

Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
Ordinary income	1,049,010	1,000,897
Income from asset management	871,846	784,672
Interest on purchased loans	170,611	182,015
Interest on GHLC originated loans	684,056	586,674
Charges on claims for indemnity, etc.	170	120
Interest on transferred claims (pension)	3,995	3,461
Interest and dividends on securities	12,632	12,238
Interest on receivables under repurchase agreement	189	62
Interest on deposits	192	102
Income from underwriting insurance	102,425	93,137
Net insurance premium revenue	2,520	1,849
Reimbursement of unused reserve for outstanding claims	—	499
Reimbursement of unused policy reserve	5,698	3,352
Fee from group credit life insurance riders	82,781	75,165
Revenue from group credit life insurance	3,723	3,625
Dividends on group credit life insurance	7,702	8,648
Income from service transactions	930	806
Guarantee fee	271	193
Other income from service	660	613
Other subsidies	64,996	76,522
Subsidies for emergency measures to facilitate housing finance	56,616	57,500
Subsidies for securitization support business	5,446	—
Subsidies for promotion projects for development of high-quality housings	—	14,487
Subsidies for emergency measures including loans for recovery from disasters	2,933	4,535
Income from other operating activities	97	39
Contract termination fees	97	39
Other ordinary income	8,716	45,720
Reversal of reserve for possible loan losses	416	35,674
Reversal of reserve for refund of guarantee fees	3,627	3,619
Reversal of reserve for mortgage transfer registration	32	161
Income from written-off claims recovered	3,359	4,356
Other ordinary income	1,281	1,910
Ordinary expenses	847,851	764,446
Fund raising expenses	671,889	600,201
Interest on borrowings	446,150	376,310
Interest on bonds	225,339	223,593
Other interest paid	400	297
Insurance underwriting expenses	108,451	103,089
Net insurance paid	4,514	4,677
Provision for reserve for outstanding claims	751	—
Group credit insurance premium paid	99,335	94,547
Payment of group credit life insurance claims	3,852	3,864
Service transaction expenses	25,347	25,105
Service expenses	25,347	25,105
Other operating expenses	16,758	9,903
Amortization of bond issuing expenses	7,773	5,672
Financial derivatives expenses	8,985	4,231
Business expenses	24,267	24,137
Business expenses	24,267	24,137
Other ordinary expenses	1,140	2,012
Other ordinary expenses	1,140	2,012
Ordinary income	201,158	236,451
Extraordinary profit	118	336
Gain on disposal of tangible fixed assets	—	1
Other extraordinary income	118	335
Reimbursement from insolvent customers based on restructuring plan	118	335
Extraordinary losses	4	63
Loss on disposal of tangible fixed assets	—	63
Impairment loss	4	—
Net income	201,272	236,724
Transfer from reserve of previous mid-term target	7,957	9,181
Gross income	209,229	245,906

Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
I Cash flow from operating activities		
Outlays on the purchase of loans	△ 2,274,938	△ 1,867,994
Loan disbursement	△ 240,570	△ 154,259
Outlays on personnel expenses	△ 9,329	△ 10,134
Outlays on insurance	△ 4,514	△ 4,677
Outlays on group credit life insurance premium	△ 99,769	△ 94,907
Outlays on payment on group credit life insurance claims	△ 3,894	△ 3,840
Other operating outlays	△ 56,510	△ 50,676
Income from collection of purchased loans	797,735	845,546
Income from collection of loans	3,451,615	2,751,690
Income from interest on purchased loans	169,930	182,197
Income from interest on loans	693,358	594,361
Loan origination fees and other revenue	154	124
Income from insurance premiums	3,268	1,835
Income from riders on group credit life insurance	79,594	72,345
Income from group credit life insurance	3,713	4,088
Dividends received from group credit life insurance	4,234	7,702
Income from other operations	31,959	29,368
Income from government payment	59,452	14,588
Income from decrease of money in trust accompanying the repayment of treasury subsidies	—	0
Outlays on the repayment of treasury subsidies	△ 489	△ 130
Income from treasury subsidies	2,605,001	2,317,225
Subtotal Interest and dividends received	67,240	69,660
Interest paid	△ 760,203	△ 681,593
Payment to the national treasury	△ 30,866	—
Cash flow from operating activities	1,881,171	1,705,292
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 48,500	△ 474,824
Income from redemption of securities (bonds)	29,960	64,500
Income from sale of securities (bonds)	31,153	—
Net change in securities (certificates of deposit) (△ indicates negative)	△ 516,000	133,000
Outlays on acquisition of tangible fixed assets	△ 69	△ 563
Gain on disposal of tangible fixed assets	—	2,265
Net change in receivables under repurchase agreement (△ indicates negative)	21,999	34,992
Expenditure from increase of monetary trusts (△ indicates negative)	△ 57,842	—
Income from decrease of monetary trusts	63,563	61,795
Other expenditure	△ 0	—
Other income	0	0
Cash flow from investing activities	△ 475,737	△ 178,836
III Cash flow from financing activities		
Net change in short-term borrowings from private institutions	110,200	90,800
Income from long-term borrowings from private institutions	△ 122,200	△ 110,200
Income from issuance of bonds (after deducting issuance expense)	2,470,202	1,838,095
Outlays on redemption of bonds	△ 1,700,724	△ 1,484,011
Income from FILP borrowings	70,200	67,500
Outlays on repayment of FILP borrowings	△ 2,328,126	△ 2,221,134
Outlays on the payment of lease obligation	△ 301	△ 557
Income from government injection monies	50,403	34,511
Outlays for payment to national treasury concerning unnecessary estates	△ 37,481	△ 1,227
Cash flows from financing activities	△ 1,487,827	△ 1,786,224
IV Decrease in cash	△ 82,392	△ 259,767
V Opening balance of cash	666,401	584,009
VI Closing balance of cash	584,009	324,242

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Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	671,889	600,201
Insurance underwriting expenses	108,451	103,089
Service transaction expenses	25,347	25,105
Other operation expenses	16,758	9,903
Business expenses	24,267	24,137
Other ordinary expenses	1,140	2,012
Loss on disposal of tangible fixed assets	—	63
Impairment loss	4	—
Subtotal	847,855	764,509
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 871,846	△ 784,672
Income from insurance underwriting	△ 102,425	△ 93,137
Income from service transactions, etc.	△ 930	△ 806
Income from other operating activities	△ 97	△ 39
Other ordinary income	△ 8,716	△ 45,720
Gain on disposal of tangible fixed assets	—	△ 1
Reimbursement from insolvent customers based on restructuring plan	△ 118	△ 335
Subtotal	△ 984,132	△ 924,711
Total operating expenses	△ 136,276	△ 160,202
II Impairment loss not recorded in income statement	12	—
III Other than difference on sales not recorded in income statement	△ 1,299	444
IV Expected increase in retirement benefits not recorded in allowances	6	△ 11
V Opportunity costs		
Opportunity costs related to items such as central and local government injection monies	3,867	4,440
VI Administrative cost	△ 133,689	△ 155,328

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.
- 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.
As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.
- Allowance for Refund of Guarantee Fees**
Parties who receive loans that are part of the account for loans for building accumulation saving scheme-typed 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 2014, 0.640% 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	10,469,675,084,587	MBS	8,661,771,865,260
Housing Loan Account	Loans	31,506,089,382	MBS	36,170,940,320
Outstanding Loan Management Special Account	Loans	2,385,943,508,988	MBS	2,199,446,865,420
Total		12,887,124,682,957		10,897,389,671,000

(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 Statement of Cash Flows

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

Cash and due from bank : ¥324,241,880,477

Closing balance of cash : ¥324,241,880,477

(2) Material Non-cash Transactions

During FY 2013, the value of newly-recorded assets and liabilities related to finance leases, which are significant non-cash transactions, were both ¥1,583,315,524.

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, 2014
Retirement benefit obligation (A)	△ 41,417,279,750
Pension assets (B)	12,188,941,193
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 29,228,338,557
Unrecognized prior service obligations (D)	△ 2,385,677,064
Unrecognized actuarial differences (E)	3,114,696,121
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 28,499,319,500
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 28,499,319,500

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2013 to March 31, 2014
Service cost	688,461,185
Interest cost	586,163,246
Expected return on plan assets	△ 282,855,422
Amortization of prior service obligations	△ 243,144,400
Amortization of actuarial differences	687,538,195
Other (such as extra retirement benefit)	0
Net pension expenses	1,436,162,804

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

Category	As of March 31, 2014
a. Discount rate	1.4%
b. Expected rate of return	2.5%
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.)

(Note) As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.

In this relation, an estimated profit will be ¥11,852,452,739 when applying Section 2 Chapter 44 of the "Practical Guideline on Retirement Benefit Account (mid-term report)", published by the Japanese Institute of Certified Public Accountants on September 14, 1999 (the Accounting System Committee Report No. 13), assuming that ¥7,192,956,275 of the amount equivalent to the return which was measured at the end of the current business year (the minimum policy reserve) was repaid at the end of the said business year.

5. Impairment losses on fixed assets

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 ordinary maintained and managed, so impairment is not recognized.

(Unit: yen)

Agency branch designation	Dormitory designation	Location	Book value		
			Buildings, etc.	Land	Total
1 Kita-Kanto	Kouun Dormitory	Maebashi City	21,867,097	42,800,000	64,667,097
2 Kita-Kanto	Minami-cho Dormitory	Maebashi City	55,137,907	51,300,000	106,437,907
3 Kita-Kanto	Minami-cho No.2 Dormitory	Maebashi City	80,301,005	44,200,000	124,501,005
4 Head Office	Wakamatsu Dormitory	Sinryukuku	161,392,236	485,000,000	646,392,236
5 Head Office	Daifu Dormitory	Setagayaku	836,863	237,000,000	237,836,863
6 Head Office	Umegaoka Dormitory	Setagayaku	36,305,631	226,000,000	262,305,631
7 Head Office	Shoan Dormitory	Suginamiku	23,592,239	202,000,000	225,592,239
8 Head Office	Asaka Dormitory	Asaka City	103,703,270	104,000,000	207,703,270
9 Tokai	Kanda Dormitory	Nagoya City, Chikusuaku	17,218,762	80,000,000	97,218,762
10 Chugoku	Sanjo Dormitory	Hiroshima City, Nishiku	26,867,714	62,300,000	89,167,714
11 Shikoku	Salho Dormitory	Takamatsu City	9,599,007	27,500,000	37,099,007
12 Kyushu	Nishijin No.2 Dormitory	Fukuoka City, Sawaraku	1,859,670	53,400,000	55,259,670
13 Minami-Kyushu	Suizenji No.1 Dormitory	Kumamoto City, Chuoku	47,095,148	50,000,000	97,095,148
14 Minami-Kyushu	Obiyama Dormitory	Kumamoto City, Chuoku	19,325,065	23,600,000	42,925,065
Total			605,101,614	1,889,100,000	2,294,201,614

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

6. 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. As JHF's overall risk management, financial resilience to both credit risk and asset liability management risk is verified by conducting a lifetime income simulation with both risks taken into consideration in a cross-sectional way, based on the same cash flow scenario incorporating interest rate scenario and probability of default scenario.

