



# Disclosure Booklet 2014

## Financial data

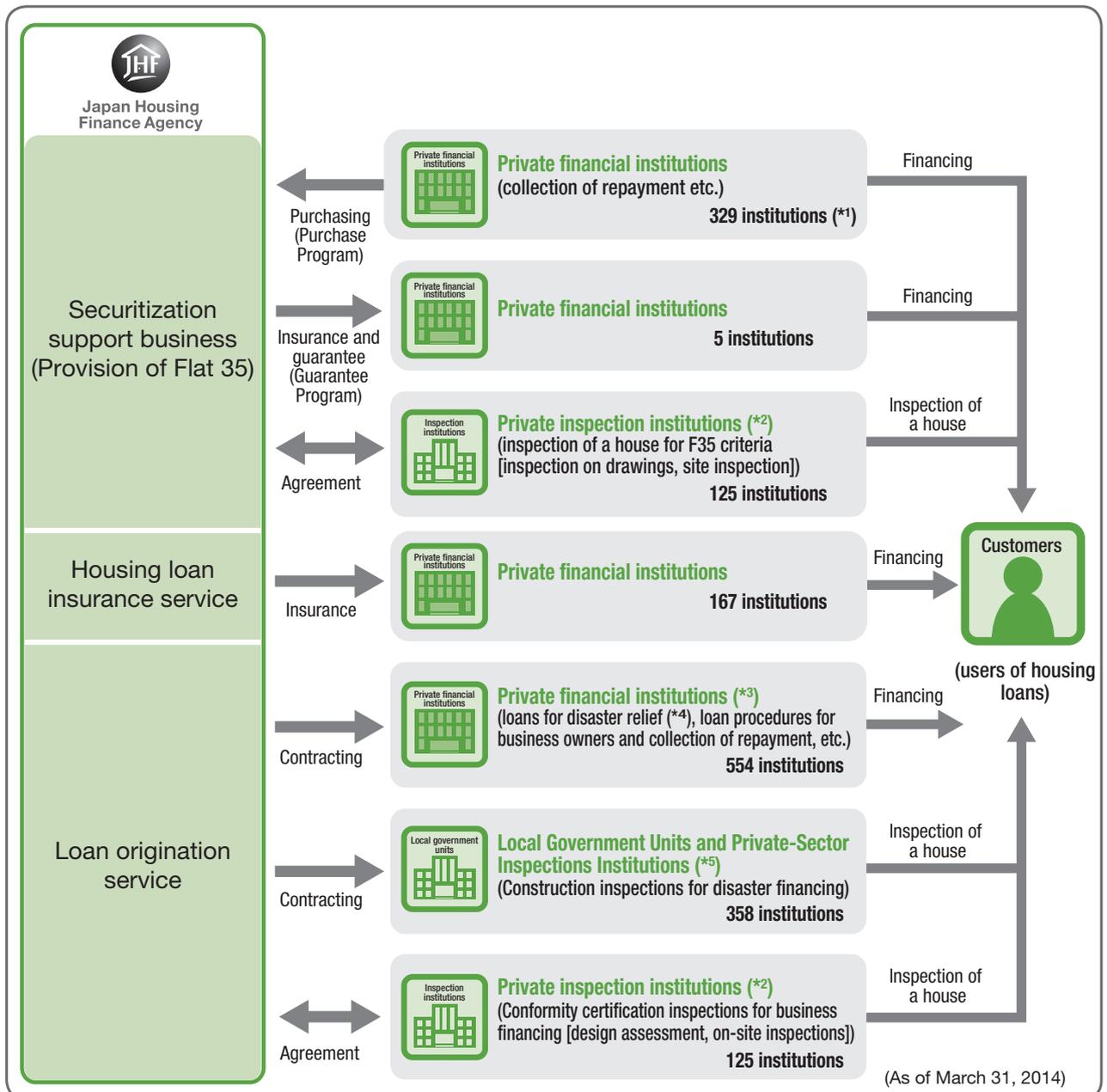
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# Business Operational Framework

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

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

## Business Operational Framework



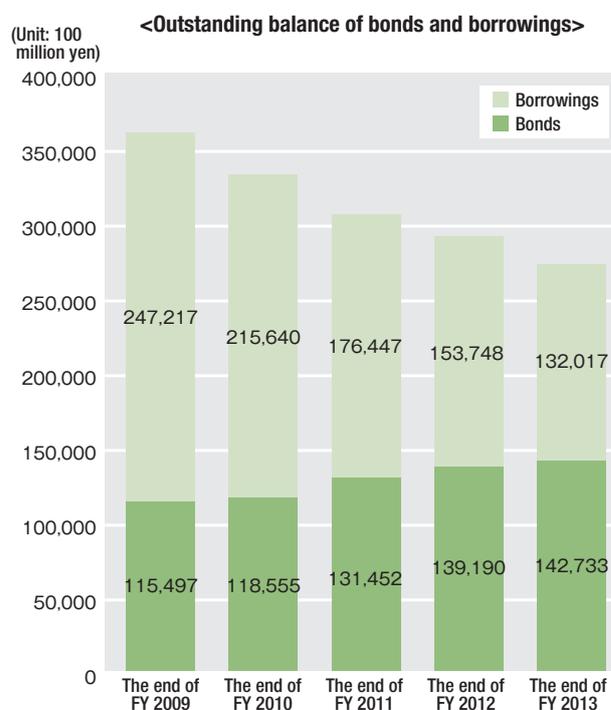
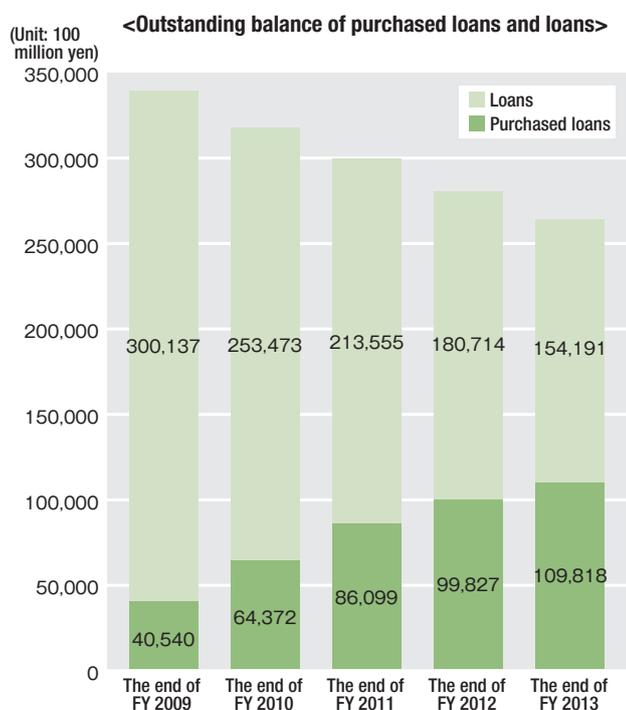
- \*1 Includes two institution to which JHF outsources only the collection of loan payments related to Securitization Business and from which JHF does not purchase housing loans. We contract with 3 non-financial institution regarding the recovery of defaulted loans.
- \*2 Private inspection institutions mean specified inspection institutions and registered housing performance evaluation institutions that have concluded an agreement of conformance certificate services with JHF. Architects who are registered in the Japan Association of Architectural Firms or the Japan Federation of Architects & Building Engineers Associations also perform conformance certificate inspections for existing houses or renovations.
- \*3 We contract out the recovery of defaulted loans to 4 companies besides private financial institutions.
- \*4 Applications for loans for recovery from disasters concerning the Great East Japan Earthquake have been contracted out to 128 institutions as of May 31, 2014.
- \*5 Refers to designated construction inspection institutions that have agreements with JHF and registered housing performance evaluation institutions.

