

# Outline of the Review of Procurement

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

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

## 1. Review Plan for Direct Appointment

### (1) Review of non-competitive direct appointment

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

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

	Results of FY 2008		After review	
	Number of contracts	Amount (1,000 yen)	Number of contracts	Amount (1,000 yen)
<b>Competitive contracts</b>	(83%) 1,045	(94%) 49,054,414	(86%) 1,088	(95%) 49,655,482
Competitive bidding	(24%) 304	(21%) 11,177,351	(28%) 356	(38%) 19,875,910
Planned competition, open recruitment, etc.	(59%) 741	(72%) 37,877,063	(58%) 732	(57%) 29,779,572
<b>Non-competitive direct appointments</b>	(17%) 213	(6%) 3,253,661	(14%) 170	(5%) 2,652,593
<b>Total</b>	(100%) 1,258	(100%) 52,308,075	(100%) 1,258	(100%) 52,308,075

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

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

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

### (2) Review of single-bidder bidding

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

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

(Results of FY 2008)

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

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

(Review of contracts with single-bidder bidding)

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

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

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

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

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

### (1) Periodic inspections of contracts by the Contract

#### Surveillance Committee, etc.

Implementation of periodic inspections by the Contract Surveillance

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

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

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

### (3) Review of single-bidder bidding

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

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

② Review of specification

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

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

③ Mitigation of requirements for participation in bidding

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

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

④ Securement of a sufficient notification period, etc.

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

⑤ Use of multiple-year contracts

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

⑥ Interview survey from non-participating bidder

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

### (4) Appropriate planned price setting

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

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

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

# Executive Compensation and Salaries of Employees

## I Executive Compensation

### 1. Fundamental policy on executive compensation

#### ① Linking operation results and FY 2013 executive compensation

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

##### [Appropriateness of JHF President compensation]

The President is responsible for total management of the JHF business as the representative, with ultimate responsibility for and authority over its operation. Under his leadership and with the GHLC as its predecessor, JHF has a core business as a financial institution to realize the stable provision of long-term fixed private housing loans by developing a new market-oriented housing finance system. It has received an "A" rating in its FY2012 business performance evaluation, with recognition of the steady progress of its business toward achieving the mid-term target.

The compensation for the President is deemed appropriate for the following reasons: As shown in the following table, the compensation of the President is almost equivalent or lower than those of executives of private financial institutions of a similar scale with consideration of facts such as the inclusion of executives who retired midway through the fiscal year. The monthly compensation of the President (1,128,000 yen) is within the monthly salary range of an administrative vice minister (1,198,000 yen).

##### Comparison of President compensations (FY 2012)

	No. of employees (person)	No. of branch offices (office)	No. of persons to be compensated	Average amount (1,000 yen)
JHF (President)	921	11		19,667
Financial institution A	1,751	28	3	40,000
Financial institution B	1,466	18	5	27,800
Financial institution C	1,109	12	15	20,733
Financial institution D	1,168	10	9	17,889

Note: Data on president compensations of private financial institutions is prepared based on sources of Disclosure Booklet for Financial Institution A and C, and securities reports for Financial Institution B and D.

Note: In principle, directors (except external directors) are the persons to be compensated. However, in relation to the data used, 1 auditor general is included in Financial Institution A and 2 corporate auditors are in Financial Institution C.

Note: Directors of Financial Institutions who resigned before the end of FY 2012 are also included. The number of such directors is: 1 in Financial Institution B and D, and 2 in Financial Institution C.

##### [Result of the inspection by the competent minister]

The standard for compensation is established taking that of national civil servant and private financial institutions into consideration; hence, it is deemed appropriate also with a consideration of the evaluation results.

#### ② Revision of standard for executive compensation

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

No revision was made.

The salary payment for FY 2013 was lowered at a rate (9.77% of the monthly base salary) in accordance with the salary reduction of national civil servants.