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

JHF has established its risk management division, which is independent from the funding management division, to set up the counterparty credit risk management indicators and implement monitoring. As to monitoring activities, the credit risk management methods have been established for issuers of bonds held by JHF, the financial institutions that are counterparties to interest rate swap transactions, etc.

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).

Table with 4 columns: Item, Book value on the balance sheet, Market price, Difference. Rows include Cash and due from banks, Money in trust, Securities, Purchased loans, Loans, Claims for indemnity, Total assets, Total liabilities, Financial derivative products.

(*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.

(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) 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 is 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 purchased loans was estimated in terms of their type, borrowers and maturities. The future cash flow 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 loans 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.

(5) Loans

The future cash flow of loans was estimated in terms of their type, borrowers and maturities. The future cash flow 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.

(6) 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.

(7) 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 cash flow 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 are 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.

7. Securities

(1) Securities held to maturity

Table with 5 columns: Category, Type, Book value on the balance sheet, Market price, Difference. Rows include Government bonds, Municipal bonds, Government guaranteed bonds, Corporate bonds, Subtotal.

(2) Other securities

Table with 5 columns: Category, Type, Book value on the balance sheet, Acquisition cost, Difference. Rows include Book Value on the balance sheet does not exceed acquisition cost.

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

8. Material Liability Incurring Activities

There is nothing to report.

9. Important subsequent events

There is nothing to report.

10. 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 and deposits

b) Book value

Cash and deposits ¥1,227,256,483

(2) Cause of becoming an unnecessary asset

For the execution of capital, etc. by FY 2012, based on the future expected business volume, it was found that the above assets became unnecessary to conduct the business without uncertainty of future business.

(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) Amount paid into the national treasury

¥1,227,256,483

(5) Date of payment into the national treasury

December 12, 2013

(6) Amount of reduction in capital

¥83,530,000

Securitization Support Account

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

In FY 2013, the loan purchasing account posted a gross profit of ¥59.4 billion, an increase of ¥33.8 billion from FY 2012. This was a result of an increase of ordinary income according to the increased outstanding balance of purchased loans, a decrease in provision for reserve for possible loan losses, and other factors.

The net loss of the MBS guarantee account was ¥2.2 billion, a decrease of ¥3.5 billion from FY 2012. This was a result of an increase of policy reserve due to the change in its calculation method.

As a result, JHF posted a gross profit of ¥57.2 billion in the total securitization support account.

Balance Sheet

(Unit: million yen)

Item	FY 2012	FY 2013	Item	FY 2012	FY 2013
(Assets)			(Liabilities)		
Cash and due from banks	278,637	91,727	Loans from other account	684,601	724,979
Cash	1	1	Long-term loan from other account	684,601	724,979
Due from banks	247,824	48,522	Bonds	9,242,010	10,166,138
Agency deposits entrusted	30,812	43,205	Mortgage-backed securities	7,905,481	8,661,772
Money in trust	514,044	460,200	General lien bonds	1,172,902	1,249,199
Securities	431,938	667,788	Housing land bonds	163,804	255,321
Government bonds	152,874	142,505	Bond issue premiums (△)	△ 177	△ 154
Local government bonds	71,784	86,156	Reserve for insurance	11,613	12,791
Government guaranteed bonds	7,122	9,237	Reserve for outstanding claims	—	23
Corporate bonds	180,159	187,890	Policy reserve	11,613	12,768
Certificate of Deposit	20,000	242,000	Subsidies payable, etc.	509,046	455,011
Purchased loans	9,982,719	10,981,806	Subsidies payable for emergency measures to facilitate housing finance	506,838	450,976
Other assets	298,862	242,719	Subsidies payable for securitization business	107	—
Accrued revenue	10,658	10,474	Subsidies payable for promotion projects for development of high-quality housings	—	2,009
Financial derivative products	240,176	191,304	Subsidies payable for emergency measures including loans for recovery from disasters	2,101	2,026
Financial derivative product loss carry forward	44,744	39,647	Other liabilities	490,271	426,691
Accrued insurance premiums	26	33	Accrued expenses	11,529	12,465
Other assets	2,821	662	Financial derivative products	250,029	199,652
Accounts receivable for other accounts	437	600	Financial derivative product gain carry forward	11,987	10,609
Tangible fixed assets	34,621	33,258	Accounts payable	212,936	200,212
Buildings	15,669	15,616	Other liabilities	2,856	2,690
Accumulated depreciation (△)	△ 3,842	△ 4,291	Accounts payable for other accounts	933	1,064
Accumulated impairment losses (△)	△ 29	—	Allowance for bonuses	247	279
Land	22,048	19,360	Allowance for retirement benefits	12,971	13,560
Accumulated impairment losses (△)	△ 448	—	Reserve for mortgage transfer registration	400	124
Construction in process account	86	488	Guarantee obligation	214,036	190,420
Other tangible fixed assets	1,843	3,316			
Accumulated depreciation (△)	△ 704	△ 1,231	Total liabilities	11,165,195	11,989,993
Accumulated impairment losses (△)	△ 1	—			
Guarantee obligation reversal	214,036	190,420	(Net assets)		
Reserve for possible loan losses (△)	△ 64,140	△ 60,799	Capital	516,121	550,548
			Government injection monies	516,121	550,548
			Capital surplus	△ 394	△ 391
			Capital surplus	54	△ 391
			Accumulated impaired loss not included in profit and loss (△)	△ 448	—
			Surplus carried forward	9,797	66,968
			Voluntary reserve fund	—	9,797
			Unappropriated profit	9,797	57,171
			(of which, gross profit)	(26,887)	(57,171)
			Total net assets	525,523	617,126
Total assets	11,690,718	12,607,119	Total liabilities and net assets	11,690,718	12,607,119

Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
Ordinary income	242,465	261,893
Income from asset management	177,286	188,707
Interest on purchased loans	170,631	182,032
Interest and dividends on securities	6,600	6,640
Interest on receivables under repurchase agreement	17	6
Interest on deposits	37	29
Income from underwriting insurance	2,376	354
Net insurance premium revenue	312	354
Reversal of policy reserve	2,064	—
Income from service transactions	23	20
Guarantee fee	23	20
Other subsidies	62,133	72,063
Subsidies for emergency measures to facilitate housing finance	56,596	57,500
Subsidies for securitization support business	5,446	—
Subsidies for promotion projects for development of high-quality housings	—	14,487
Subsidies for emergency measures including loans for recovery from disasters	91	76
Income from other operating activities	97	39
Contract termination fees	97	39
Other ordinary income	549	710
Gain on written-off claim recovered	5	28
Other ordinary income	545	682
Ordinary expenses	215,691	204,995
Fund raising expenses	148,124	158,257
Interest on bonds	143,812	152,923
Other interest paid	400	297
Interest on loans of other accounts	3,912	5,037
Insurance underwriting expenses	1,283	2,666
Net insurance paid	1,283	1,488
Provision for reserve for outstanding claims	—	23
Provision for policy reserve	—	1,155
Service transaction expenses	13,044	14,176
Service expenses	13,044	14,176
Other operating expenses	12,729	9,961
Amortization of bond issuing expenses	6,743	5,281
Financial derivatives expenses	5,055	3,923
Other operational expenses	931	758
Business expenses	9,414	9,894
Business expenses	9,414	9,894
Other ordinary expenses	31,098	10,041
Provision for reserve for possible loan losses	29,249	7,296
Provision for reserve for retirement benefits accompanying transfer between accounts	692	510
Provision for reserve for mortgage transfer registration	25	6
Other ordinary expenses	1,131	2,229
Ordinary income (or loss)	26,774	56,898
Extraordinary gain	118	336
Gain on disposal of tangible fixed assets	—	1
Other extraordinary gain	118	335
Reimbursement from insolvent customers by restructuring plans	118	335
Extraordinary losses	4	63
Loss on disposal of tangible fixed assets	—	63
Impairment loss	4	—
Net income (or loss)	26,887	57,171
Gross income (or loss)	26,887	57,171

Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
I Cash flow from operating activities		
Outlays on the purchase of loans	△ 2,274,938	△ 1,867,994
Outlays on personnel expenses	△ 4,240	△ 4,748
Outlays on insurance	△ 1,283	△ 1,488
Other operating outlays	△ 17,953	△ 19,577
Income from collection of purchased loans	797,735	845,546
Income from interest on purchased loans	169,950	182,214
Income from insurance premiums	314	347
Income from other operations	1,399	1,170
Income from treasury subsidies	9,494	14,588
Outlays on the repayment of treasury subsidies	△ 489	△ 107
Subtotal	△ 1,320,011	△ 850,049
Interest and dividends received	60,554	63,452
Interest paid	△ 212,166	△ 215,447
Cash flow from operating activities	△ 1,471,622	△ 1,002,044
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 47,489	△ 32,066
Income from redemption of securities (bonds)	17,820	17,950
Income from sale of securities (bonds)	8,180	—
Net change in securities (certificates of deposit) (△ indicates negative)	△ 20,000	△ 222,000
Outlays on acquisition of tangible fixed assets	△ 69	△ 563
Gain on disposal of tangible fixed assets	—	2,265
Outlays on the increase of money in trust	△ 3,942	—
Income from the decrease of money in trust	56,083	57,616
Other expenditures	△ 0	—
Other income	0	0
Cash flow from investing activities	10,583	△ 176,798
III Cash flow from financing activities		
Income from issuance of bonds (after deducting issuance expense)	2,127,049	1,684,109
Outlays on redemption of bonds	△ 733,672	△ 765,285
Outlays on the payment of lease obligation	△ 301	△ 557
Income from government injection monies	49,803	34,511
Outlays for payments to national treasury concerning unnecessary assets	△ 8,157	△ 1,224
Net change in short-term loan from other accounts (△ indicates negative)	—	—
Income from borrowings of long-term loan from other account	154,458	184,800
Outlays on repayment of long-term loan from other account	—	△ 144,422
Cash flows from financing activities	1,589,181	991,933
IV Increase (or decline) in cash	128,141	△ 186,910
V Opening balance of cash	150,496	278,637
VI Closing balance of cash	278,637	91,727