# Key Performance Indicators

The key performance indicators are as follows.

(Unit: 100 million yen)

Category	JHF				
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
<b>Ordinary income</b>	12,893	12,545	12,031	10,490	10,009
Include purchased loans and interest on loans	11,361	10,365	9,481	8,547	7,687
<b>Ordinary expenses</b>	14,140	12,985	10,823	8,479	7,644
Interest expense on borrowings and bonds	10,350	9,151	8,910	6,715	5,999
<b>Net income (△ loss)</b>	△1,468	△366	1,323	2,092	2,459
<b>Outstanding balance of loans and purchased loans</b>	40,540	64,372	86,099	99,827	109,818
<b>Outstanding balance of loans, etc.</b>	300,137	253,473	213,555	180,714	154,191
<b>Outstanding balance of borrowings</b>	247,217	215,640	176,447	153,748	132,017
<b>Outstanding balance of bonds</b>	115,497	118,555	131,452	139,190	142,733
<b>Capital</b>	9,013	6,977	6,567	6,706	7,050



## ● Status of Business Execution

### Business Plan and Actual Performance

#### ● Securitization support business

Under the FY 2013 business plan for securitization support business (after revision), the number of loans purchased for the Purchase Program was 86,000 units amounting to ¥2,052.1 billion and the insurance value for the Guarantee Program was ¥47.1 billion (for 2,000 units) representing coverage for specific mortgage insurance.

The actual number of loans was 72,517 units amounting to ¥1,855.3 billion and the actual insurance value was ¥4 billion for 159 units.

(Unit: houses, million yen)

Item	FY 2012				FY 2013					
	Business plan		Actual record		Business plan				Actual record	
	No. of houses	Amount	No. of houses	Amount	Initial		After revision		No. of houses	Amount
					No. of houses	Amount	No. of houses	Amount		
Purchase Program	63,000	1,582,900	84,345	2,184,300	64,000	1,506,900	86,000	2,052,100	72,517	1,855,270
Guarantee Program	1,000	25,100	222	5,199	2,000	47,100	2,000	47,100	159	3,992

\*The FY 2013 business plan (after revision) was formulated based on the supplementary budget for FY 2013.

#### ● Housing loan insurance business

Under the FY 2013 business plan (after revision), ¥284.9 billion was authorized for housing loan insurance; however, ¥186 billion was actually committed for insurance for 25,576 policies.

(Unit: houses, million yen)

Item		FY 2012	FY 2013
For total insurance value		288,000	284,900
Insurance contracts concluded	No. of contracts	25,519	25,576
	Amount	255,137	185,975

## ● Housing loan origination business

Under the FY 2013 business plan (after revision), ¥437.1 billion was planned for 31,610 units.

Ultimately, the business committed to provide ¥159.9 billion in loans for 16,799 units, and ¥154.3 billion in loans was disbursed.

(Unit: houses, million yen)

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

Category		FY 2013				
		Business plan		Committed loans		Distributed loans
		No. of houses	Amount	No. of houses	Amount	Amount
Natural disaster, etc.	Post-disaster reconstruction	15,000	264,000	3,200	57,807	66,733
	Disaster prevention	100	1,000	52	335	349
	Subtotal	15,100	265,000	3,252	58,142	67,081
Urban rehabilitation		5,000	55,000	7,750	48,296	33,470
Rental houses		11,000	108,000	5,764	52,856	53,104
Property accumulation saving scheme-tied houses		500	9,000	37	604	599
Owner occupied houses (provisional measures)		10	100	△ 4	△ 39	5
Total		31,610	437,100	16,799	159,859	154,259

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

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

\* Numbers presented in the tables above do not always sum to 100% due to rounding to units of less than those indicated.

## ● Group credit life insurance business

In FY 2013, the group credit life insurance business held around 1.66 million policies for around ¥18,916.9 billion. The business provided 54,293 new policies for around ¥1,357 billion and paid off on 10,203 policies for around ¥84.4 billion.

(Unit: houses, million yen)

Category		FY 2012		FY 2013
Policies held as of March, 31st	No. of contracts	1,814,230		1,660,727
	Amount	20,443,767		18,916,948
New Policies	No. of contracts	63,152		54,293
	Amount	1,593,188		1,356,952
Capital Policies paid off on	No. of contracts	10,745		10,203
	Amount	88,980		84,411

## Result of Funding Activities

In FY 2013, the amount for loan origination and the purchase of loans totaled ¥2.0223 trillion, which was 19.6% less than for the previous fiscal year.

Funding of loan origination and the purchase of loans were raised through the issuance of bonds (¥1.8438 trillion, down 25.6% from the previous fiscal year), borrowings from the Fiscal Investment and Loan Program (¥67.5 billion, down 3.8%), borrowings from private institutions (¥90.8 billion, down 17.6%), and repayments from borrowers (¥3.5972 trillion, down 15.3%), less redemption of ¥2.3313 trillion (down 4.9% from the previous fiscal year) on borrowings and ¥1.484 trillion (down 12.7%) on bonds.

JHF received ¥34.5 billion as capital from government and ¥14.6 billion as treasury subsidies (for promotion projects for development of high-quality housings) from the government's general account.

In accordance with Section 1, Paragraph 2, Article 46 of the Law on General Rules on Independent Administrative Institutions, the ¥80 million capitals from government's general account was returned to the national treasury as a response to houses not satisfying the technical criteria set by JHF.

The actual figures are shown in the following table.

