for loan refinancing are also dwellings used as second residences (dwellings that are used during temporary long-distance job transfers or on weekends but are not rented out) provided that the applicant is the owner and the dwelling is used by the applicant. Construction/purchase of a house that is owned by the applicant and occupied by relatives <p>(Note) Loans other than housing loans, e.g., multi-purpose loans and investment loans, are not eligible for refinancing, nor are housing loans for housing improvements.</p>						
<p>Requirements for the housing loan and house that are subject to refinancing</p>	<ul style="list-style-type: none"> The amount of the original loan taken out at the acquisition of a house shall meet the following requirements: <ul style="list-style-type: none"> 80 million yen or less The total LTV (loan to value*¹, *²) ratio is 100% or less. <ul style="list-style-type: none"> *1 The cost for acquiring the lot is included. *2 The charges incurred at the acquisition of the house is excluded. The cost for the construction or purchase of a house (including the lot purchased for the house) is 100 million yen or less (including consumption tax). Have either of the following floor area: *¹ <table border="1" data-bbox="303 851 1061 907"> <tbody> <tr> <td>A detached house, a terraced house (including a semi-detached house) and a flat*²</td> <td>70 m² or more</td> </tr> <tr> <td>A condominium, etc.</td> <td>30 m² or more</td> </tr> </tbody> </table> <ul style="list-style-type: none"> In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.). Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls. Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house. No conditions on the size of land for the house Houses that satisfy the technical criteria etc. set by JHF. 	A detached house, a terraced house (including a semi-detached house) and a flat* ²	70 m ² or more	A condominium, etc.	30 m ² or more		
A detached house, a terraced house (including a semi-detached house) and a flat* ²	70 m ² or more						
A condominium, etc.	30 m ² or more						
<p>Amount of the loan</p>	<ul style="list-style-type: none"> One to 80 million yen. The lower of the outstanding amount of the current housing loan or 200% of the* assessment rate of collateral by JHF (in increment of 10 thousand yen) The following costs can be included: ① costs for stamp duty affixed on the loan contract; ② origination fees for the refinance; ③ costs for registration and inundation of mortgage (registration license tax); ④ compensation for escrow agent who files the mortgage; ⑤ special premium for JHF's group credit life insurance (for the first year); and ⑥ costs for Flat 35 criteria inspection (fees for inspection of s house). 						
<p>Duration of the loan</p>	<ul style="list-style-type: none"> 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over * 1, 2 at the time the application is filed) or over, and whichever is shorter between ① and ② below for the upper limit (unit: 1year) <ul style="list-style-type: none"> 80 years minus the age of the applicant at the time the application is filed * 1, 2, with the part of the period less than one year counted as one year. <ul style="list-style-type: none"> If there is a co-borrower who uses over 50% of their annual income for debt repayments, the loan term shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower. If the two-generation loan repayment scheme is applied (there are certain requirements), the loan conditions shall be based on the age of the successor regardless of any co-borrower. 35 years less the month elapsed on the outstanding mortgage rounded at one year increment <ul style="list-style-type: none"> Starting date of the calculation is the date of closing on the outstanding mortgage This treatment may not be applicable at some financial institutions. Please ask the financial institution originating the loan. <p>(Note 1) Loan refinancing is not applicable if whichever shorter between ① and ② is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over). (Note 2) Borrowers who have selected a loan term of 20 years or less cannot change the term to 21 years or more during the repayment period.</p>						
<p>Borrowing rate</p>	<ul style="list-style-type: none"> Fixed rate The borrowing rate *^{1,2} applicable to loans of 20 years and under is different from the rate applicable to loans of 21 years*³ and over. <ul style="list-style-type: none"> Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website (www.flat35.com). The interest rate applied is that on the date of disbursement, not of application. The disbursement date when the recipient takes out the loan shall be determined by the financial institution. Some financial institutions offer the same borrowing rate regardless of the duration of the loan. 						
<p>Amortization</p>	<ul style="list-style-type: none"> Monthly principal and interest equal repayment or monthly principal equal repayment. Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen. 						