Statement of Appropriation of Income

(Unit: million yen)

I Unappropriated profit		57,171
Gross profit	57,171	
II Appropriated profit		
Voluntary reserve fund		57,171

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	148,124	158,257
Insurance underwriting expenses	1,283	2,666
Service transaction expenses	13,044	14,176
Other operation expenses	12,729	9,961
Business expenses	9,414	9,894
Other ordinary expenses	31,098	10,041
Loss on disposal of tangible fixed assets	—	63
Impairment loss	4	—
Subtotal	215,695	205,058
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 177,286	△ 188,707
Income from insurance underwriting	△ 2,376	△ 354
Income from service transactions, etc.	△ 23	△ 20
Income from other operating activities	△ 97	△ 39
Other ordinary income	△ 549	△ 710
Loss on disposal of tangible fixed assets	—	△ 1
Reimbursement from insolvent customers by restructuring plans	△ 118	△ 335
Subtotal	△ 180,449	△ 190,167
Total operating expenses	35,246	14,892
II Impairment loss not recorded in income statement	12	—
III Other than difference on sales not recorded in income statement	△ 435	444
IV Expected increase in retirement benefits not recorded in allowances	3	△ 5
V Opportunity costs		
Opportunity costs related to items such as central and local government injection monies	2,899	3,452
VI Administrative cost	37,725	18,782

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.

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

(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.

As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.

(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 ("GHLCO") 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)

- Securities held to maturity
The amortized cost method (straight-line method) is applied.
- 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 2014, 0.640% 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 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 Statement of Cash Flows

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

Cash and due from bank : 91,727,090,762
Closing balance of cash : 91,727,090,762

(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 ¥1,583,315,524.

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

Category		As of March 31, 2014	(Unit: yen)
Retirement benefit obligation	(A)	△ 19,706,341,705	
Pension assets	(B)	5,799,498,219	
Unfunded retirement benefit obligations	(C)=(A)+(B)	△ 13,906,843,486	
Unrecognized prior service obligations	(D)	△ 1,135,105,148	
Unrecognized actuarial differences	(E)	1,481,972,414	
Net amount recorded in balance sheet	(F)=(C)+(D)+(E)	△ 13,559,976,220	
Prepaid pension costs	(G)	0	
Reserve for retirement benefit	(F)-(G)	△ 13,559,976,220	

(3) Matter Relating to Retirement Benefit Expenses

Category		From April 1, 2012 to March 31, 2014	(Unit: yen)
Service cost		327,569,832	
Interest cost		278,896,473	
Expected return on plan assets		△ 134,582,610	
Amortization of prior service obligations		△ 115,688,105	
Amortization of actuarial differences		284,496,153	
Other (such as extra retirement benefit)		0	
Net pension expenses		640,691,743	

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

Category		As of March 31, 2014
a. Discount rate		1.4%
b. Expected rate of return on plan assets		2.5%
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 difference		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.)

(Note) As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund. In this relation, an estimated profit will be ¥5,639,397,013 when applying Section 2 Chapter 44 of the "Practical Guideline on Retirement Benefit Account (mid-term report)", published by the Japanese Institute of Certified Public Accountants on September 14, 1999 (the Accounting System Committee Report No. 13), assuming that ¥3,422,408,595 of the amount equivalent to the return which was measured at the end of the current business year (the minimum policy reserve) was repaid at the end of the said business year.

5. Impairment loss on fixed assets

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 Ordinary maintained and managed, so impairment is not recognized.

Agency branch designation	Dormitory designation	Location	Book value		
			Buildings, etc.	Land	Total
1	Kita-Kanto Kounin Dormitory	Maebashi City	21,867,097	42,800,000	64,667,097
2	Kita-Kanto Minami-cho Dormitory	Maebashi City	55,137,907	51,300,000	106,437,907
3	Kita-Kanto Minami-cho No.2 Dormitory	Maebashi City	80,301,005	44,200,000	124,501,005
4	Head Office Wakamatsu Dormitory	Sinryukuku	161,392,236	485,000,000	646,392,236
5	Head Office Daiwa Dormitory	Setagayaku	836,863	237,000,000	237,836,863
6	Head Office Umeogoka Dormitory	Setagayaku	36,305,631	226,000,000	262,305,631
7	Head Office Shoan Dormitory	Suginamiku	23,592,239	202,000,000	225,592,239
8	Head Office Asaka Dormitory	Asaka City	103,703,270	104,000,000	207,703,270
9	Tokai Kanda Dormitory	Nagoya City, Chikusaku	17,218,762	80,000,000	97,218,762
10	Chugoku Sanjo Dormitory	Hiroshima City, Nishiku	26,867,714	62,300,000	89,167,714
11	Shikoku Saiho Dormitory	Takamatsu City	9,599,007	27,500,000	37,099,007
12	Kyushu Nishijin No.2 Dormitory	Fukuoka City, Sawaraku	1,859,670	53,400,000	55,259,670
13	Minami-Kyushu Suizenji No.1 Dormitory	Kumamoto City, Chuoku	47,095,148	50,000,000	97,095,148
14	Minami-Kyushu Obiyama Dormitory	Kumamoto City, Chuoku	19,325,065	23,600,000	42,925,065
Total			605,101,614	1,689,100,000	2,294,201,614

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

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) 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.

(Unit: yen)			
	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	91,727,090,762	91,727,090,762	0
(2) Money in trust	460,199,534,730	463,909,633,869	3,710,099,139
(3) Securities			
Securities held to maturity	425,787,506,481	450,277,310,390	24,489,803,909
Other securities	242,000,000,000	242,000,000,000	0
(4) Purchased loans	10,981,806,469,178		
Reserve for possible loan losses (*1)	△ 60,731,571,072		
	10,921,074,898,106	11,188,068,940,827	266,994,042,721
Total assets	12,140,789,030,079	12,435,982,975,848	295,193,945,769
(1) Loans from other accounts	724,979,138,834	736,294,551,410	11,315,412,576
(2) Bonds (*2)	10,166,137,717,269	10,585,593,494,167	419,455,776,898
(3) Accounts payable	200,212,240,000	200,212,240,000	0
Total liabilities	11,091,329,096,103	11,522,100,285,577	430,771,189,474
Financial derivative products (*3)	(8,348,298,831)	(8,348,298,831)	0
Total financial derivative products	(8,348,298,831)	(8,348,298,831)	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 parenthesis.

(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 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 cash flow 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.

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	142,083,288,834	154,805,332,730	12,722,043,896
	Municipal bonds	82,857,796,066	88,285,685,360	5,427,889,294
	Government guaranteed bonds	9,184,546,426	9,603,971,500	419,425,074
	Corporate bonds	142,055,067,311	149,471,052,000	7,415,984,689
	Subtotal	376,180,698,637	402,166,041,590	25,985,342,953
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	421,914,908	420,702,800	△ 1,212,108
	Municipal bonds	3,297,953,008	3,286,607,500	△ 11,345,508
	Government guaranteed bonds	52,099,162	52,096,500	△ 2,662
	Corporate bonds	45,834,840,766	44,351,862,000	△ 1,482,978,766
	Subtotal	49,606,807,844	48,111,266,800	△ 1,495,539,044
Total		425,787,506,481	450,277,310,390	24,489,803,909

(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	242,000,000,000	242,000,000,000	0

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

8. Material Liability Incurring Activities

There is nothing to report.

9. Material Subsequent Events

There is nothing to report.

10. Material Subsequent Events

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

a) Type

Cash and deposits

b) Book value

Cash and deposits ¥1,223,575,005

(2) Cause of becoming an unnecessary asset

For the execution of capital, etc. by FY 2012, based on the future expected business volume, it was found that the above assets became unnecessary to conduct the business without uncertainty of future business.

(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) Amount paid into the national treasury

¥1,223,575,005

(5) Date of payment into the national treasury

December 12, 2013

(6) Amount of reduction in capital

¥83,530,000

Housing Loan Insurance Account

In FY 2013, the gross income of the housing loan insurance account was ¥5.2 billion, an increase of ¥1.2 billion from FY 2012. This was a result an increase in income from underwriting insurance due to an increase of reimbursement of unused policy reserve and reimbursement of unused reserve for outstanding claims, net insurance premium revenue was decreased due to a decrease of newly insured loan amount.

Balance Sheet

(Unit: million yen)

Item	FY 2012	FY 2013	Item	FY 2012	FY 2013
(Assets)			(Liabilities)		
Cash and deposits	1,683	3,747	Insurance policy reserves	56,812	51,783
Cash	0	0	Reserve for outstanding claims	802	281
Deposits	1,683	3,747	Policy reserve	56,009	51,503
Money in trust	49	–	Subsidies payable, etc.	23	–
Securities	129,741	127,917	Subsidies payable for emergency measures to facilitate housing finance	23	–
Government bonds	51,652	51,597	Other liabilities	181	289
Local government bonds	35,234	35,168	Accrued expenses	48	104
Corporate bonds	4,063	8,734	Other liabilities	96	131
Certificates of deposit	31,792	32,417	Accounts payable for other accounts	37	54
Certificates of deposit	7,000	–	Allowance for bonuses	16	18
Loans to other account	31,975	31,975	Allowance for retirement benefits	842	872
Long-term loans to other account	31,975	31,975			
Other assets	634	715	Total liabilities	57,874	52,963
Accrued revenue	337	334			
Accrued insurance premiums	264	342	(Net assets)		
Other assets	33	38	Capital	102,000	102,000
			Government injection monies	102,000	102,000
			Capital surplus	223	223
			Capital surplus	223	223
			Surplus carried forward	3,986	9,168
			Voluntary reserve fund	–	3,986
			Unappropriated profit	3,986	5,182
			(of which, gross profit)	(3,986)	(5,182)
			Total net assets	106,209	111,391
Total assets	164,082	164,353	Total liabilities and net assets	164,082	164,353

Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
Ordinary income	8,630	9,154
Income from asset management	2,747	2,626
Interest and dividends on securities	2,054	1,939
Interest on receivables under repurchase agreement	3	0
Interest on deposits	6	2
Interest from loans to other account	685	685
Income from underwriting insurance	5,842	6,523
Net insurance premium revenue	2,209	1,495
Reimbursement of unused reserve for outstanding claims	—	522
Reimbursement of unused policy reserve	3,634	4,507
Other subsidies	20	—
Subsidies for emergency measures to facilitate housing finance	20	—
Other ordinary income	20	5
Reversal of reserve for retirement benefits accompanying transfer between accounts	15	—
Other ordinary income	5	5
Ordinary expenses	4,644	3,971
Insurance underwriting expenses	3,981	3,190
Net insurance paid	3,231	3,190
Provision for unused reserve for outstanding claims	751	—
Service transaction expenses	3	4
Service expenses	3	4
Business expenses	659	667
Business expenses	659	667
Other ordinary expenses	—	111
Provision of reserve for retirement benefits accompanying transfer between accounts	—	33
Other ordinary expenses	—	77
Ordinary income	3,986	5,182
Net profit	3,986	5,182
Gross profit	3,986	5,182

Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
I Cash flow from operating activities		
Outlays on personnel expenses	△ 301	△ 337
Outlays on insurance	△ 3,231	△ 3,190
Other operating outlays	△ 297	△ 384
Income from insurance premiums	2,953	1,488
Income from other operations	23	5
Income from decrease of money in trust accompanying the repayment of treasury subsidies	—	0
Outlays on repayment of treasury subsidies	—	△ 23
Outlay from transfer of treasury subsidies to other accounts	△ 3,942	—
Subtotal	△ 4,794	△ 2,439
Interest and dividends received	2,959	2,742
Payment to the national treasury	△ 2,123	—
Cash flow from operating activities	△ 3,958	303
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 312	△ 6,839
Income from redemption of securities (bonds)	3,640	1,550
Income on sale of securities (bonds)	22,183	—
Net change in securities (certificates of deposit) (△ indicates negative)	△ 7,000	7,000
Income from the decrease of money in trust	4,701	50
Cash flow from investing activities	23,211	1,761
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	△ 9,338	2,064
V Opening balance of cash	11,021	1,683
VI Closing balance of cash	1,683	3,747

Statement of Appropriation of Income

(Unit: million yen)

I Unappropriated profit		5,182
Gross profit	5,182	<u>5,182</u>
II Appropriated profit		
Voluntary reserve fund		<u>5,182</u>

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
I Operating expenses		
(1) Expenses recorded in income statement		
Insurance underwriting expenses	3,981	3,190
Service transaction expenses	3	4
Business expenses	659	667
Other operation expenses	—	111
Subtotal	4,644	3,971
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 2,747	△ 2,626
Income from insurance underwriting	△ 5,842	△ 6,523
Other ordinary income	△ 20	△ 5
Subtotal	△ 8,610	△ 9,154
Total operating expenses	△ 3,966	△ 5,182
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	672	653
IV Administrative cost	△ 4,108	△ 4,530

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. As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.

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 2014, 0.640% 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	¥3,747,047,410
Closing balance of cash	¥3,747,047,410

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, 2014
Retirement benefit obligation (A)	△ 1,267,368,760
Pension assets (B)	372,981,601
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 894,387,159
Unrecognized prior service obligations (D)	△ 73,001,718
Unrecognized actuarial differences (E)	95,309,701
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 872,079,176
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 872,079,176

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2013 to March 31, 2014
Service cost	21,066,912
Interest cost	17,936,595
Expected return on plan assets	△ 8,655,376
Amortization of prior service obligations	△ 7,440,219
Amortization of actuarial differences	17,673,496
Other (such as extra retirement benefit)	0
Net pension expenses	40,581,408

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

Category	As of March 31, 2014
a. Discount rate	1.4%
b. Expected rate of return on plan assets	2.5%
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.)

(Note) As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.

In this relation, an estimated profit will be ¥362,685,054 when applying Section 2 Chapter 44 of the "Practical Guideline on Retirement Benefit Account (mid-term report)", published by the Japanese Institute of Certified Public Accountants on September 14, 1999 (the Accounting System Committee Report No. 13), assuming that ¥220,104,462 of the amount equivalent to the return which was measured at the end of the current business year (the minimum policy reserve) was repaid at the end of the said business year.

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	3,747,047,410	3,747,047,410	0
(2) Securities			
Securities held to maturity	127,916,620,711	136,678,648,600	8,762,027,889
(3) Loans to other accounts	31,974,764,420	35,548,668,879	3,573,904,459
Total assets	163,638,432,541	175,974,364,889	12,335,932,348

(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) Securities

The price of bonds was based on market prices, including quotation by market makers, released by industry groups.

(3) 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	51,597,315,221	57,157,573,400	5,560,258,179
	Municipal bonds	35,167,733,810	37,754,430,000	2,586,696,190
	Government guaranteed bonds	7,326,543,111	7,439,543,700	113,000,589
	Corporate bonds	23,911,909,975	24,946,950,000	1,035,040,025
	Subtotal	118,003,502,117	127,298,497,100	9,294,994,983
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	1,407,918,766	1,405,107,500	△ 2,811,266
	Corporate bonds	8,505,199,828	7,975,044,000	△ 530,155,828
	Subtotal	9,913,118,594	9,380,151,500	△ 532,967,094
Total		127,916,620,711	136,678,648,600	8,762,027,889

6. Material Liability Incurring Activities

There is nothing to report.

7. Material Subsequent Events

There is nothing to report.

Account for Loans for Property Accumulation Saving Scheme-tied Houses

In FY 2013, the gross profit of the account for loans for property accumulation saving scheme-tied houses was ¥3.3 billion, a decrease of ¥0.9 billion from FY 2012. This was mainly a result of a decrease in income from asset management in accordance with a decrease of outstanding balance of loans.

Balance Sheet

(Unit: million yen)

Item	FY 2012	FY 2013	Item	FY 2012	FY 2013
(Assets)			(Liabilities)		
Cash and deposits	8,126	6,361	Borrowings	110,200	90,800
Cash	0	0	Borrowings from private institutions	110,200	90,800
Due from banks	2,265	1,881	Bonds	485,254	400,330
Agency deposits entrusted	5,861	4,479	Property accumulation saving-tied housing bonds	485,700	400,700
Money in trust	569	568	Bond issue premiums (△)	△ 446	△ 370
Securities	15,000	—	Subsidies payable, etc.	569	568
Certificates of deposit	15,000	—	Subsidies payable for emergency measures including loans for recovery from disasters	569	568
Loans	602,437	517,535	Other liabilities	193	182
Loans on bills	—	30	Accrued expenses	128	85
Loans on deeds	602,437	517,505	Other liabilities	35	35
Other assets	773	570	Accounts payable for other accounts	30	62
Accrued revenue	757	564	Allowance for bonuses	21	22
Other assets	15	6	Allowance for retirement benefits	1,096	1,074
Accounts receivable for other accounts	0	0	Allowance for refund of guarantee fees	755	583
Reserve for possible loan losses (△)	△ 1,677	△ 1,227	Reserve for mortgage transfer registration	331	140
			Total liabilities	598,419	493,700
			(Net assets)		
			Profit surplus	26,809	30,108
			Voluntary reserve fund pursuant to Section 2, Article 18 of the Japan housing Finance Agency Law	22,576	22,576
			Voluntary reserve fund	—	4,233
			Unappropriated profit	4,233	3,299
			(of which, gross profit of the current year)	(4,233)	(3,299)
			Total net assets	26,809	30,108
Total assets	625,228	523,808	Total liabilities and net assets	625,228	523,808

Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
Ordinary income	11,131	8,242
Income from asset management	10,611	7,808
Interest on loans	10,601	7,802
Interest and dividends on securities	2	4
Interest on receivables under repurchase agreement	3	1
Interest on deposits	5	1
Income from service transactions, etc.	11	9
Other operating income	11	9
Other subsidies	1	1
Subsidies for emergency measures including loans for recovery from disasters	1	1
Other ordinary income	509	424
Reversal of reserve for possible loan losses	440	335
Reversal of reserve for refund of guarantee fees	—	39
Reversal of reserve for retirement benefits accompanying transfer between accounts	57	34
Reversal of reserve for mortgage transfer registration	0	4
Gain on written-off claim recovered	4	4
Other ordinary income	8	7
Ordinary expenses	6,899	4,943
Fund raising expenses	5,906	3,996
Interest on borrowings	1,839	1,558
Interest on bonds	4,058	2,428
Interest on other account borrowings	9	9
Service transaction expenses	255	225
Service expenses	255	225
Other operating expenses	11	8
Amortization of bond issuing expenses	11	8
Business expenses	703	694
Business expenses	703	694
Other ordinary expenses	24	20
Provision for allowance for refund of guaranteed fees	24	—
Other ordinary expenses	—	20
Ordinary income	4,233	3,299
Net income	4,233	3,299
Gross income	4,233	3,299

Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
I Cash flow from operating activities		
Loan disbursement	△ 184	△ 599
Outlays on personnel expenses	△ 364	△ 382
Other operating outlays	△ 1,128	△ 880
Income from collection of loans	105,273	85,386
Income from interest on loans	10,864	7,995
Loan origination fees and other revenue	11	9
Income from other operations	13	30
Subtotal	114,485	91,558
Interest and dividends received	9	7
Interest paid	△ 5,688	△ 3,832
Payment to the national treasury	△ 28,743	—
Cash flow from operating activities	80,063	87,732
II Cash flow from investing activities		
Net change in securities (certificates of deposit) (△ indicates negative)	△ 15,000	15,000
Income from the decrease of money in trust	1	1
Cash flow from investing activities	△ 14,999	15,001
III Cash flow from financing activities		
Income from long-term borrowings from private institutions	110,200	90,800
Outlays on redemption of long-term borrowings from private institutions	△ 122,200	△ 110,200
Income from issuance of bonds (after deducting issuance expense)	86,773	54,301
Outlays on repayment of bonds	△ 141,500	△ 139,400
Cash flows from financial activities	△ 66,727	△ 104,499
IV Increase in cash	△ 1,663	△ 1,766
V Opening balance of cash	9,789	8,126
VI Closing balance of cash	8,126	6,361

Statement of Appropriation of income

(Unit: million yen)

I Unappropriated profit		3,299
Gross profit	3,299	
II Appropriated profit		3,299
Voluntary reserve fund		3,299

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	5,906	3,996
Service transaction expenses	255	225
Other operating expenses	11	8
Business expenses	703	694
Other ordinary expenses	24	20
Subtotal	6,899	4,943
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 10,611	△ 7,808
Income from service transactions	△ 11	△ 9
Other ordinary income	△ 509	△ 424
Subtotal	△ 11,130	△ 8,242
Total operating expenses	△ 4,232	△ 3,298
II Expected increase in retirement benefits not recorded in allowances	0	△ 0
III Administrative cost	△ 4,231	△ 3,299

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.