(Unit: million yen)

Category		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Expenditure	Purchased loans, etc.*1	1,326,280	2,907,562	3,164,639	2,515,508	2,022,253
	Repayments of borrowings*2	3,824,665	3,301,298	4,058,312	2,450,326	2,331,334
		(300,000)	(-)	(-)	(-)	(-)
	Redemption of bonds	1,128,271	2,080,555	1,627,465	1,700,724	1,484,011
	Other	4,942,507	4,128,884	2,188,075	2,217,547	1,653,044
	<b>Total</b>	<b>11,221,722</b>	<b>12,418,298</b>	<b>11,038,491</b>	<b>8,884,106</b>	<b>7,490,643</b>
Income	Capital from the General Account	495,600	26,355	10,908	50,403	34,511
	Capital from the Special Account	-	-	-	-	-
	Collection of loans	5,345,900	5,273,621	4,672,855	4,249,350	3,597,236
	Borrowings	165,700	143,600	139,000	180,400	158,300
	Bonds	2,188,804	2,385,932	2,917,547	2,477,974	1,843,767
	Treasury subsidies, etc.	531,405	326,666	310,925	59,452	14,588
	Other	2,494,314	4,262,124	2,987,255	1,866,526	1,842,241
		<b>Total</b>	<b>11,221,722</b>	<b>12,418,298</b>	<b>11,038,491</b>	<b>8,884,106</b>

\*1 The figure in the "purchased loans, etc." item of the expenditure section is the portion of cash flow statement calculated by the sum of purchased loans and loan originations. Amount of purchased loans and loan origination for FY 2013 were ¥1,867,994 million and ¥154,259 million, respectively.

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

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

[Borrowings]

(Unit: million yen)

Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Borrowings from Fiscal Investment and Loan Program	100	-	16,800	70,200	67,500
Borrowing from Private-sector Lenders	165,600	143,600	122,200	110,200	90,800
<b>Total</b>	<b>165,700</b>	<b>143,600</b>	<b>139,000</b>	<b>180,400</b>	<b>158,300</b>

[Government subsidies, etc.]

(Unit: million yen)

Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Government subsidies	111,400	82,000	79,000	-	-
Government grants	20,000	20,000	8,325	-	-
Treasury subsidies	400,005	224,666	223,600	59,452	14,588
<b>Total</b>	<b>531,405</b>	<b>326,666</b>	<b>310,925</b>	<b>59,452</b>	<b>14,588</b>

\* JHF received, from the government's general account, government subsidies to smoothly manage operations, grants to cover extraordinary losses incurred according to Paragraph 17 of the Supplementary Provisions of the GHLC Law before the Law was abolished based on Article 10 of the Supplementary Provisions of JHF Law, and treasury subsidies as subsidies for emergency measures to facilitate housing finance, subsidies for the promotion of activities such as the creation of a housing market, subsidies for promotion projects for development of high-quality housings (subsidies for securitization support business between FY 2010 and FY 2012), and subsidies for emergency measures including loans for recovery from disasters based on the provisions of the Law Concerning the Reasonable Execution of Budget Relating to Subsidies, etc.

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

## Outstanding Balance of Purchased Loans, etc.

At the end of FY 2013, the outstanding balance of purchased loans, etc., stood at ¥26,492.1 billion (including ¥10,981.8 billion in loans purchased from private lenders under secondary market operation).

(Unit: houses, million yen)

Category	FY 2009		FY 2010		FY 2011	
	No. of houses	Amount	No. of houses	Amount	No. of houses	Amount
<b>Purchased loans</b>	207,389	4,054,039	308,686	6,437,220	401,159	8,609,873
<b>GHLC originated loans</b>	2,492,852	30,013,750	2,200,130	25,347,339	1,932,765	21,355,489
<b>Owner-occupied houses</b>	2,174,362	23,122,595	1,915,274	19,368,794	1,679,063	16,222,344
<b>Rental houses</b>	26,992	3,592,668	25,145	3,127,197	22,677	2,692,545
<b>Urban rehabilitation</b>	65,826	1,503,607	58,037	1,276,622	50,374	1,067,247
<b>Restoration and improvement</b>	127,406	801,500	112,092	705,634	99,928	631,830
<b>Related public facilities, etc.</b>	–	–	–	–	–	–
<b>Subdivision lot development</b>	21	48,777	18	44,654	17	33,879
<b>Property accumulation saving scheme-tied houses</b>	98,245	944,603	89,564	824,438	80,706	707,644
<b>Claim on pension transfer</b>	39,739	164,037	35,855	141,612	32,047	121,690
<b>Total</b>	<b>2,739,980</b>	<b>34,231,825</b>	<b>2,544,671</b>	<b>31,926,171</b>	<b>2,365,971</b>	<b>30,087,052</b>

Category	FY 2012		FY 2013	
	No. of houses	Amount	No. of houses	Amount
<b>Purchased loans</b>	460,819	9,982,719	508,693	10,981,806
<b>GHLC originated loans</b>	1,705,408	18,071,402	1,505,559	15,419,090
<b>Owner-occupied houses</b>	1,479,681	13,746,345	1,306,704	11,720,011
<b>Rental houses</b>	19,542	2,219,987	17,183	1,851,981
<b>Urban rehabilitation</b>	42,177	848,920	35,113	689,349
<b>Restoration and improvement</b>	91,852	621,058	81,892	613,867
<b>Related public facilities, etc.</b>	–	–	–	–
<b>Subdivision lot development</b>	17	32,655	16	26,349
<b>Property accumulation saving scheme-tied houses</b>	72,139	602,437	64,651	517,535
<b>Claim on pension transfer</b>	28,767	105,310	25,927	91,199
<b>Total</b>	<b>2,194,994</b>	<b>28,159,431</b>	<b>2,040,179</b>	<b>26,492,096</b>

At the end of FY 2013, the outstanding number of guarantees for the securitization business (Guarantee Program, insurance value of loans for which insurance is valid) was 8,278 units for ¥217.3 billion, and the outstanding number of guarantees for the housing loan insurance business (insurance value of loans for which insurance is valid) was 128,664 for ¥2,283 billion.



## Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>Ordinary income</b>	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
<b>Other subsidies</b>	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
<b>Other ordinary income</b>	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
<b>Ordinary expenses</b>	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
<b>Other operating expenses</b>	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
<b>Ordinary income</b>	201,158	236,451
<b>Extraordinary profit</b>	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
<b>Extraordinary losses</b>	4	63
Loss on disposal of tangible fixed assets	—	63
Impairment loss	4	—
<b>Net income</b>	201,272	236,724
Transfer from reserve of previous mid-term target	7,957	9,181
<b>Gross income</b>	209,229	245,906

## Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Cash flow from operating activities</b>		
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
<b>Subtotal Interest and dividends received</b>	67,240	69,660
Interest paid	△ 760,203	△ 681,593
Payment to the national treasury	△ 30,866	—
<b>Cash flow from operating activities</b>	1,881,171	1,705,292
<b>II Cash flow from investing activities</b>		
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
<b>Cash flow from investing activities</b>	△ 475,737	△ 178,836
<b>III Cash flow from financing activities</b>		
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
<b>Cash flows from financing activities</b>	△ 1,487,827	△ 1,786,224
<b>IV Decrease in cash</b>	△ 82,392	△ 259,767
<b>V Opening balance of cash</b>	666,401	584,009
<b>VI Closing balance of cash</b>	584,009	324,242

About JHF

Topics

Corporate Governance

Details of JHF Business

Financial Data

# Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
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
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
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
<b>II Impairment loss not recorded in income statement</b>	12	—
<b>III Other than difference on sales not recorded in income statement</b>	△ 1,299	444
<b>IV Expected increase in retirement benefits not recorded in allowances</b>	6	△ 11
<b>V Opportunity costs</b>		
Opportunity costs related to items such as central and local government injection monies	3,867	4,440
<b>VI Administrative cost</b>	△ 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.  
(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.
- 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 ("GHLCC") originated loans and purchased loans inherited from GHLCC 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, Loans, Claims for indemnity, etc.

(\*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.

(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.

(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.

(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.

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, etc.

(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
<b>(Assets)</b>			<b>(Liabilities)</b>		
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	<b>Total liabilities</b>	11,165,195	11,989,993
Accumulated impairment losses (△)	△ 1	—			
Guarantee obligation reversal	214,036	190,420	<b>(Net assets)</b>		
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)
			<b>Total net assets</b>	525,523	617,126
<b>Total assets</b>	11,690,718	12,607,119	<b>Total liabilities and net assets</b>	11,690,718	12,607,119

## Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>Ordinary income</b>	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
<b>Other subsidies</b>	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
<b>Other ordinary income</b>	549	710
Gain on written-off claim recovered	5	28
Other ordinary income	545	682
<b>Ordinary expenses</b>	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
<b>Other operating expenses</b>	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
<b>Business expenses</b>	9,414	9,894
Business expenses	9,414	9,894
<b>Other ordinary expenses</b>	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
<b>Ordinary income (or loss)</b>	26,774	56,898
<b>Extraordinary gain</b>	118	336
Gain on disposal of tangible fixed assets	—	1
<b>Other extraordinary gain</b>	118	335
Reimbursement from insolvent customers by restructuring plans	118	335
<b>Extraordinary losses</b>	4	63
Loss on disposal of tangible fixed assets	—	63
Impairment loss	4	—
<b>Net income (or loss)</b>	26,887	57,171
<b>Gross income (or loss)</b>	26,887	57,171

## Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Cash flow from operating activities</b>		
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
<b>Subtotal</b>	△ 1,320,011	△ 850,049
Interest and dividends received	60,554	63,452
Interest paid	△ 212,166	△ 215,447
<b>Cash flow from operating activities</b>	△ 1,471,622	△ 1,002,044
<b>II Cash flow from investing activities</b>		
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
<b>Cash flow from investing activities</b>	10,583	△ 176,798
<b>III Cash flow from financing activities</b>		
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
<b>Cash flows from financing activities</b>	1,589,181	991,933
<b>IV Increase (or decline) in cash</b>	128,141	△ 186,910
<b>V Opening balance of cash</b>	150,496	278,637
<b>VI Closing balance of cash</b>	278,637	91,727

## Statement of Appropriation of Income

(Unit: million yen)

<b>I Unappropriated profit</b>		57,171
<b>Gross profit</b>	57,171	
<b>II Appropriated profit</b>		
<b>Voluntary reserve fund</b>		57,171

# Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
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
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
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
<b>Total operating expenses</b>	<b>35,246</b>	<b>14,892</b>
<b>II Impairment loss not recorded in income statement</b>	12	—
<b>III Other than difference on sales not recorded in income statement</b>	△ 435	444
<b>IV Expected increase in retirement benefits not recorded in allowances</b>	3	△ 5
<b>V Opportunity costs</b>		
Opportunity costs related to items such as central and local government injection monies	2,899	3,452
<b>VI Administrative cost</b>	<b>37,725</b>	<b>18,782</b>

## 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.

	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

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	48,111,268,800	△ 1,495,539,044	
	Total	425,787,506,481	450,277,310,390	24,489,803,909	

#### (2) Other securities

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

## Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>Ordinary income</b>	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
<b>Ordinary expenses</b>	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
<b>Ordinary income</b>	3,986	5,182
<b>Net profit</b>	3,986	5,182
<b>Gross profit</b>	3,986	5,182

## Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Cash flow from operating activities</b>		
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
<b>II Cash flow from investing activities</b>		
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
<b>III Cash flow pertaining to financial transaction</b>		
Outlays for payments to national treasury concerning unnecessary assets	△ 28,591	—
Cash flow pertaining to financial transaction	△ 28,591	—
<b>IV Increase (decrease) in cash</b>	△ 9,338	2,064
<b>V Opening balance of cash</b>	11,021	1,683
<b>VI Closing balance of cash</b>	1,683	3,747

## Statement of Appropriation of Income

(Unit: million yen)

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

## Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
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
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
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
<b>Total operating expenses</b>	△ 3,966	△ 5,182
<b>II Other than difference on sales not recorded in the income statement</b>	△ 814	—
<b>III Expected increase in retirement benefits not recorded in allowances</b>	0	△ 0
<b>IV Opportunity costs</b>		
Opportunity costs related to items such as central and local government injection monies	672	653
<b>IV Administrative cost</b>	△ 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
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Cash and deposits</b>	8,126	6,361	<b>Borrowings</b>	110,200	90,800
Cash	0	0	Borrowings from private institutions	110,200	90,800
Due from banks	2,265	1,881	<b>Bonds</b>	485,254	400,330
Agency deposits entrusted	5,861	4,479	Property accumulation saving-tied housing bonds	485,700	400,700
<b>Money in trust</b>	569	568	Bond issue premiums ( △ )	△ 446	△ 370
<b>Securities</b>	15,000	—	<b>Subsidies payable, etc.</b>	569	568
Certificates of deposit	15,000	—	Subsidies payable for emergency measures including loans for recovery from disasters	569	568
<b>Loans</b>	602,437	517,535	<b>Other liabilities</b>	193	182
Loans on bills	—	30	Accrued expenses	128	85
Loans on deeds	602,437	517,505	Other liabilities	35	35
<b>Other assets</b>	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
<b>Reserve for possible loan losses ( △ )</b>	△ 1,677	△ 1,227	Reserve for mortgage transfer registration	331	140
			<b>Total liabilities</b>	598,419	493,700
			<b>(Net assets)</b>		
			<b>Profit surplus</b>	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)
			<b>Total net assets</b>	26,809	30,108
<b>Total assets</b>	625,228	523,808	<b>Total liabilities and net assets</b>	625,228	523,808

## Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>Ordinary income</b>	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
<b>Ordinary expenses</b>	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
<b>Ordinary income</b>	4,233	3,299
<b>Net income</b>	4,233	3,299
<b>Gross income</b>	4,233	3,299

## Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Cash flow from operating activities</b>		
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
<b>II Cash flow from investing activities</b>		
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
<b>III Cash flow from financing activities</b>		
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
<b>IV Increase in cash</b>	△ 1,663	△ 1,766
<b>V Opening balance of cash</b>	9,789	8,126
<b>VI Closing balance of cash</b>	8,126	6,361

## Statement of Appropriation of income

(Unit: million yen)

<b>I Unappropriated profit</b>		3,299
Gross profit	3,299	
<b>II Appropriated profit</b>		3,299
Voluntary reserve fund		3,299

## Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
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
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
Income from asset management	△ 10,611	△ 7,808
Income from service transactions	△ 11	△ 9
Other ordinary income	△ 509	△ 424
Subtotal	△ 11,130	△ 8,242
<b>Total operating expenses</b>	△ 4,232	△ 3,298
<b>II Expected increase in retirement benefits not recorded in allowances</b>	0	△ 0
<b>III Administrative cost</b>	△ 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.

- 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 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
<b>(Assets)</b>			<b>(Liabilities)</b>		
Cash and due from banks	72,249	39,238	<b>Borrowings</b>	88,882	149,468
Cash	0	0	Fiscal Investment Loan Program borrowings	88,882	149,468
Due from banks	34,389	24,044	<b>Bonds</b>	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	<b>Total liabilities</b>	1,958,966	1,913,067
Accounts receivable for other accounts	2	767			
Guarantee obligation reversal	428,085	364,971	<b>(Net assets)</b>		
Reserve for possible loan losses (△)	△ 29,613	△ 21,598	<b>Capital</b>	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
			<b>Total net assets</b>	371,247	376,997
<b>Total assets</b>	2,330,213	2,290,064	<b>Total liabilities and net assets</b>	2,330,213	2,290,064

## Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>Ordinary income</b>	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
<b>Ordinary expenses</b>	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
<b>Ordinary income</b>	266	5,598
<b>Net income</b>	266	5,598
Transfer from reserve for the previous mid-term target period	7,957	9,181
<b>Gross income</b>	8,224	14,779

## Cash Flows Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Cash flow from operating activities</b>		
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
<b>II Cash flow from investing activities</b>		
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
<b>III Cash flow from financing activities</b>		
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
<b>IV Decrease in cash</b>	△ 6,926	△ 33,012
<b>V Opening balance of cash</b>	79,175	72,249
<b>VI Closing balance of cash</b>	72,249	39,238

## Statement of Appropriation of Income

(Unit: million yen)

<b>I Unappropriated profit</b>		14,779
Gross profit	14,779	
<b>II Appropriated profit</b>		14,779
Voluntary reserve fund		

## Statement of Administrative Cost Calculations

(Unit: million yen)

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

### Significant Accounting Policies (Housing Loan Account)

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

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

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

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

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

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

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

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

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

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

The purchase price is recorded.
3. 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.
4. Depreciation of Bond Issue Premiums
 

Bond issue premiums are amortized using a straight line method over the maturity of the bond
5. 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.
6. 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
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Cash and due from banks</b>	223,313	183,169	<b>Borrowings</b>	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	<b>Bonds</b>	3,066,680	2,615,992
Agency deposits entrusted	98,713	81,600	Mortgage-backed securities	2,639,845	2,199,447
<b>Money in trust</b>	13,018	11,823	General lien bonds	200,400	300,078
<b>Securities</b>	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	<b>Subsidies payable, etc.</b>	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	<b>Other liabilities</b>	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
<b>Loans</b>	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
<b>Loans for other account</b>	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
<b>Other assets</b>	54,915	46,995	<b>Total liabilities</b>	18,485,942	15,673,022
Accrued revenue	50,498	43,469	<b>(Net assets)</b>		
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
<b>Reserve for possible loan losses (△)</b>	△ 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)
			<b>Total net assets</b>	△ 440,288	△ 274,814
<b>Total assets</b>	18,045,654	15,398,208	<b>Total liabilities and net assets</b>	18,045,654	15,398,208

## Income Statement

(Unit: million yen)

Item	FY 2012	FY 2013
<b>Ordinary income</b>	688,721	607,599
<b>Income from asset management</b>	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
<b>Income from service transactions, etc.</b>	144	116
Other service incomes	144	116
<b>Other subsidies</b>	1,411	1,164
Subsidies for emergency measures including loans for recovery from disasters	1,411	1,164
<b>Other ordinary income</b>	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
<b>Ordinary expenses</b>	522,821	442,125
<b>Fund raising expenses</b>	504,782	425,385
Interest on borrowings	443,782	373,492
Interest on bonds	61,000	51,893
<b>Service transaction expenses</b>	10,023	8,965
Service expenses	10,023	8,965
<b>Other operating expenses</b>	750	381
Amortization of bond issuing expenses	750	381
<b>Business expenses</b>	7,266	6,953
Business expenses	7,266	6,953
Other ordinary expenses	0	441
Other ordinary expenses	0	441
<b>Ordinary income (or loss)</b>	165,900	165,474
<b>Net income</b>	165,900	165,474
<b>Gross income</b>	165,900	165,474

## Cash Flows Statement

(Unit: million yen)

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

## Statement of Appropriation of Loss

(Unit: million yen)

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

## Statement of Administrative Cost Calculations

(Unit: million yen)

Item	FY 2012	FY 2013
<b>I Operating expenses</b>		
<b>(1) Expenses recorded in income statement</b>		
<b>Fund raising expenses</b>	504,782	425,385
<b>Service transaction expenses</b>	10,023	8,965
<b>Other operating expenses</b>	750	381
<b>Business expenses</b>	7,266	6,953
<b>Other ordinary expenses</b>	0	441
<b>Subtotal</b>	522,821	442,125
<b>(2) (Deductions) non-subsidy revenue, etc.</b>		
<b>Income from asset management</b>	△ 652,242	△ 559,636
<b>Income from service transactions, etc.</b>	△ 144	△ 116
<b>Other ordinary income</b>	△ 34,924	△ 46,683
<b>Subtotal</b>	△ 687,310	△ 606,435
<b>Total operating expenses</b>	△ 164,489	△ 164,310
<b>II Expected increase in retirement benefits not recorded in allowances</b>	2	△ 3
<b>III Opportunity costs</b>		
<b>Opportunity costs related to items such as central and local government investments</b>	54	61
<b>IV Administrative cost</b>	△ 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
<b>Total</b>	<b>670,621</b>	<b>34,511</b>	<b>84</b>	<b>705,048</b>

### ● 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
<b>Total</b>	<b>15,374,774</b>	<b>158,300</b>	<b>2,331,334</b>	<b>13,201,740</b>

#### • 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
<b>Total</b>	<b>13,921,997</b>	<b>1,843,858</b>	<b>1,491,332</b>	<b>14,274,523</b>

## • 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
<b>Housing Support Information System Co., Ltd.</b> (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
<b>Jutaku Loan Service, Ltd.</b> (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.