<p>Collateral</p>	<ul style="list-style-type: none"> JHF holds a first-lien mortgage on the house and land to which the loan is extended. <p>(Note) Fees for filing the mortgage at the title recording office (registration license tax, compensation for an escrow agent, etc.) shall be paid by the borrower.</p>						
<p>Surety</p>	<ul style="list-style-type: none"> Not required. 						
<p>Group credit life insurance</p>	<ul style="list-style-type: none"> The use of JHF credit life insurance is recommended. It is strongly recommended to prepare for unexpected adverse events. If the group credit life insurance is applied to the loan to be refinanced, the insurance will be terminated at the time of refinancing. Those who wish to have JHF credit life insurance must take out a new policy. However, some customers may not be able to take out a new policy depending on the results of inspections by insurance companies. <p>(Note 1) A special contract premium shall be paid by the customer. Some customers may not be able to be accepted depending on their health conditions. (Note 2) If customers who have JHF credit life insurance withdraw Flat 35 due to the discretionary early redemption after July 1, 2013, JHF refunds the customers' prepaid fees as JHF set for a special contract premium. However, this is not the case according to the period of withdrawal, etc.</p>						
<p>Fire insurance</p>	<ul style="list-style-type: none"> Customers of the scheme must until the end of repayment of the funds take out fire insurance (meaning either a fire insurance provided by an insurance company selected at the discretion of the borrower or a mutual aid fire insurance stipulated by laws; the same hereinafter) for the dwelling that is the purpose of borrowing loan. The insurance amount must at least equal the outstanding loan amount (Note) and fire damage to the building must be the subject of indemnification. The appraisal amount if the amount (appraisal amount) computed on the basis of the criteria of the insurance company is less than the outstanding loan amount. Insurance periods and insurance premium payment methods differ depending on the handling financial institution. If no mortgage has been established on the lot, the fire insurance must have a payment mode whereby insurance premiums are paid in a single long-term payment to ensure that the date of insurance maturity falls on or after the end of the final repayment of the refinancing loan. Moreover, with respect to the right to claims to the fire insurance money, a first-ranking right of pledge must be established for the Japan Housing Finance Agency as pledge. If a mortgage is placed on the lot, the insurance period and premium payment method and requirements for a pledge vary by the financial institution offering the loan. If a mortgage is not placed, the maturity date of the insurance policy shall be the day of the final repayment or later, the payment method shall be long-term lump-sum payment, and JHF takes a first priority pledge on the recipient's right to obtain fire insurance benefits. If the fire insurance that was already taken out before refinancing meets requirements prescribed as above, the customer can keep the policy. However, if a mortgage is not registered on the lot, and if the maturity date of the insurance taken out before refinancing is the day before the final repayment of the refinancing loan or if the maturity date comes after the final repayment of the refinancing loan with yearly payment of insurance premium, the fire insurance shall be cancelled and a new policy with a long-term lump-sum payment shall be taken out so that the maturity date shall be the day on the final repayment or later. In addition, JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits. <p>(Note) A fire insurance premium shall be paid by the customer. JHF's special fire insurance is not applicable.</p>						
<p>Fees for loan origination and property inspection</p>	<ul style="list-style-type: none"> Origination fees *^{1,2} may differ between financial institutions offering loans. Fees for the inspection of the property are*² necessary to certify the conformity with technical standards prescribed by JHF in a document. Different institutions/ experts that certify suitability impose different fees for inspecting properties*². Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com). Origination fees and property inspection fees shall be paid by the borrower. 						
<p>Guarantee Fee and Prepayment penalty</p>	<ul style="list-style-type: none"> Not required. <p>(Note) When the loan is prepaid in a whole, the day of the payment shall be the on the monthly payment day. There is a minimum amount for prepayment in a whole, which is one million yen.</p>						
<p>Special matters in the case of refi nance</p>	<ul style="list-style-type: none"> Flat 35 S is not applicable to loan refinancing. If the lot is located within the land adjustment project lot which is not completed and where lien upon the property can not be registered until the completion of the project, refinancing is not available. 						

Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or JHF which purchases the loan.

Corporate Data

History of GHLC and JHF

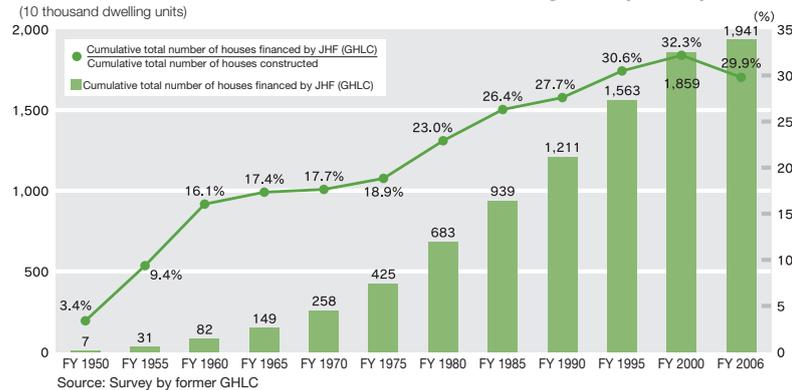
Year	Historical matter	Year	Historical matter
June 1950	Establishment of the GHLC, and launch of loan scheme for owner-occupied and rental houses	February 2010	Expansion of the range of interest rate reduction in Flat 35S for the first 10 years ($\Delta 0.3\% \rightarrow \Delta 1.0\%$) (until the end of September 2011, as a provisional measure)
March 2000	Launch of MBS (Mortgage Backed Securities) issuance	May 2011	Expansion of loans for recovery from disasters and loan modification for the people affected by the Great East Japan Earthquake (e.g. 0% of interest-rate for the first 5 years, a grace period for repayment, etc.)
October 2003	Launch of securitization business (Purchase Program) (the current "Flat 35 (Purchase Program)")	November 2011	Launch of a loan program for serviced rental housing for the elderly
October 2004	Launch of securitization business (Guarantee Program) (the current "Flat 35 (Guarantee Program)")	December 2011	Expansion of interest-rate reduction for the first 5 years for housing with high energy-saving performance concerning Flat 35S ($\Delta 0.3\% \rightarrow \Delta 0.7\%$ ($\Delta 1.0\%$ for the disaster-affected area)) (until the end of October 2012, as a provisional measure)
June 2005	Launch of support scheme to facilitate for acquiring high-quality housing through the securitization business (Purchase Program) (the current "Flat 35S")	April 2012	Commencement of the second mid-term target period (5 years until March 2017)
July 2005	Promulgation of JHF Law		
September 2006	Launch of general collateral bonds issuance		
April 2007	Abolition of GHLC Establishment of JHF Commencement of the first mid-term target period (5 years until March 2014)		
June 2009	Launch of Flat 35S 20-year interest rate reduction (the service is currently terminated)		

(Reference) Roles Former GHLC has Played

● Approximately 30% of all houses built after World War II were financed by JHF (GHLC).

The achievements of the Government Housing Loan Corporation loans reached 19.41 million dwellings for 57 years from its establishment in 1950 to its closure by the end of FY 2006. This accounts for approximately 30% of dwellings built after World War II.

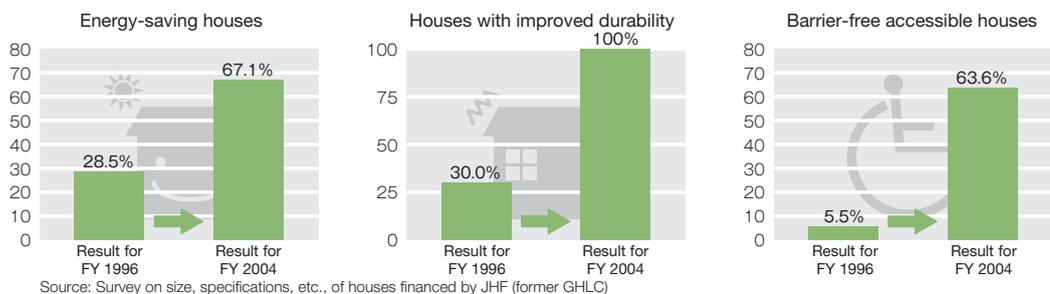
<The number of houses financed by JHF (GHLC)>



● JHF promotes measures to secure and improve the quality of houses.

The GHLC contributed to the securing and improvement of the quality of houses by establishing original technical criteria and standard specifications for constructions, etc. In particular, the GHLC promoted the improvement of quality in energy-saving houses, etc. JHF also promotes the securing and enhancing of this housing quality.

<Increase of good quality houses financed by the GHLC>



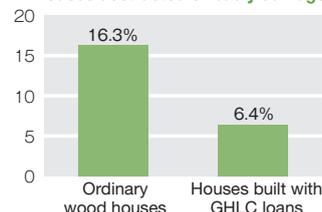
Proven strength: The GHLC financed houses survived the Great Hanshin-Awaji Earthquake.

Although many houses were heavily damaged by the severely disastrous Great Hanshin-Awaji Earthquake, surveys show that houses built with loans from the GHLC were relatively safe.

* Ordinary wood houses: Based on an analysis of 3,953 houses in Chuo-ku, Kobe City
Houses built with GHLC loans: Based on an analysis of 1,068 houses in the area which vibrated to the extent of the 7th degree on the Japanese earthquake scale in Takarazuka City, Nishinomiya City, Kobe City, etc.