### 2. Compensation for Directors

Position	Total amount of annual compensations, etc., for FY 2013				Inauguration and retirement		Previous position
	Compensations (salary)	Bonus	Other (details)	Inauguration	Retirement		
President	Thousand yen 19,427	Thousand yen 12,010	Thousand yen 5,002	Thousand yen 2,162 253 (Regional adjustment) (Commuting allowance)			※
Senior Executive Vice President A	Thousand yen 13,582	Thousand yen 7,869	Thousand yen 4,297	Thousand yen 1,416 (Regional adjustment)		December 31	◇
Senior Executive Vice President B	Thousand yen 3,048	Thousand yen 2,540	Thousand yen 0	Thousand yen 457 52 (Regional adjustment) (Commuting allowance)	January 1		◇
Executive Vice President	Thousand yen 13,130	Thousand yen 7,512	Thousand yen 4,102	Thousand yen 1,352 164 (Regional adjustment) (Commuting allowance)		December 31	◇
Senior Executive Director A	Thousand yen 2,758	Thousand yen 2,268	Thousand yen 0	Thousand yen 408 82 (Regional adjustment) (Commuting allowance)	January 1		◇
Senior Executive Director B	Thousand yen 13,269	Thousand yen 9,074	Thousand yen 2,482	Thousand yen 1,633 80 (Regional adjustment) (Commuting allowance)	April 1		
Senior Executive Director C	Thousand yen 14,556	Thousand yen 9,074	Thousand yen 3,716	Thousand yen 1,633 133 (Regional adjustment) (Commuting allowance)			
Senior Executive Director D	Thousand yen 14,664	Thousand yen 9,074	Thousand yen 3,716	Thousand yen 1,633 241 (Regional adjustment) (Commuting allowance)	April 1		◇
Senior Executive Director E	Thousand yen 14,588	Thousand yen 9,074	Thousand yen 3,369	Thousand yen 1,633 512 (Regional adjustment) (Commuting allowance)	April 1		※
Senior Executive Director F	Thousand yen 14,535	Thousand yen 9,074	Thousand yen 3,716	Thousand yen 1,633 112 (Regional adjustment) (Commuting allowance)			※
Auditor General A	Thousand yen 13,172	Thousand yen 8,207	Thousand yen 3,361	Thousand yen 1,477 126 (Regional adjustment) (Commuting allowance)		March 31	※
Auditor General B	Thousand yen 12,180	Thousand yen 8,207	Thousand yen 2,245	Thousand yen 1,477 251 (Regional adjustment) (Commuting allowance)	April 1		
Auditor General C	Thousand yen 13,143	Thousand yen 8,207	Thousand yen 3,361	Thousand yen 1,477 97 (Regional adjustment) (Commuting allowance)	April 1		◇

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

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

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

### 3. Retirement allowances paid to executives (directors who resigned during FY 2013 and were paid a retirement allowance)

Category	Total payment	Length of service at agency		Date resigned	Performance rate	Notes	Previous position
President	Thousand yen	Year	Month			N/A	
Senior Executive Vice President	Thousand yen	Year	Month			N/A	
Executive Vice President	Thousand yen	Year	Month			N/A	
Senior Executive Director	Thousand yen 2,464	Year 2	Month 0	March 31, 2013	1.0	The Performance Assessment Committee for incorporated administrative agencies, which assesses performance in FY 2012, decided the performance rate (1.0). (The amount described in the left column is the amount of total payment decided)	※
Auditor General A	Thousand yen 4,457	Year 4	Month 0	March 31, 2013	1.0		
Auditor General B	Thousand yen 4,086	Year 3	Month 8	March 31, 2013	1.0		*

Note 1: The "Notes" section provides the reasons for the decisions regarding the amount of retirement allowances, including the performance rating by the Performance Assessment Committee.  
 Note 2: The following symbols are used in the above table to designate the previous position. Retired civil servant "※", Seconded executive "◇", Retired employee of an organization such as an incorporated administrative agency "※", Retired civil servant who retired later from an organization such as an incorporated administrative agency "※※", Blank column when not applicable.

## II Salaries of Employees

### 1. Fundamental policy on salaries of employees

#### ① Fundamental policy regarding labor costs management

As stipulated in Paragraph 1, Article 30 of the Law on General Rules on Independent Administrative Institutions (Law No. 103 of 1999 and referred to below as the General Rules Law), JHF creates a plan to achieve the relevant medium-term goals set by the minister of Infrastructure, Land, Transport and Tourism for the period extending from April 1, 2012, through March 31, 2017, and this plan receives the approval of the Minister of Infrastructure, Land, Transport and Tourism.

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

#### ② Basic policy on determining the salary of employees

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

Paragraph 3, Article 63 of the General Rules Law stipulates that employee salary standards must take into consideration the performance of the agency and conform with general social trends, and there was a request from the government (approved by the Cabinet on November 15, 2013) for salary revision that appropriate salary levels be reviewed rigidly and set by taking into due consideration the salary level of national civil servants.