## ● 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

## ● 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

## ● 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 (△)
<b>Securitization support account</b>	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
<b>Housing loan insurance account</b>	3,986	3,986	5,182	9,168
<b>Account for loans for property accumulation saving scheme-tied houses</b>	4,233	26,809	3,299	30,108
<b>Housing loan account</b>	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
<b>Overall agency (excluding the outstanding loan management account and Account for Acquired Operations from HLGC)</b>	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
<b>Total</b>		<b>705,048</b>	<b>709,537</b>

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
<b>Subsidies received</b>	2,600.0	2,235.0	—	—	△ 0.1
<b>Transfer from housing loan insurance business</b>	—	700.0	381.0	—	—
<b>Amount carried forward</b>	—	2,599.3	5,437.9	5,419.8	4,878.1
<b>Accrued interest income</b>	—	4.9	6.4	16.0	16.0
<b>(Accumulated gains)</b>	(—)	(4.9)	(11.3)	(27.3)	(43.3)
<b>Subtotal</b> ①	2,600.0	5,539.2	5,825.3	5,435.8	4,894.1
<b>Expenses for interest rate discount</b> ②	0.7	101.3	405.5	557.7	549.8
<b>(Accumulated expenses for interest rate discount)</b>	(0.7)	(102.0)	(507.5)	(1,065.1)	(1,614.9)
<b>Balance of subsidies</b> ① - ②	2,599.3	5,437.9	5,419.8	4,878.1	4,344.4
<b>Estimate required amount of subsidies for the following years</b> ③	—	—	—	—	4,344.4
<b>Planned repayment to the national treasury for the following year</b> 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
<b>Subsidies received</b>	159.0	—	—
<b>Transfer from housing loan insurance business</b>	—	39.4	—
<b>Amount carried forward</b>	—	158.9	190.3
<b>Accrued interest income</b>	0.0	0.2	0.3
<b>(Accumulated gains)</b>	(0.0)	(0.2)	(0.6)
<b>Subtotal</b> ①	159.0	198.6	190.6
<b>Expenses for interest rate discount</b> ②	0.1	8.3	25.2
<b>(Accumulated expenses for interest rate discount)</b>	(0.1)	(8.4)	(33.6)
<b>Balance of subsidies</b> 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
<b>Subsidies received</b>	1,400.0	—	—	—	—
<b>Amount carried forward</b>	—	1,341.0	443.9	39.8	0.2
<b>Accrued interest income</b>	—	1.0	0.1	0.0	0.0
<b>(Accumulated gains)</b>	(—)	(1.0)	(1.2)	(1.2)	(1.2)
<b>Subtotal</b> ①	1,400.0	1,342.0	444.1	39.8	0.2
<b>Expenses for premium rate discount</b> ②	59.0	198.1	23.2	0.2	—
<b>(Accumulated premium rate discount)</b>	(59.0)	(257.1)	(280.3)	(280.5)	(280.5)
<b>Transfer to the securitization business</b> ③	—	700.0	381.0	39.4	—
<b>Repayment to the national treasury</b> ④	—	—	—	—	0.2
<b>Balance of subsidies</b> ① - ② - ③	1,341.0	443.9	39.8	0.2	—
<b>Estimate required amount of subsidies for the following years</b> ⑤	—	—	—	—	—
<b>Planned repayment to the national treasury for the following year</b> 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
--------------------------------------	-------------

### ● 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.

## Risk-monitored Loans

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

### Table of risk-monitored loans for FY 2009 to FY 2013

(Unit: 100 million yen, %)

Category	FY 2009			FY 2010			FY 2011		
	Outstanding loans*1	Purchased loans	Total	Outstanding loans*1	Purchased loans	Total	Outstanding loans*1	Purchased loans	Total
Loans to borrowers in default (A)	2,227	28	2,256	1,920	42	1,961	1,245	51	1,296
Seriously delinquent loans (B)	9,126	178	9,304	7,748	361	8,108	5,940	390	6,330
Loans past due 3 months or more (C)	1,453	153	1,605	1,482	151	1,634	1,415	174	1,590
Subtotal (D) = (A) + (B) + (C)	12,806	359	13,165	11,150	554	11,704	8,600	615	9,215
Ratio: (D) / (G) x 100	4.23	0.89	3.83	4.36	0.86	3.66	4.00	0.71	3.06
Loans under mitigation (E)	15,835	174	16,009	15,118	310	15,428	13,836	422	14,259
Total (F) = (A) + (B) + (C) + (E)	28,640	533	29,174	26,268	864	27,132	22,436	1,037	23,474
Ratio: (F) / (G) x 100	9.45	1.32	8.49	10.28	1.34	8.48	10.44	1.20	7.80
Balance of principle (G)	302,987	40,540	343,527	255,587	64,372	319,959	214,972	86,099	301,071

(Unit: 100 million yen, %)

Category	FY 2012			FY 2013		
	Outstanding loans*1	Purchased loans	Total	Outstanding loans*1	Purchased loans	Total
Loans to borrowers in default (A)	1,050	64	1,113	883	83	966
Seriously delinquent loans (B)	5,423	379	5,801	4,215	380	4,595
Loans past due 3 months or more (C)	1,284	185	1,469	1,118	171	1,289
Subtotal (D) = (A) + (B) + (C)	7,756	628	8,384	6,216	634	6,850
Ratio: (D) / (G) x 100	4.26	0.63	2.98	4.00	0.58	2.58
Loans under mitigation (E)	12,195	460	12,654	10,357	465	10,822
Total (F) = (A) + (B) + (C) + (E)	19,951	1,087	21,038	16,573	1,099	17,672
Ratio: (F) / (G) x 100	10.97	1.09	7.47	10.68	1.00	6.67
Balance of principle (G)	181,920	99,827	281,747	155,224	109,818	265,042

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

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

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

(Notes)

1. Loans to borrowers in default (A)

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

2. Seriously delinquent loans (B)

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

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

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

4. Loans under mitigation (E)

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

When loans, in principle, in the 4 years after the modification of repayment terms (1 year in the case of loans to businesses) are repaid as scheduled, they are excluded from restructured loans because their credit risk is deemed to be equal to that of normal claims. Outstanding principal balance of loans which corresponds to the above description and were not classified as restructured loans totaled 156.3 billion yen.