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

(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.

As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.

(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. 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: ¥6,360,514,616
 Closing balance of cash: ¥6,360,514,616

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, 2014
Retirement benefit obligation (A)	△ 1,561,431,447
Pension assets (B)	459,523,083
Unfunded retirement benefit obligations (C)=(A)+(B)	△ 1,101,908,364
Unrecognized prior service obligations (D)	△ 89,940,025
Unrecognized actuarial differences (E)	117,424,044
Net amount recorded in balance sheet (F)=(C)+(D)+(E)	△ 1,074,424,345
Prepaid pension costs (G)	0
Reserve for retirement benefit (F)-(G)	△ 1,074,424,345

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2013 to March 31, 2014
Service cost	25,954,987
Interest cost	22,098,354
Expected return on plan assets	△ 10,663,649
Amortization of prior service obligations	△ 9,166,544
Amortization of actuarial differences	28,996,857
Other (such as extra retirement benefit)	0
Net pension expenses	57,220,005

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

Category	As of March 31, 2014
a. Discount rate	1.4%
b. Expected rate of return on plan assets	2.5%
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.)

(Note) As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.
 In this relation, an estimated profit will be ¥446,837,468 when applying Section 2 Chapter 44 of the "Practical Guideline on Retirement Benefit Account (mid-term report)", published by the Japanese Institute of Certified Public Accountants on September 14, 1999 (the Accounting System Committee Report No. 13), assuming that ¥271,174,452 of the amount equivalent to the return which was measured at the end of the current business year (the minimum policy reserve) was repaid at the end of the said business year.

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, 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	6,360,514,616	6,360,514,616	0
(2) Money in trust	568,450,343	568,448,883	△ 1,460
(3) Loans	517,535,075,307		
Reserve for possible loan losses (*1)	△ 1,225,257,489		
	516,309,817,818	536,696,959,223	20,387,141,405
Total assets	523,238,782,777	543,625,922,722	20,387,139,945
(1) Borrowings	90,800,000,000	90,800,000,000	0
(2) Bonds (*2)	400,330,151,996	401,780,644,560	1,450,492,564
Total liabilities	491,130,151,996	492,580,644,560	1,450,492,564

(*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) Loans

The future cash flow of loans was estimated in terms of their type, borrowers and maturities. The future cash flow 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. Material Liability Incurring Activities

There is nothing to report.

7. Material Subsequent Events

There is nothing to report.

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 2013, the gross income of the housing loan operation account was ¥10.5 billion, an increase of ¥5.5 billion from FY 2012. This was mainly a result of an increase in reversal of reserve for possible loan losses.

The gross profit of the account for operations taken over from the Housing Loan Guarantee Corporation was ¥4.3 billion, an increase of ¥1.1 billion from FY 2012. This was mainly because of an increase in reversal of reserve for possible loan losses due to a decrease in delinquent loans while income from asset management was decreased in accordance with decreased balance of transferred claims (pension). It was also because of 1.4 billion decrease in income from fees from group credit life insurance riders after the commencement of refunding the prepaid fees from July 2013.

Balance Sheet

(Unit: million yen)

Item	FY 2012	FY 2013	Item	FY 2012	FY 2013
(Assets)			(Liabilities)		
Cash and due from banks	72,249	39,238	Borrowings	88,882	149,468
Cash	0	0	Fiscal Investment Loan Program borrowings	88,882	149,468
Due from banks	34,389	24,044	Bonds	1,125,006	1,090,827
Agency deposits entrusted	37,860	15,194	Mortgage-backed securities	44,153	36,171
Receivables under resale agreement	34,992	—	General lien loans	642,898	642,823
Money in trust	241,358	239,101	Housing land bonds	438,109	411,966
Securities	351,966	386,981	Bond issue premiums (△)	△ 154	△ 133
Government bonds	31,354	31,383	Subsidies payable, etc.	241,559	238,588
Municipal bonds	41,278	41,281	Subsidies payable for emergency measures including loans for recovery from disasters	241,559	238,588
Government guaranteed bonds	9,261	9,238	Other liabilities	68,931	63,072
Corporate bonds	111,072	78,079	Accrued expenses	16,811	15,966
Certificates of deposit	159,000	227,000	Advanced earnings	43,020	39,963
Loans	955,464	967,011	Financial derivative products	2,288	—
Loan on bills	30,784	23,602	Other liabilities	6,608	6,859
Loans on deeds	924,680	943,409	Accounts payable for other accounts	204	285
Loans to other accounts	140,148	195,048	Bonus payment reserve	115	119
Long-term loan to other accounts	140,148	195,048	Allowance for retirement benefits	6,048	5,785
Other assets	135,564	119,311	Allowance for refund of guarantee fees	149	113
Claims for indemnity	15,275	12,069	Reserve for mortgage transfer registration	191	124
Transferred claims (pension)	105,310	91,199	Guarantee obligation	428,085	364,971
Accrued revenue	2,094	1,772			
Other assets	12,881	13,504	Total liabilities	1,958,966	1,913,067
Accounts receivable for other accounts	2	767			
Guarantee obligation reversal	428,085	364,971	(Net assets)		
Reserve for possible loan losses (△)	△ 29,613	△ 21,598	Capital	42,900	42,900
			Government injection monies	42,900	42,900
			Capital surplus	16	16
			Capital surplus	16	16
			Profit surplus	330,136	335,734
			Transfer from reserve for the previous mid-term target period	321,912	312,731
			Voluntary reserve fund	—	8,224
			Unappropriated profit	8,224	14,779
			(of which, gross profit)	(8,224)	(14,779)
			Valuation and translation adjustments	△ 1,805	△ 1,653
			Deferred gains or losses on hedges	△ 1,805	△ 1,653
			Total net assets	371,247	376,997
Total assets	2,330,213	2,290,064	Total liabilities and net assets	2,330,213	2,290,064

Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
Ordinary income	217,755	209,962
Income from asset management	33,593	31,584
Interest on loans	24,809	22,814
Charges on claims for indemnity	170	120
Interest on transferred claims (pension)	3,995	3,461
Interest and dividends on securities	3,038	2,581
Interest on receivables under repurchase agreement	65	15
Interest on deposits	43	13
Interest on other account	1,474	2,580
Income from underwriting insurance	177,843	166,505
Fee from group credit life insurance riders	82,781	75,165
Revenue from group credit life insurance	87,359	82,692
Dividends on group credit life insurance	7,702	8,648
Income from service transactions, etc.	752	660
Guarantee fee	247	173
Other service incomes	505	487
Other subsidies	1,430	3,295
Subsidies for emergency measures including loans for disaster mitigation	1,430	3,295
Other ordinary income	4,138	7,918
Reversal of reserve for possible loan losses	1,576	3,872
Reversal of reserve for refund of guarantee fees	31	29
Reversal of reserve for retirement benefits accompanying transfer between accounts	301	319
Reversal of reserve for mortgage transfer registration	—	3
Income from written-off claims recovered	1,167	1,218
Other ordinary income	1,062	2,477
Ordinary expenses	217,489	204,364
Fund raising expenses	16,998	17,609
Interest on borrowings	529	1,260
Interest on bonds	16,469	16,349
Insurance underwriting expenses	187,566	178,157
Group credit life insurance premium paid	99,335	94,547
Payment of group credit life insurance claims	88,231	83,610
Service transaction expenses	2,021	1,734
Service expenses	2,021	1,734
Other operating expenses	4,220	327
Amortization of bond issuing expenses	269	1
Financial derivatives expenses	3,930	308
Other operating expenses	21	17
Business expenses	6,662	6,529
Business expenses	6,662	6,529
Other ordinary expenses	22	8
Provision for reserve for mortgage transfer registration	18	—
Other ordinary expenses	4	8
Ordinary income	266	5,598
Net income	266	5,598
Transfer from reserve for the previous mid-term target period	7,957	9,181
Gross income	8,224	14,779

Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
I Cash flow from operating activities		
Loan disbursement	△ 240,386	△ 153,660
Outlays on personnel expenses	△ 1,988	△ 2,077
Outlays on group credit life insurance premium	△ 99,769	△ 94,907
Outlays on payment of group credit life insurance claims	△ 89,194	△ 83,091
Other operating outlays	△ 12,313	△ 10,687
Income from collection of loans	230,170	141,517
Income from interest on loans	25,044	22,942
Income from fees from loans	2	2
Income from fees from group credit life insurance rider	79,594	72,345
Income from group credit life insurance	88,262	82,665
Dividends received from group credit life insurance	4,234	7,702
Income from other operations	28,241	24,830
Income from treasury subsidies	53,900	—
Subtotal	65,797	7,582
Interest and dividends received	4,782	5,427
Interest paid	△ 18,534	△ 20,301
Cash flow from operating activities	52,045	△ 7,292
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	△ 699	△ 12,104
Income from redemption of securities (bonds)	8,500	45,000
Income from sales of securities (bonds)	791	—
Net change in securities (certificates of deposit) (△ indicates negative)	66,000	△ 68,000
Net change in receivables under repurchase agreement (△ indicates negative)	21,999	34,992
Outlays on the increase of money in trust	△ 53,900	—
Income on the decrease of money in trust	1,347	2,912
Outlays for long-term loans for other account	△ 101,345	△ 54,900
Cash flow from investing activities	△ 57,307	△ 52,100
III Cash flow from financing activities		
Income from issuance of bonds (after deducting issuance expense)	56,731	388
Outlays on redemption of bonds	△ 125,642	△ 34,590
Income from Fiscal Investment Loan Program borrowings	70,200	67,500
Outlay on repayment of Fiscal Investment Loan Program borrowings	△ 2,819	△ 6,914
Income from government injection monies	600	—
Outlays for payments to national treasury concerning unnecessary assets	△ 733	△ 4
Cash flows from financial activities	△ 1,664	26,380
IV Decrease in cash	△ 6,926	△ 33,012
V Opening balance of cash	79,175	72,249
VI Closing balance of cash	72,249	39,238