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

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

#### (Details of salaries that reflect efficiency and work performance)

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

##### c. Main revisions to the salary system in FY 2013

- Terminate periodic pay raises of relevant employees in line with the lowering of the maximum rank in the salary table to the 81st rank
- The following measures were to be taken in relation to the revision of national civil servants' salary based on the Act on Revision of Remuneration for National Civil Servant and Temporary Special Provisions (Law No. 2, 2012): (for employees)
  - Implementation period: August 2012 – March 2014(\*)
  - \* Implementation period of the measures for lowered salary payment was formally set until July 2014. In terms of normalization of salary level, however, it was moved up to March 2014 in accordance with the adjustment concerning measures for salary revision and lowered salary payment for winter bonus in December, 2012.
  - Details of measures for employees' base salary schedule: reduction rate of monthly base salary was from 4.77% to 9.77%
  - Details of measures for various allowances: reduction rate of allowances for officials above director level was 10% and reduction rate of the end-of-term allowance and diligence allowance was 9.77%. Reduction rates of regional allowance, transfer allowance, and overtime allowance reflect that of monthly base salary.
  - Details of measures different from the governmental policy: nothing in particular (for executives)
  - Implementation period: April 2012 – March 2014
  - Details of measures for salary schedule: reduction rate of monthly salary was 9.77%
  - Details of measures for various allowance: reduction rate of the end-of-year allowance was 9.77%. Reduction rate of regional allowance reflects that of monthly salary.
  - Details of measures different from the governmental policy: nothing in particular

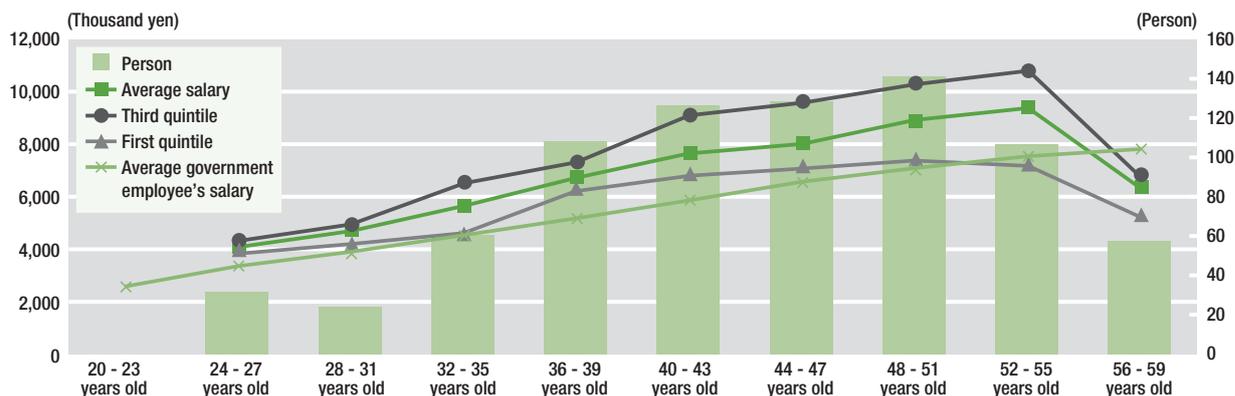
## 2. Employee salaries

### ① Salary by type of work

Type	Employees	Average age	FY 2013 annual salary (average)			
			Total amount	Contract earnings	Commuting allowance	Bonus
Full-time employees	Persons 785	Age 44.7	Thousand yen 7,663	Thousand yen 5,805	Thousand yen 137	Thousand yen 1,858
Clerical/technical	Persons 784	Age 44.7	Thousand yen 7,666	Thousand yen 5,806	Thousand yen 138	Thousand yen 1,860
Others	Persons 1	Age —	Thousand yen —	Thousand yen —	Thousand yen —	Thousand yen —

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

### ② Distribution of annual salary (clerical and technical employees)



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

#### (Clerical & technical employees)

Groups used in distribution	Employees	Average age	Quartile		Average	Quartile
			First quartile	Third quartile		
Representative position	Persons	Age	Thousand yen	Thousand yen	Thousand yen	Thousand yen
Director at head office	150	48.3	9,211	9,326	10,034	
Clerk at head office	21	34.2	4,156	4,451	4,686	