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

5. Remark

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

### [Loans under mitigation]

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

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

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

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

## Self-assessment and risk-monitored loans in FY 2013

(Unit: 100 million yen)

	Categories of borrowers under self-assessment	Category of assets under self-assessment				Reserves (reserve ratio)	Risk management	
		Non-categorized	Category II	Category III	Category IV			
Existing loans	Substantially defaulted borrowers 889	Portions secured by collateral and guarantees 435		Provision for portions excluding those secured by collateral and guarantees 454		Specific reserve for possible loan losses 454 (100%)	Loans to borrowers in default 883	
	Borrowers in default 1,859	Portions secured by collateral and guarantees 833		Provision for portions excluding those secured by collateral and guarantees 1,026			1,026 (100%)	Seriously delinquent loans 4,215
	Borrowers with high probability of default 2,378	Portions secured by collateral and guarantees 1,284		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 1,093			470 (43.0%)	
	Watch-list borrowers	Borrowers requiring caution 11,628	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 11,628				General reserve for possible loan losses 836 (7.2%)	Loans past due 3 months or more 1,118
		Other borrowers requiring caution 6,141	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 6,141					116 (1.9%)
	Normal borrowers 132,742	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 132,742				150 (0.1%)		
Purchased loans, etc.	Substantially defaulted borrowers 84	Portions secured by collateral and guarantees 42		Provision for portions excluding those secured by collateral and guarantees 42		Specific reserve for possible loan losses 42 (100%)	Loans to borrowers in default 83	
	Borrowers in default 351	Portions secured by collateral and guarantees 148		Provision for portions excluding those secured by collateral and guarantees 203			203 (100%)	Seriously delinquent loans 380
	Borrowers with high probability of default 33	Portions secured by collateral and guarantees 18		Provision for portions excluding those secured by collateral and guarantees using estimated loss rate for the next three years 16			6 (35.7%)	
	Watch-list borrowers	Borrowers requiring caution 641	Provisions for estimated loss rate for the next three years based on a rate determined by historical data 641				General reserve for possible loan losses 50 (7.9%)	Loans past due 3 months or more 171
		Other borrowers requiring caution 318	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 318					14 (4.5%)
	Normal borrowers 108,491	Provisions for estimated loss rate for the next one year based on a rate determined by historical data 108,491				293 (0.3%)		

Note 1: The figures are rounded off.

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

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

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

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

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

# Policy Cost Analysis

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

The results for FY 2013 were announced by the Ministry of Finance in July 2013 after the Fund Operation Council's Sub-committee on Fiscal Investment and Loan Program examined the policy costs of government-affiliated corporations and incorporated administrative agencies that were subject to Fiscal Investment and Loan Program.

The results of policy cost analysis on JHF showed that a policy cost of  $\triangle$  ¥71.7 billion as the present value will accrue in the future. In the analysis, the opportunity cost of government investments, etc. were calculated under the premises of (1) conducting business based on fiscal investment and loan plan for FY 2013 with no such business being conducted in FY 2014 and thereafter and (2) repaying all investments to the national government in FY 2044, the end of the analysis period, when all GHLC originated loans will be collected.

## 1. Business using Fiscal Investment and Loan Program

Loans for disaster-affected people are provided to promote reconstruction of their damaged housings, etc.

(Reference) The businesses that are not covered by Fiscal Investment and Loan Program include securitization support, housing loan insurance and housing loan origination (excluding loans for recovery from disasters).

## 2. Planned amount for Fiscal Investment and Loan Program

(Unit: 100 million yen)

Planned amount for Fiscal Investment and Loan Program in FY 2013	Estimated balance in FILP account at the end of FY 2012
2,640	155,833

(The estimated balance in FILP account at the end of FY 2012 also includes balances other than that of disaster mitigation loans)

## 3. Values estimated in policy cost analysis for the business

[Policy cost]

(Unit: 100 million yen)

Category	FY 2012	FY 2013	Change
1. Subsidies from the national government	539	—	$\triangle$ 539
2. Fund transfer to the national government	$\triangle$ 1,113	$\triangle$ 554	+ 558
Subtotal of 1 and 2	$\triangle$ 574	$\triangle$ 554	+ 20
3. Opportunity cost for investment from the national government	1,231	1,271	+ 40
Subtotal of 1 to 3	657	717	+ 60
4. Reduction in loss	$\triangle$ 13	—	+ 13
Total of 1 to 4 = policy cost (A)	644	717	+ 73
Analysis period (year)	32	32	—

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

(Unit: 100 million yen)

Category	FY 2012	FY 2013	Change
(A) Policy cost (relisting)	644	717	+ 73
① Opportunity cost for investment provided by the start of analysis	43	44	+ 1
② Newly estimated policy cost during the period of analysis	601	673	+ 72
Subsidies from the national government	539	—	$\triangle$ 539
Fund transfer to the national treasury	$\triangle$ 1,113	$\triangle$ 554	+ 558
Policy cost accrued depending on changes in surplus	1,175	1,227	+ 52
Opportunity cost for investment	—	—	—

[Comparative analysis in temporal change]

(Unit: 100 million yen)

Category	FY 2012	FY 2013	Change
(A) Policy cost (relisting)	644	717	+ 73
(A) Policy cost obtained by recalculating (A) at the same interest rate applied in the analysis for FY 2012	644	664	+ 20
(B) Of (A), policy cost to accrue after FY 2013	540	664	+ 123

The policy cost for FY 2013 was ¥71.7 billion. Comparing the figure after eliminating the influence from premise interest changes in FY 2012 and FY 2013 with the policy cost that will accrue in and after FY 2013, the actual policy cost is considered to be increased by ¥12.3 billion from FY 2012.