Statement of Appropriation of Income

(Unit: million yen)

I Unappropriated profit		14,779
Gross profit	14,779	
II Appropriated profit		14,779
Voluntary reserve fund		

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	16,998	17,609
Insurance underwriting expenses	187,566	178,157
Service transaction expenses	2,021	1,734
Other operating expenses	4,220	327
Business expenses	6,662	6,529
Other ordinary expenses	22	8
Subtotal	217,489	204,364
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 33,593	△ 31,584
Income from insurance underwriting	△ 177,843	△ 166,505
Income from service transactions	△ 752	△ 660
Other ordinary income	△ 4,138	△ 7,918
Subtotal	△ 216,325	△ 206,667
Total operating expenses	1,164	△ 2,303
II Impairment loss not recorded in the income statement	△ 50	—
III Other than expected increase in retirement benefits not recorded in allowances	1	△ 2
IV Opportunity costs		
Opportunity costs related to items such as central and local government injection monies	243	275
V Administrative cost	1,358	△ 2,031

Significant Accounting Policies (Housing Loan Account)

- Criteria for Recording Reserves
 - Reserves for possible loans losses

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

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

As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.
 - Allowance for Refund of Guarantee Fees

Parties who receive loans related to transferred claims (from pension) described in Notes 1 (2) paid a guarantee free when entrusting a guarantee to the Housing Loan Guarantee Corporation on their loans as stipulated by Paragraph 1, Article 6, of the Supplementary Provisions of the Japan Housing Finance Agency Law (Law No. 82 of 2005, referred to below as JHF Law). In order to cover the necessary expenses for refunds of prepaid fees, the expected amount of refunds is recorded.
 - 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).
- Method and Criteria for Valuing Marketable Securities (including marketable securities invested as a trust asset in the money in trust)
 - Securities held to maturity

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

The purchase price is recorded.
- 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.
- 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 2014, 0.640% was applied for calculating the opportunity costs for central government investments and local government investments.
- Accounting for consumption tax

The tax inclusive method is applied.

Notes (Housing Loan Account)

1. Matters Relating to the Balance Sheet

(1) 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) 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.

2. Matters Relating to Statement of Cash Flows

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

Cash and due from bank: ¥39,237,799,851

Closing balance of cash: ¥39,237,799,851

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, 2014
Retirement benefit obligation	(A)	△ 8,407,707,789
Pension assets	(B)	2,474,355,062
Unfunded retirement benefit obligations	(C)=(A)+(B)	△ 5,933,352,727
Unrecognized prior service obligations	(D)	△ 484,292,444
Unrecognized actuarial differences	(E)	632,283,313
Net amount recorded in balance sheet	(F)=(C)+(D)+(E)	△ 5,785,361,858
Prepaid pension costs	(G)	0
Reserve for retirement benefit	(F)-(G)	△ 5,785,361,858

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2013 to March 31, 2014
Service cost	139,757,621
Interest cost	118,991,139
Expected return on plan assets	△ 57,419,651
Amortization of prior service obligations	△ 49,358,313
Amortization of actuarial differences	147,166,695
Other (such as extra retirement benefit)	0
Net pension expenses	299,137,491

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

Category	As of March 31, 2014
a. Discount rate	1.4%
b. Expected rate of return on plan assets	2.5%
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.)

(Note) As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.

In this relation, an estimated profit will be ¥2,406,047,906 when applying Section 2 Chapter 44 of the "Practical Guideline on Retirement Benefit Account (mid-term report)", published by the Japanese Institute of Certified Public Accountants on September 14, 1999 (the Accounting System Committee Report No. 13), assuming that ¥1,460,170,124 of the amount equivalent to the return which was measured at the end of the current business year (the minimum policy reserve) was repaid at the end of the said business year.

5. Financial Products

(1) Matters Relating to the Situation of Financial Products

Matters relating to the situation of financial instruments are described in Notes (overall JHF).

(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.

(Unit: yen)

	Book value on the balance sheet	Market price	Difference
(1) Cash and due from banks	39,237,799,851	39,237,799,851	0
(2) Money in trust	239,101,304,024	239,386,990,117	285,686,093
(3) Securities			
Securities held to maturity	159,981,138,962	167,116,500,800	7,135,361,838
Other securities	227,000,000,000	227,000,000,000	0
(4) Loans	967,011,236,830		
Reserve for possible loan losses (*1)	△ 6,214,435,531		
	960,796,801,299	999,201,611,232	38,404,809,933
(5) Loans for other account	195,048,327,175	202,713,760,372	7,665,433,197
(6) Claims for indemnity (*1)	4,700,490,638	4,700,490,638	0
(7) Transferred claims (pension) (*1)	89,411,226,099	97,509,772,950	8,098,546,851
Total assets	1,915,277,088,048	1,976,866,925,960	61,589,837,912
(1) Borrowings	149,467,696,000	151,630,081,014	2,162,385,014
(2) Bonds (*2)	1,090,826,904,500	1,165,132,372,577	74,305,468,077
Total liabilities	1,240,294,600,500	1,316,762,453,591	76,467,853,091

(*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.

(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 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.

(4) Loans

The future cash flow of loans was estimated in terms of their type, borrowers and maturities. The future cash flow 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. 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.

(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.

(6) Claims for indemnity

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

(7) Transferred claims (from pension)

The future cashflow of transferred claims (pension) was estimated in terms of their type, borrowers and maturities. The future cash flow 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.

6. 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	31,382,605,273	34,160,484,800	2,777,879,527
	Municipal bonds	41,281,305,444	42,993,886,000	1,712,580,556
	Government guaranteed bonds	9,237,961,120	9,646,150,000	408,188,880
	Corporate bonds	71,811,428,534	74,404,170,000	2,592,741,466
	Subtotal	153,713,300,371	161,204,690,800	7,491,390,429
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	6,267,838,591	5,911,810,000	△ 356,028,591
	Subtotal	6,267,838,591	5,911,810,000	△ 356,028,591
Total		159,981,138,962	167,116,500,800	7,135,361,838

(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	227,000,000,000	227,000,000,000	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

There is nothing to report.

9. 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 and deposits

b) Book value

¥3,681,478

(2) Cause of becoming an unnecessary asset

For the execution of capital, etc. by FY 2012, based on the future expected business volume, it was found that the above assets became unnecessary to conduct the business without uncertainty of future business.

(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) Amount paid into the national treasury

¥3,681,478

(5) Date of payment into the national treasury

December 12, 2013

(6) Amount of reduction in capital

¥0

Outstanding Loan Management Account

In FY 2013, the gross profit of the outstanding loan management account was ¥165.5 billion, a decrease of ¥0.4 billion from FY 2012.

This was mainly because a decrease in income from asset management in accordance with a decrease in outstanding balance of loans surpassed an increase in reversal of reserve for possible loan losses and a decrease in fund raising expenses, both of which are mainly due to a decrease in delinquent loans.

Balance Sheet

(Unit: million yen)

Item	FY 2012	FY 2013	Item	FY 2012	FY 2013
(Assets)			(Liabilities)		
Cash and due from banks	223,313	183,169	Borrowings	15,175,692	12,961,472
Cash	0	0	Fiscal Investment Loan Program borrowings	15,175,692	12,961,472
Due from banks	124,600	101,569	Bonds	3,066,680	2,615,992
Agency deposits entrusted	98,713	81,600	Mortgage-backed securities	2,639,845	2,199,447
Money in trust	13,018	11,823	General lien bonds	200,400	300,078
Securities	1,110,016	1,012,372	Housing land bonds	228,705	117,046
Government bonds	—	169,423	Bond issue premiums (△)	△ 2,270	△ 579
Municipal bonds	—	32,274	Subsidies payable, etc.	12,840	11,685
Government guaranteed bonds	—	124,151	Subsidies payable for emergency measures including loans for recovery from disasters	12,840	11,685
Corporate bonds	—	97,508	Other liabilities	192,479	55,901
Stock	16	16	Accrued expenses	71,198	54,571
Certificates of deposit	1,110,000	589,000	Other liabilities	121,079	610
Loans	16,513,501	13,934,544	Accounts payable for other accounts	202	720
Loan on bills	32,657	26,351	Bonus payment reserve	139	148
Loans on deeds	16,480,843	13,908,193	Allowance for retirement benefits	7,302	7,207
Loans for other account	512,478	497,956	Allowance for refund of guarantee fees	23,299	17,238
Long-term loan for other account	512,478	497,956	Reserve for mortgage transfer registration	7,512	3,378
Other assets	54,915	46,995	Total liabilities	18,485,942	15,673,022
Accrued revenue	50,498	43,469	(Net assets)		
Other assets	3,449	2,708	Capital	9,600	9,600
Accounts receivable for other accounts	968	818	Government injection monies	9,600	9,600
Reserve for possible loan losses (△)	△ 381,586	△ 288,652	Loss carry forward	△ 449,888	△ 284,414
			Unappropriated loss	△ 449,888	△ 284,414
			(of which, gross profit (or loss))	(165,900)	(165,474)
			Total net assets	△ 440,288	△ 274,814
Total assets	18,045,654	15,398,208	Total liabilities and net assets	18,045,654	15,398,208

Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
Ordinary income	688,721	607,599
Income from asset management	652,242	559,636
Interest on loans	649,338	556,684
Interest and dividends on securities	938	1,075
Interest on receivables under repurchase agreement	101	39
Interest on deposits	102	58
Interest on loans for other account	1,763	1,781
Income from service transactions, etc.	144	116
Other service incomes	144	116
Other subsidies	1,411	1,164
Subsidies for emergency measures including loans for recovery from disasters	1,411	1,164
Other ordinary income	34,924	46,683
Reversal of reserve for possible loan losses	27,649	38,763
Reversal of reserve for refund of guarantee fees	3,621	3,550
Reversal of reserve for retirement benefits accompanying transfer between accounts	319	191
Reversal of reserve for mortgage transfer registration	75	161
Income from written-off claims recovered	2,211	3,137
Other ordinary income	1,050	881
Ordinary expenses	522,821	442,125
Fund raising expenses	504,782	425,385
Interest on borrowings	443,782	373,492
Interest on bonds	61,000	51,893
Service transaction expenses	10,023	8,965
Service expenses	10,023	8,965
Other operating expenses	750	381
Amortization of bond issuing expenses	750	381
Business expenses	7,266	6,953
Business expenses	7,266	6,953
Other ordinary expenses	0	441
Other ordinary expenses	0	441
Ordinary income (or loss)	165,900	165,474
Net income	165,900	165,474
Gross income	165,900	165,474

Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
I Cash flow from operating activities		
Outlays on personnel expenses	△ 2,436	△ 2,590
Other operating outlays	△ 26,931	△ 20,696
Income from collection of GHLC originated loans	3,116,172	2,524,786
Income from interest on GHLC originated loans	658,149	564,046
Loan origination fees and other revenue	140	113
Income from other operations	4,429	4,916
Subtotal	3,749,523	3,070,575
Interest and dividends received	2,857	3,078
Interest paid	△ 527,736	△ 447,059
Cash flow from operating activities	3,224,644	2,626,594
II Cash flow from investing activities		
Outlays on acquisition of securities (bonds)	—	△ 423,815
Net change in securities (certificates of deposit) (△ indicates negative)	△ 540,000	401,000
Income from the decrease of money in trust	1,430	1,215
Outlays for long-term loans for other account	△ 53,114	△ 129,900
Income from collection of long-term loans for other account	—	144,422
Cash flow from investing activities	△ 591,683	△ 7,079
III Cash flow from financing activities		
Income from issuance of bonds (after deducting issuance expense)	199,650	99,297
Outlays on redemption of bonds	△ 699,911	△ 544,736
Outlays on repayment of Fiscal Investment Loan Program borrowings	△ 2,325,307	△ 2,214,220
Cash flows from financial activities	△ 2,825,568	△ 2,659,659
IV Decrease in cash	△ 192,607	△ 40,144
V Opening balance of cash	415,920	223,313
VI Closing balance of cash	223,313	183,169

Statement of Appropriation of Loss

(Unit: million yen)

I Unappropriated loss			△ 284,414
Gross profit		165,474	
Loss carry forward (from previous year)	△ 449,888		
II Loss carry forward			△ 284,414

Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
I Operating expenses		
(1) Expenses recorded in income statement		
Fund raising expenses	504,782	425,385
Service transaction expenses	10,023	8,965
Other operating expenses	750	381
Business expenses	7,266	6,953
Other ordinary expenses	0	441
Subtotal	522,821	442,125
(2) (Deductions) non-subsidy revenue, etc.		
Income from asset management	△ 652,242	△ 559,636
Income from service transactions, etc.	△ 144	△ 116
Other ordinary income	△ 34,924	△ 46,683
Subtotal	△ 687,310	△ 606,435
Total operating expenses	△ 164,489	△ 164,310
II Expected increase in retirement benefits not recorded in allowances	2	△ 3
III Opportunity costs		
Opportunity costs related to items such as central and local government investments	54	61
IV Administrative cost	△ 164,434	△ 164,252

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. As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.

(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 2014, 0.640% 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 (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 Statement of Cash Flows

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

Cash and due from bank: ¥183,169,427,838

Closing balance of cash: ¥183,169,427,838

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, 2014
Retirement benefit obligation	(A)	△ 10,474,430,049
Pension assets	(B)	3,082,583,228
Unfunded retirement benefit obligations	(C)=(A) + (B)	△ 7,391,846,821
Unrecognized prior service obligations	(D)	△ 603,337,729
Unrecognized actuarial differences	(E)	787,706,649
Net amount recorded in balance sheet	(F)=(C)+(D)+(E)	△ 7,207,477,901
Prepaid pension costs	(G)	0
Reserve for retirement benefit	(F)-(G)	△ 7,207,477,901

(3) Matter Relating to Retirement Benefit Expenses

(Unit: yen)

Category	From April 1, 2013 to March 31, 2014
Service cost	174,111,833
Interest cost	148,240,685
Expected return on plan assets	△ 71,534,136
Amortization of prior service obligations	△ 61,491,219
Amortization of actuarial differences	209,204,994
Other (such as extra retirement benefit)	0
Net pension expenses	398,532,157

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

Category	As of March 31, 2014
a. Discount rate	1.4%
b. Expected rate of return	2.5%
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.)

(Note) As of April 1, 2013, the Minister of Health, Labour and Welfare approved exemption of returning future subrogated portion of employees' pension fund.

In this relation, an estimated profit will be ¥2,997,485,298 when applying Section 2 Chapter 44 of the "Practical Guideline on Retirement Benefit Account (mid-term report)", published by the Japanese Institute of Certified Public Accountants on September 14, 1999 (the Accounting System Committee Report No. 13), assuming that ¥1,819,098,642 of the amount equivalent to the return which was measured at the end of the current business year (the minimum policy reserve) was repaid at the end of the said business year.

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 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	183,169,427,838	183,169,427,838	0
(2) Money in trust	11,823,155,446	11,822,758,094	△ 397,352
(3) Securities			
Securities held to maturity	423,355,986,050	423,310,995,821	△ 44,990,229
Other securities	589,000,000,000	589,000,000,000	0
(4) Loans	13,934,544,105,285		
Reserve for possible loan losses (*1)	△ 287,757,297,634		
	13,646,786,807,651	14,997,993,344,599	1,351,206,536,948
(5) Loans to other accounts	497,956,047,239	498,032,122,159	76,074,920
Total assets	15,352,091,424,224	16,703,328,648,511	1,351,237,224,287
(1) Borrowings	12,961,472,000,000	13,925,164,319,034	963,692,319,034
(2) Bonds (*2)	2,615,992,493,568	2,761,207,904,594	145,215,411,026
Total liabilities	15,577,464,493,568	16,686,372,223,628	1,108,907,730,060

(*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 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.

(4) Loans

The future cash flow of loans was estimated in terms of their type, borrowers and maturities. The future cash flow 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 and straight bonds 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.

6. 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	169,423,247,086	169,461,160,000	37,912,914
	Municipal bonds	2,423,186,817	2,423,280,000	93,183
	Government guaranteed bonds	5,004,871,541	5,005,049,600	178,059
	Corporate bonds	0	0	0
	Subtotal	176,851,305,444	176,889,489,600	38,184,156
Securities whose market price does not exceed the book value on the balance sheet	Government bonds	0	0	0
	Municipal bonds	29,850,435,974	29,843,499,401	△ 6,936,573
	Government guaranteed bonds	119,146,449,400	119,134,917,500	△ 11,531,900
	Corporate bonds	97,507,795,232	97,443,089,320	△ 64,705,912
	Subtotal	246,504,680,606	246,421,506,221	△ 83,174,385
Total		423,355,986,050	423,310,995,821	△ 44,990,229

(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	589,000,000,000	589,000,000,000	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

There is nothing to report.

Details

● Investment in JHF capital and its funding sources (FY 2013)

In FY 2013, JHF received ¥34.5 billion in government capital from the government's general account. With regard to ¥80 million capital injection monies from the government's general account, it was returned to the national treasury in December 2013 as a response to houses not satisfying the technical criteria set by JHF.

Therefore, the balance of capital at the end of FY 2013 was ¥705 billion and its breakdowns are ¥616.1 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, ¥2 million will be returned to the national treasury in FY 2014.

(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	581,721	34,511	84	616,148
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	670,621	34,511	84	705,048

● Major assets and liabilities (FY 2013)

• Long-term borrowings

In FY 2013, JHF borrowed ¥67.5 billion from Fiscal Investment and Loan Program, and ¥90.8 billion from the private institutions. As ¥2,221.1 billion was repaid to Fiscal Investment and Loan Program, and ¥110.2 billion repaid to the private institutions, the outstanding balance of long-term borrowings at the end of FY 2013 was ¥13,201.7 billion and its breakdowns are ¥13,110.9 billion from Fiscal Investment and Loan Program, and ¥90.8 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	15,264,574	67,500	2,221,134	13,110,940
Borrowings from the private institutions	110,200	90,800	110,200	90,800
Total	15,374,774	158,300	2,331,334	13,201,740

• Details of bonds issued by JHF

In FY 2013, ¥1,769.8 billion (face value amount, applicable herein below) of Japan Housing Finance Agency bonds, ¥54.4 billion of JHF's property accumulation saving scheme-tied houses bonds, and ¥19.7 billion of JHF's housing land bonds were issued. In addition, ¥1,216.8 billion of Japan Housing Finance Agency bonds, ¥139.4 billion of JHF's property accumulation saving scheme-tied houses bonds, and ¥135.1 billion of JHF's housing land bonds were redeemed. Therefore the total outstanding balance of bonds at the end of FY2013 was ¥14,274.5 billion which consists of ¥13,383.8 billion of Japan Housing Finance Agency bonds, ¥400.7 billion of JHF's property accumulation saving scheme-tied houses bonds, and ¥490 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	12,830,851	1,769,755	1,216,832	13,383,775
JHF's Property accumulation saving scheme-tied houses bonds	485,700	54,400	139,400	400,700
JHF's housing land bonds	605,446	19,703	135,100	490,048
Total	13,921,997	1,843,858	1,491,332	14,274,523

• 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	477,016	—	104,740	372,276
Allowance for bonuses	538	586	538	586
Allowance for retirement benefits	28,259	1,436	1,196	28,499
Allowance for refund of guarantee fees	24,203	—	6,269	17,934
Reserve for mortgage transfer registration	8,433	—	4,668	3,765

● Acquisition, disposal, depreciation costs, and accumulated impairment loss of fixed assets (FY 2013)

(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	15,669	96	148	15,616	4,291	487	—	11,325
	Other tangible fixed assets	1,839	1,589	117	3,311	1,231	640	—	2,081
	Total	17,507	1,685	265	18,928	5,522	1,127	—	13,406
Non-depreciable assets	Land	22,048	—	2,688	19,360	—	—	—	19,360
	Construction in process account	86	402	—	488	—	—	—	488
	Other tangible fixed assets	5	—	—	5	—	—	—	5
	Total	22,138	402	2,688	19,852	—	—	—	19,852
Total tangible fixed assets		39,645	2,087	2,953	38,780	5,522	1,127	—	33,258

● 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	1966	971
1951	230	1967 – 1997	972
1952	310	1998	1,522
1953	368	1999 – 2000	1,662
1954	418	2001 – 2004	1,687
1955 _ 1956	425	2005	2,237
1957	455	2006	2,537
1958	480	2007	3,197
1959	525	2008	4,057
1960	575	2009	9,013
1961	665	2010	6,977
1962	760	2011	6,567
1963	855	2012	6,706
1964	955	2013	7,050
1965	970		

(Note) In accordance with Paragraph 1, Article 46-2 of Act on General Rules for Independent Administrative Agency, the ¥80 million government injection monies from the general account was returned to the national treasury as a response to houses not satisfying the technical criteria set by JHF.