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

### ③ Employee by grade (as of April 1, 2014) (Clerical and technical employees)

Rank	Total	First grade	Second grade	Third grade	Fourth grade	Fifth grade	Sixth grade
Standard position		Clerk	Clerk	Deputy Manager	Manager	Director in charge	Managing Director
Employees (percentage)	Persons	Persons	Persons	Persons	Persons	Persons	Persons
	—	57	111	315	256	44	
Age (youngest - oldest)	Age	Age	Age	Age	Age	Age	Age
	—	48 ~ 24	59 ~ 26	59 ~ 32	59 ~ 38	59 ~ 48	
Scheduled annual salary (low - high)	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen
	—	4,158 ~ 2,631	4,578 ~ 3,174	6,553 ~ 3,855	8,865 ~ 5,332	9,362 ~ 7,521	
Annual salary (low - high)	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen	Thousand yen
	—	5,346 ~ 3,441	6,078 ~ 3,925	8,646 ~ 4,991	11,586 ~ 5,969	12,579 ~ 10,046	

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

### ④ Bonuses (FY 2013) assessed portion (clerical and technical employees)

Rank		Summer bonus (paid in June)	Winter bonus (paid in December)	Total
Managing grade employees	Constant payment (year-end bonus)	% 62.4	% 65.2	% 63.9
	Evaluation-based payment (diligence allowance) (average)	% 37.6	% 34.8	% 36.1
		Upper - lower	% 54.7 ~ 24.8	% 50.6 ~ 30.0
General employees	Constant payment (year-end bonus)	% 61.6	% 64.1	% 62.9
	Evaluation-based payment (diligence allowance) (average)	% 38.4	% 35.9	% 37.1
		Upper - lower	% 100.0 ~ 29.8	% 100.0 ~ 27.2

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

National civil servant comparative index: 122.2

Other agencies comparative index (clerical and technical employees): 116.8

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

# Reference items for the salary level comparative index

## ○ Clerical and technical employees

Item	Details																															
Index	Comparison with national civil servants																															
		122.2																														
	Reference	Regional differences	113.4																													
		Academic history	118.7																													
	Regional differences and academic history	111.0																														
Quantitative reasons why the salary level is high compared to national civil servants	<p>JHF, whose predecessor was the Government Housing Loan Corporation, was founded on April 1, 2007, as a financial institution whose core operations are securitization in order to create a new market-based housing financial system and to provide a stable supply of long-term, fixed rate home loans to the private sector.</p> <p>In order to smoothly and properly conduct the agency's operations, which are centered on securitization, it is necessary to recruit and keep talented personnel with extremely specialized and advanced knowledge of financial techniques and skills in financial operations, and the personnel must be appropriately compensated for their abilities.</p> <p>On account of this, decisions regarding the agency's salary level, which are covered in II-1-②-a Items taken into consideration when setting salary levels and the rationale for taking those items into consideration, were made also taking into consideration private financial institutions.</p> <p>The following table, which provides a comparison between JHF and financial institutions with a similar number of employees and offices, shows that the salary levels are in general the same.</p> <p><b>Comparison of average salary (FY 2012)</b></p> <table border="1"> <thead> <tr> <th></th> <th>Employees</th> <th>Offices</th> <th>Average Age</th> <th>Average salary (thousand yen)</th> </tr> </thead> <tbody> <tr> <td>JHF</td> <td>921</td> <td>11</td> <td>44.4</td> <td>7,883</td> </tr> <tr> <td>Financial institution A</td> <td>1,751</td> <td>28</td> <td>40.4</td> <td>7,587</td> </tr> <tr> <td>Financial institution B</td> <td>1,466</td> <td>18</td> <td>41.3</td> <td>7,712</td> </tr> <tr> <td>Financial institution C</td> <td>1,109</td> <td>12</td> <td>37.7</td> <td>7,609</td> </tr> <tr> <td>Financial institution D</td> <td>1,168</td> <td>10</td> <td>38.0</td> <td>10,801</td> </tr> </tbody> </table> <p>Note: Data such as average salaries for private institutions were taken from the particular institution's securities reports.</p> <p>Note: Since the average salary for private financial institutions in the securities report include overtime allowances and commuting allowances, the average salary for the agency given in the above table also includes overtime allowances and commuting allowances.</p> <p><b>[Affects taken into consideration regional differences and academic history]</b></p> <p>JHF's salary is affected by the fact that the majority of the agency's employees work in major metropolitan areas, and the organization and personnel were centralized in Tokyo to rationalize and improve the efficiency of operations (eliminating the effect of regional differences reduces the national civil servant comparative index to 113.4 from 114.0), the high percentage of employees with at least a college degree (eliminating the effect of higher education reduces the national civil servant comparative index to 118.7 from 119.6; and eliminating the effect of regional differences and higher education reduces the national civil servant comparative index to 111.0 from 111.5).</p>			Employees	Offices	Average Age	Average salary (thousand yen)	JHF	921	11	44.4	7,883	Financial institution A	1,751	28	40.4	7,587	Financial institution B	1,466	18	41.3	7,712	Financial institution C	1,109	12	37.7	7,609	Financial institution D	1,168	10	38.0	10,801
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Verification of the appropriateness of wage levels	<p><b>[National government financial support as percentage of total projected expenditure budgets: 0.7%]</b></p> <p>(national government financial support - ¥49.1 billion; total projected expenditures - ¥7,166.4 billion [Account settlement for FY2013, after the second supplementation])</p> <p>* Fiscal spending from the state (¥49.1 billion) is allocated for capital to deal with credit risk in securitization support business, etc. (¥34.5 billion) and subsidies for implementation of Flat 35S (¥14.6 billion).</p> <p><b>[Accumulated losses – no record (overall earned surplus: ¥157.6 billion): Account settlement for FY2013, after the second supplementation]</b></p> <p>* In the breakdown by accounts, ¥284.4 billion of accumulated losses is recorded concerning the outstanding loan management account, but it is not recorded for other accounts.</p> <p><b>[Percentage of managerial positions: 34.6% (271 out of 784 full-time employees)]</b></p> <p>* The percentage of managerial positions for the national government: 15.8% (the percentage of Grade 6 or higher national civil servants in the Administrative Service Salary Schedule of National Civil Servant Survey in 2013 [National Personnel Authority])</p> <p><b>[Percentage of employees with at least a college degree: 83.4% (654 out of 784 full-time employees)]</b></p> <p>* For the national government: 54.1% (the percentage of national civil servants in the National Civil Servant Survey in 2013 (National Personnel Authority) with a college degree whose salary is based on the administrative service salary schedule)</p> <p><b>[Total compensation, including salary, as percentage of total expenditures: 0.1%]</b></p> <p>(total compensation, including salary - ¥7.4 billion; total expenditures - ¥7,166.4 billion (Account Settlement for FY 2013))</p>																															