Source: Survey on the damage of the Southern Hyogo Prefecture Earthquake on houses built with loans from the Government Housing Loan Corporation in 1995 Report by the Committee for the survey of the damage of the Hanshin-Awaji Earthquake, which occurred in 1995

<Houses destructed or badly damaged>



Overview of JHF

Activities of JHF

Corporate Governance

Details of JHF Business

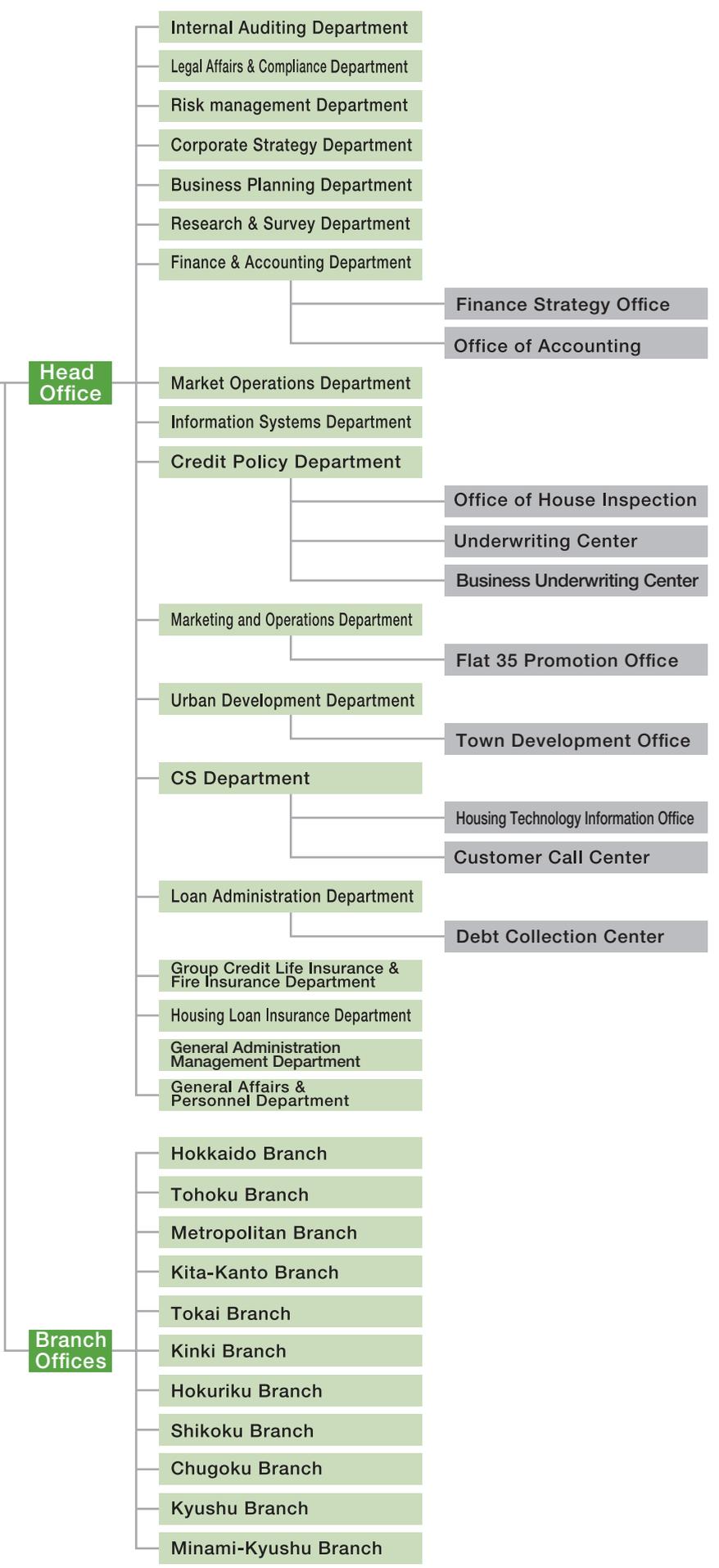
Financial Data

Executives and Organization Chart

Overview of JHF
 Activities of JHF
 Corporate Governance
 Details of JHF Business
 Financial Data



Executives	
President	: Shinya Shishido
Senior Executive Vice President	: Hiroshi Fujioka
Executive Vice President	: Masato Koumura
Senior Executive Director	: Hideyuki Juge
Senior Executive Director	: Takeshi Isokawa
Senior Executive Director	: Tsutomu Sakamoto
Senior Executive Director	: Toshihiko Anzai
Senior Executive Director	: Kimio Watanabe
Auditor General	: Itsuo Houki
Auditor General	: Hiroaki Kubota
Auditor General	: Hiroyuki Tanahashi



(As of July 1, 2013)

For inquires:

■ Customer Call Center

Hours: 9:00 – 17:00

(Opened every day except national holidays and around the New Year period)