● Details of business expenses

(Unit: million yen)

Category	FY 2012	FY 2013
Overhead expenses	10,654	9,895
Management travel expenses	79	79
Various management expenses	2,592	2,604
Entertainment expenses	—	—
Tax	257	240
Fixed asset depreciation expenses	551	505
Leased asset depreciation expenses	244	622
Operational travel expenses	74	77
Various operating costs	4,517	4,926
Expenses for special servicing of loans	595	505
Reparations and repayments	—	—
Other expenses including bond issuance costs and trust fees	204	145
System operation outsourcing costs	4,500	4,540
Total	24,267	24,137

● Capital adequacy ratio

(Unit: 100 million yen)

Category	FY 2012	FY 2013
Net capital	5,567	8,625
Reserve for possible loan losses	715	1,290
Owned capital (A)	6,283	9,914
Assets (on balance sheet)	103,959	97,364
Off balance sheet transactions	6,704	5,821
Amount equivalent to operational risk	3,792	4,138
Risk weighted assets total (B)	114,455	107,322
Capital adequacy ratio ((A) / (B)) x 100	5.49%	9.24%

(Notes) The capital adequacy ratio of FY 2012 and FY 2013 are calculated in accordance with the Basel II criteria and Basel III criteria respectively, but since it is difficult to determine attributes for each loan, 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 2012	FY 2013
Expenses* (A)	569	545
Average balance of purchased loans (B)	291,180	273,337
Overhead ratio (A) / (B)	0.1954%	0.1992%

* 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 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 2012		FY 2013	
	Gross profit/loss (△)	Surplus/loss carried forward (△)	Gross profit/loss (△)	Surplus/loss carried forward (△)
Securitization support account	26,887	9,797	57,171	66,968
Account for transfer of claims	25,585	29,799	59,355	89,154
Account for loan guarantees	1,303	△ 20,002	△ 2,184	△ 22,186
Housing loan insurance account	3,986	3,986	5,182	9,168
Account for loans for property accumulation saving scheme-tied houses	4,233	26,809	3,299	30,108
Housing loan account	8,224	330,136	14,779	335,734
Account for housing loans	5,002	△ 14,547	10,459	△ 4,088
Account for Acquired Operations from HLGC	3,222	344,683	4,320	339,822
Overall agency (excluding the outstanding loan management account and Account for Acquired Operations from HLGC)	40,107	26,045	76,111	102,156

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

(Unit: million yen)

Type	Purpose	Total at the end of FY 2013	Total at the end of FY 2014 (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	550,548	555,037
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		705,048	709,537

The figures are estimated amounts reflecting 2 million government injection monies of Securitization Support Business returned to the national treasury.

Reference - Status of long-term bonds being held

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
	Transfer from reserve for the previous mid-term target period (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

FY 2013

(Unit: 100 million yen)

Type	Classification (purpose)	At the end of FY 2013				
		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)	4,258	1,425	862	92	1,879
Housing loan insurance account	Government injection monies (purposed to manage insurance underwriting risks)	976	491	296	0	189
	Mandatory policy reserves (purposed for future insurance payments)	303	25	55	87	135
Housing loan account	Government injection monies (purposed to manage credit risk of town development loan, a short-term business loan)	424	118	122	1	183
	Reserve carried over from previous mid-term target years (purposed for future operation of group credit life insurance business)	1,176	196	291	91	598
Outstanding loan management account	Purposed for funding of future repayment of borrowings, etc.	4,234	1,694	323	1,242	975
Total		11,370	3,949	1,949	1,514	3,959

* 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.

Reference – Status of receiving subsidies

(Unit: million yen)

Type	Purpose	Amount received in FY 2013	Amount received in FY 2014 *1
Subsidies for promotion projects for development of high-quality housings *2	Interest rate reduction, etc. of Flat 35S.	14,588	23,028

*1 The amounts received for FY 2014 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, 2014)

* 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 ¥5,613.2 billion	¥106.51 billion	¥54.98 billion	¥161.49 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, 2014)

* 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) ¥239.4 billion (¥1,492.5 billion)	¥0.84 billion	¥2.52 billion	¥3.36 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, 2014)

Number of loans purchased/ insured and their amount	Subsidies used		
	Past fiscal years	This fiscal year	Total
19,577 ¥447.9 billion	¥28.05 billion	¥0.0 billion	¥28.05 billion

● Use of subsidies

• Securitization support business

· Use of subsidies for 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, 2014)

* 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	March 31, 2013
Subsidies received	2,600.0	2,235.0	—	—	△ 0.1
Transfer from housing loan insurance business	—	700.0	381.0	—	—
Amount carried forward	—	2,599.3	5,437.9	5,419.8	4,878.1
Accrued interest income	—	4.9	6.4	16.0	16.0
(Accumulated gains)	(—)	(4.9)	(11.3)	(27.3)	(43.3)
Subtotal ①	2,600.0	5,539.2	5,825.3	5,435.8	4,894.1
Expenses for interest rate discount ②	0.7	101.3	405.5	557.7	549.8
(Accumulated expenses for interest rate discount)	(0.7)	(102.0)	(507.5)	(1,065.1)	(1,614.9)
Balance of subsidies ① - ②	2,599.3	5,437.9	5,419.8	4,878.1	4,344.4
Estimate required amount of subsidies for the following years ③	—	—	—	—	4,344.4
Planned repayment to the national treasury for the following year ① - ② - ③	—	—	—	—	—

· Use of subsidies for 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, 2014)

* 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	March 31, 2013
Subsidies received	159.0	—	—
Transfer from housing loan insurance business	—	39.4	—
Amount carried forward	—	158.9	190.3
Accrued interest income	0.0	0.2	0.3
(Accumulated gains)	(0.0)	(0.2)	(0.6)
Subtotal ①	159.0	198.6	190.6
Expenses for interest rate discount ②	0.1	8.3	25.2
(Accumulated expenses for interest rate discount)	(0.1)	(8.4)	(33.6)
Balance of subsidies ① - ②	158.9	190.3	165.4

• **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, 2014)

(Unit: 100 million yen)

Amount / as of	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Subsidies received	1,400.0	—	—	—	—
Amount carried forward	—	1,341.0	443.9	39.8	0.2
Accrued interest income	—	1.0	0.1	0.0	0.0
(Accumulated gains)	(—)	(1.0)	(1.2)	(1.2)	(1.2)
Subtotal ①	1,400.0	1,342.0	444.1	39.8	0.2
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)	(280.5)
Transfer to the securitization business ③	—	700.0	381.0	39.4	—
Repayment to the national treasury ④	—	—	—	—	0.2
Balance of subsidies ① - ② - ③	1,341.0	443.9	39.8	0.2	—
Estimate required amount of subsidies for the following years ⑤	—	—	—	—	—
Planned repayment to the national treasury for the following year ① - ② - ③ - ④ - ⑤	—	—	—	—	—

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, 2014)

Number of houses of applications accepted and their amount	Number of houses of loans provided and their amount
13,401	9,732
¥214.88 billion	¥151.57 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, 2014)

Number of loan modifications applied	4,367 cases
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● Use of subsidies

- Use of subsidies relating to loans for recovery from disasters (interest rate discount applied) (the results are total between March 11, 2011 and March 31, 2014)

(Unit: 100 million yen)

Amount / as of	March 31, 2011	March 31, 2012	March 31, 2013
Subsidies received	1,884.0	539.0	—
Amount carried forward	—	1,884.0	2,411.8
Accrued interest income	0.9	2.8	3.2
(Accumulated gains)	(0.9)	(3.7)	(6.9)
Subtotal ①	1,884.9	2,425.8	2,415.0
Expenses for interest rate discount ②	0.9	14.0	32.7
(Accumulated interest rate discount)	(0.9)	(14.9)	(47.7)
Balance of subsidies ① - ②	1,884.0	2,411.8	2,382.3

- Use of subsidies relating to loan modification (interest rate discount applied) (the results area total loans executed between March 11, 2011 and March 31, 2014)

(Unit: 100 million yen)

Amount / as of	March 31, 2011	March 31, 2012	March 31, 2013
Subsidies received	183.0	—	—
Amount carried forward	—	174.1	158.9
Accrued interest income	0.1	0.1	0.1
(Accumulated gains)	(0.1)	(0.2)	(0.3)
Subtotal ①	183.1	174.3	159.0
Expenses for interest rate discount ②	8.9	15.4	12.6
(Accumulated interest rate discount)	(8.9)	(24.3)	(36.9)
Balance of subsidies ① - ②	174.1	158.9	146.4

<Reference>Profit appropriation of the securitization support business account as of the end of FY2013

- As cost tends to emerge later than earnings for the credit risk of the securitization support business (purchase program) and risk related to purchased part (*) other than MBS (interest-rate risk), the loss in the latter half is offset by the profit in the first half of the loan period.
- Accordingly, all the profit is appropriated as reserves under the Act on General Rules for Incorporated Administrative Agency, Paragraph 1, Article 44 with approval from the minister in charge as the required amount to put aside for risk that cannot be handled with the capital (125.4 billion yen as of the end of FY2013) out of the future credit and interest-rate risk for the remaining period that emerges from the balance of purchased receivables (10,981.8 billion yen) as of the end of the fiscal year, which exceeds the surplus carried forward (67 billion yen) (9.8 billion yen of reserve and 57.2 billion yen of profit) as of the end of the fiscal year.

* Purchased receivables that exceed the amount of MBS issuance are kept as collateral for JHF's MBS to obtain AAA and the surplus of purchased receivables is financed by issuing SB, etc.

[Required amount to put aside for credit and interest-rate risk]

- As the profit-loss of securitization support business (purchase program) is structured such as to offset the loss in the latter half with the profit in the first half of the loan period, the required amount to put aside for future credit risk (estimated credit loss that exceeds the estimated profit from interest of purchased receivables) (*) and the required amount to put aside for future interest-rate risk (estimated interest expense of originally obtained MBS and SB and interest expense of their reacquisition exceeding the estimated profit from the interest on purchased receivables and received interest on reinvestment) are calculated.

*The portion already prepared for future credit risk as an allowance for doubtful accounts is deducted.