Verification of the appropriateness of wage levels	<p><b>[Examination result]</b></p> <p>(Result of the JHF's examination)</p> <p>The fact that the salary level of JHF is higher than the national civil servant is deemed affected by the following points.</p> <ul style="list-style-type: none"> <li>To implement JHF's operations (including operations of former GHLC) smoothly and appropriately, it is necessary to secure human resources with expertise in specific financial technology and financial business. For this reason, JHF carries out its recruitment mainly targeting applicants with at least a college degree, which results in the higher percentage of the degree holders than the government.</li> <li>In terms of secure and stable human resources as well as their good performance, it is necessary to consider the salary level of private financial institutions, etc. in deciding the JHF's salary level.</li> </ul> <p>The absolute level of total compensation including salary, and national government financial support as percentage of total expenditures, is small.</p> <p>Concerning the outstanding loan management account, based on the Greater Efficiency and the Improved Operations of the Government Housing Loan Corporation with the Goal of Transforming into an Incorporated Administrative Agency (formulated on July 6, 2005) (in the following, Management Improvement Plan) and its the first mid-term plan, JHF used funds raised through securitization of outstanding housing loans to implement advanced redemption of borrowings from the Fiscal Investment and Loan Program (no compensation), and the subsidies from the national government were abolished by the final year (FY 2011) of the first mid-term period after necessary amounts were set. Since FY 2011, the account surplus for the single fiscal years has been recorded as a result of improvement of difference between incomes from asset management and fund raising expenses and other factor, an accumulated losses have been steadily decreased. (in the accounts other than the outstanding loan management account, JHF recorded retained earnings in total.)</p> <p>(Result of the inspection by the competent minister)</p> <p>Since the salary levels exceed that of national civil servant, continuous efforts should be made to cap the salary level in accordance with the Law on General Rules for Incorporated Administrative Agencies.</p>
	<p><b>[Details of measures]</b></p> <p>1. Efforts by JHF (FY 2007 - FY 2012)</p> <p>Efforts have been made to normalize wage levels by lowering employee's monthly-based salary in accordance with revision of remuneration for the national civil servant and taking measures for lowered salary payment in line with the Act on Revision of Remuneration for National Civil Servant and Temporary Special Provisions (Law No. 2, 2012). In addition to these efforts, JHF has taken the following measures:</p> <p>(FY 2007)</p> <ul style="list-style-type: none"> <li>Lower base salary by 5.03% on average</li> <li>Reduce the number of months applied to calculate bonuses by 0.3 months (4.75 months → 4.45 months*)</li> <li>* Months applied to calculate annual bonus as of April 1, 2007</li> <li>Introduce a retirement system for management positions (for staff members who will turn 55 years or older at the end of the fiscal year) (on-going)</li> </ul> <p>(FY 2008)</p> <ul style="list-style-type: none"> <li>Lower base salary for operational staff (employees who transferred from comprehensive work to operational work in FY 2007 and 2008) 5% on average</li> </ul> <p>(FY 2009)</p> <ul style="list-style-type: none"> <li>Lower base salary for operational staff (employees who transferred from comprehensive work to operational work in FY 2009) 5% on average</li> </ul> <p>(FY 2010)</p> <ul style="list-style-type: none"> <li>Lower base salary for operational staff (employees who transferred from comprehensive work to operational work in FY 2010) 5% on average</li> <li>Terminate guarantee for the current salary for operational staff (employees who were in a job type which does not require transfers to different areas at the time of the Government Housing Loan Corporation) (5% reduction from March 2007)</li> <li>Review payment category for the allowance for above the director level officials (approximately 3% reduction of the total compensation)</li> </ul> <p>(FY 2011)</p> <ul style="list-style-type: none"> <li>Lower maximum amount of allowance for officials above the director level</li> <li>Introduce personnel and salary systems including a revision of the salary structure (sequential implementation in and after FY 2012)</li> </ul> <p>(FY 2012)</p> <ul style="list-style-type: none"> <li>Terminate periodic pay raises of relevant employees in line with the lowering of the maximum rank in the salary table to the 81st rank</li> </ul> <p>(FY 2013)</p> <ul style="list-style-type: none"> <li>Terminate guarantee for the current salary for relevant employees in line with the lowering of the maximum rank in the salary table to the 81st rank</li> </ul> <p>2. Measures to be taken by JHF</p> <p>(FY 2014 (on-going))</p> <p>Abolish a current type of staff (operational staff) and create a new type of staff (business career staff) (approximately 10% reduction in salary level)</p>