- For consultation about Flat 35, JHF loans, and technical criteria:

 **0120-0860-35** (toll-free)

- For consultation about loans for disaster relief, etc.:
Dedicated Support Line for Disaster Victims

 **0120-086-353** (toll-free)

IF you cannot access the above line (from international call, etc.),
please use the following number (regular call rate)

TEL: +81-(0)48-615-0420

■ JHF website

<http://www.jhf.go.jp/>

Head Office and Regional Offices

(As of July 1, 2013)

JHF Offices	Address	TEL
Head Office	1-4-10 Koraku, Bunkyo-ku, Tokyo 112-8570	+81-(0)3-3812-1111 (operator)
Hokkaido Branch	3-13, Kita 3-jo Nishi 13-chome, Chuo-ku, Sapporo-shi 060-0003	+81-(0)11-261-8301 (operator)
Tohoku Branch	1-3-18 Katahira, Aoba-ku, Sendai-shi 980-0812	+81-(0)22-227-5012 (operator)
Metropolitan Branch	1-4-10 Koraku, Bunkyo-ku, Tokyo 112-8671	+81-(0)3-5800-9300 (operator)
Kita-Kanto Branch	1-8-8, Chiyoda-cho, Maebashi-shi 371-8588	+81-(0)27-232-6170 +81-(0)27-232-6665
Tokai Branch	3-20-16, Shinsakae, Chikusa-ku, Nagoya-shi 464-8621	+81-(0)52-263-2934 (operator)
Kinki Branch	4-5-20 Minami-Honmachi, Chuo-ku, Osaka-shi 541-8546	+81-(0)6-6281-9260 (operator)
Hokuriku Branch	Kanazawa Chuo Bldg., 4-12 Marunouchi, Kanazawa-shi 920-8637	+81-(0)76-233-4251 (operator)
Shikoku Branch	2-10-8, Banc-cho, Takamatsu-shi 760-0017	+81-(0)87-825-0621 (operator)
Chugoku Branch	8-3, Moto-machi, Naka-ku, Hiroshima-shi 730-0011	+81-(0)82-221-8694 (operator)
Kyushu Branch	4-1-37 Tenjin, Chuo-ku, Fukuoka-shi 810-8657	+81-(0)92-722-5018 (operator)
Minami-Kyushu Branch	2-16-11, Suizenji, Kumamoto-shi 862-0950	+81-(0)96-387-3701 (operator)

Koraku Ryokudo (greenway)

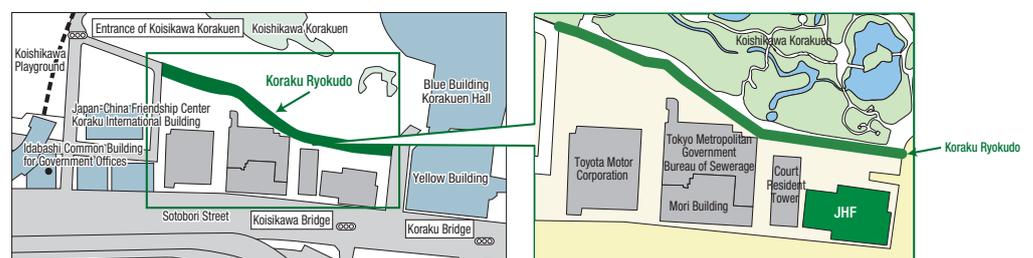


The five entities, Toyota Motor Corporation, Mori Building, Tokyo Metropolitan Government Bureau of Sewerage, Court Resident Tower owner's association, and JHF, possess their buildings adjacent to Koishikawa Korakuen which is a garden of the main residence of Mito Tokugawa family. They have organized the Council for Management of Koraku Pedestrian Path and jointly carried out maintenance and management of Koraku Ryokudo (greenway), taking into consideration a greenery landscape of Koishikawa Korakuen and amenity and convenience of visitors. The council also gives consideration to cultural assets by installing roofed mad walls and information boards.

In FY 2009, the path received the Award for Landscape Creation in the 9th *Fumi no Miyako* Urban Landscape Award of Bunkyo City.

*Fumi no Miyako Urban Landscape Award

Since FY 2001, Bunkyo City has awarded those buildings, etc. and community activities contributing to forming landscape, for its purpose of promoting beautiful landscape in the 21 century as well as raising awareness of the citizens and business operators towards landscape formation. The Award contains the Award for Landscape Creation, the Award for Landscape Creation Activity, the Award for Landscape Advertisement, etc. of which, the Award for Landscape Creation recognizes those buildings, roads, and parks creating landscape suitable for the city.





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