### III Total Personnel Expenses

Rank	Current fiscal year (FY 2013)	Current fiscal year (FY 2012)	Comparative increase △ decrease	Change compared to figure at the start of the medium △ term plan (FY2012)
<b>Total payments of salary and bonus, etc.</b> (A)	Thousand yen 7,369,080	Thousand yen 7,423,382	Thousand yen (%) △ 54,302 (△ 0.7)	Thousand yen (%) △ 54,302 (△ 0.7)
<b>Payment of retirement benefits</b> (B)	Thousand yen 1,338,717	Thousand yen 512,125	Thousand yen (%) 826,592 (161.4)	Thousand yen (%) 826,592 (161.4)
<b>Salary of non-permanent directors and employees, etc.</b> (C)	Thousand yen 902,140	Thousand yen 942,479	Thousand yen (%) △ 40,339 (△ 4.3)	Thousand yen (%) △ 40,339 (△ 4.3)
<b>Welfare expenses</b> (D)	Thousand yen 1,155,419	Thousand yen 1,134,897	Thousand yen (%) 20,522 (1.8)	Thousand yen (%) 20,522 (1.8)
<b>Personnel expenses at the broadest base</b> (A + B + C + D)	Thousand yen 10,765,356	Thousand yen 10,012,883	Thousand yen (%) 752,473 (7.5)	Thousand yen (%) 752,473 (7.5)

### Reference items for the overall labor costs

- Reason for year-on-year changes in total compensation, including salary, and broadly-defined labor costs
  - The total compensation, including salary, shrank 0.7% or around ¥0.05 billion from the previous year, mainly due to a reform of human resource and employees' salary system and a decrease in the number of employees.
  - Payment of retirement benefits increased 161.4% or around ¥0.83 billion from the previous year, mainly because that the retirement benefits for employees who retired in the end of FY 2012 were paid in April 2013.
  - As a result based on above matters, broadly defined labor costs increased 7.5%, or around ¥0.75 billion from the previous year.
  - Based on the Reduction of Payment Level of Retirement Benefits for National Civil Servants (adopted by the cabinet on August 7, 2012), the following measures were determined to be taken.

(Executives)

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

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

(Employees)

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

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

### IV Matters that JHF finds necessary

There was no particular matter to be reported.