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

- Cost increase from higher expenditure for clerical operations due to new loans made in FY 2013 (+¥34.2 billion)
- Cost increase from a growing number of write-offs (+¥2 billion)
- Cost increase from an increase of administrative costs (+¥1.7 billion)
- Others (cost increase due to new loans made in FY 2011) ( $\triangle$  ¥25.6 billion)

[Breakdown of policy cost in terms of accrual factor]

(Unit: 100 million yen)

Category	Policy cost (change)
(A) Policy cost in FY 2013 (relisting)	717
① Prepayment	$\triangle$ 194
② Credit loss	443
③ Other (interest margin, etc.)	468

[Sensitivity analysis (when premises are changed)]

(Unit: 100 million yen)

Premises changed and their variation range	Policy cost (change)
Loan carry rate/borrowing cost +1%	801 (+ 84)
Of the changes, a change in opportunity cost	+ 190
Amount of write-offs + 10%	760 (+ 43)
Change in opportunity cost	+ 45

(Reference) FY 2013 budget for subsidies/investment

Subsidies: ---  
Investment: ---

## 4. Outline of estimation in analysis and future business prospect

- ① Estimation was made for loans for recovery from disasters based on the business plan for FY 2013.
- ② The analysis period was set as 32 years during which all loans for recovery from disasters under the business plan for FY 2013 will be redeemed.
- ③ Prepayment was estimated using a computation model to calculate the prepayment ratio by age of loans and the difference in interest rate between JHF loans and private housing loans that will be used to refinance JHF loans.

(Unit: %, 100 million yen)

FY	(Results)						(Estimate)	(Plan)	(Premises for estimation)				
	2006	2007	2008	2009	2010	2011			2012	2013	2014	2015	2016
Prepayment ratio	3.80	1.32	1.88	1.50	2.66	1.53	3.56	3.56	3.56	3.56	3.56	3.56	3.56
Write-off of nonperforming loans	—	—	—	0.1	—	0.1	0.1	1.8	496.7 (Sum of in and after 2014)				
FY	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Prepayment ratio	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56
FY	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Prepayment ratio	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56	3.56

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

(Rationale)

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

(Regulations regarding subsidies and its redemption)

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

## 6. Special notes

- ① This analysis was made for loans for recovery from disasters (those accepted in and after 2005) that are subject to Fiscal Investment and Loan Program.
- ② In accordance with the Japan Housing Finance Agency Law (Law No. 82 of 2005), the Government Housing Loan Corporation was dissolved, and Japan Housing Finance Agency was established on April 1, 2007.
- ③ The changes in policy cost are as follows (the figures until FY 2006 indicate the policy cost of the GHLC):

(Unit: 100 million yen)

FY	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Policy cost	△ 810	△ 69	17	10	△ 7	△ 11	1	4	644	717

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

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

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

## (Reference) Results of the business and its social/economic benefits

- ① Results of loan origination
  - Number of houses: 211,390 units
  - Amount: ¥1.8175 trillion
  - (As of the end of FY 2012, contract base)
- ② Long-term, fixed and low-interest loans for disaster-affected people
  - Provide long-term, fixed and low-interest loans for affected people soon after a disaster to smoothly restore damaged houses
- ③ Disasters eligible for loans for recovery from disasters
  - Until FY 2008, Disasters that have caused damage above a certain level as prescribed in the Disaster Relief Act
  - Since FY 2009, based on the recent changes in disaster incidences and in society, irrespective of the magnitude of the disaster damage, loans for disaster mitigation are provided expeditiously after a natural disaster has occurred.

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

(Unit: dwelling unit, million yen)

Fiscal year	Number of dwellings	Amount	Fiscal year	Number of dwellings	Amount
FY 2003	855	9,365	FY 2008	26	292
FY 2004	395	3,562	FY 2009	7	26
FY 2005	411	4,060	FY 2010	△ 94	△ 1,468
FY 2006	84	979	FY 2011	4,340	62,788
FY 2007	71	726	FY 2012	4,511	70,507

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

- ④ Measures for the Great Hanshin Awaji Earthquake
  - Results of loans for recovery from disasters concerning the Great Hanshin Awaji Earthquake
  - Number of houses: 70,619 units
  - Amount: ¥1.5032 trillion
  - (As of the end of FY 2012, contract base)
- ⑤ Measures for the Great Hanshin Awaji Earthquake
  - Results of loans for recovery from disasters concerning the Great East Japan Earthquake
  - Number of houses: 8,837 units
  - Amount: ¥133.2 billion
  - (As of the end of FY 2012, contract base)

# Basic Policy on Internal Governance

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

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

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

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

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

## 3. Regulations and other systems for risk management of losses

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

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

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

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

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

## 5. Internal audit system to ensure appropriate business operations

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

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

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

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

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

## 8. Other systems to ensure effective audits

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

## 9. Establishment of a PDCA cycle in internal control

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

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

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

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

### Review of clerical processes and business operations

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

## Review of assets and operations, etc.

Steps to be taken		Time of implementation	Specific content	Response measures
Return of unnecessary assets to the national treasury	Capital for ALM risk management	Implementation in FY 2011	Out of ¥48.0 billion provided between FY 2007 and FY 2009 by the government in capital for ALM risk management purposes, taking into account business volume over time and the overcollateralization ratio of MBS (the ratio of overcollateralization relative to the MBS issuance amount to ensure the stable provision of the "Flat 35" loans) the necessary minimum amount will be retained and the rest will be repaid to the national treasury.	An amount of ¥11.3 billion was repaid to the national treasury on March 16, 2012.
	Reserve funds for interest rate change	Implementation in FY 2011	With regard to ¥45.0 billion in reserve funds for interest rate change, based on the "Flat 35" business volume over time, the minimum necessary amount will be retained and the remainder will be repaid to the national treasury.	An amount of ¥10.6 billion was repaid to the national treasury on March 16, 2012.
	¥200.0 billion in government capital funds related to Securitization business	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥200.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.	Repaid to the national treasury on March 14, 2011.
	¥30.0 billion in capital funds from the government related to town development loan operations	Implementation during FY 2010	With respect to the review of the implementation of the first Supplementary Budget for FY 2009, as a result of a review of the business volume expected until FY 2011, an amount of ¥30.0 billion has been identified and finalized to be repaid to the national treasury. This must be implemented with certainty.	Repaid to the national treasury on March 14, 2011.
Review of offices, etc.	A review plan will be prepared at an early time	Implementation beginning in FY 2010	Over the course of FY 2010, an examination will be conducted on the appropriateness of the holding and/or renting of all assets including the headquarters, branch offices, lodging facilities, and rented offices. Based on this examination, a review plan will be formulated at an early time and deliberations will be implemented on consolidating offices and lodging facilities, etc.	With regard to the current branch office system divided their responsible regions in 11 blocks, their reallocation, etc., including deliberations, towards an efficient and effective system has been reviewed in the second mid-term plan based on their volume of business. A review plan was formulated. Moreover, in accordance with the decision made for reviewing branch office structure in the Basic Policies for Reforming Incorporated Administrative Agencies (approved by the cabinet on December 24, 2013), consideration has been made for concrete contents of the review, issues in reviewing, and future response. As for employee dormitories, a review plan was formulated in December 2012 in line with the Review Plan for Employee Dormitories of Incorporated Administrative Agencies (approved by the Administrative Reform Executive Headquarters on April 3, 2012). The plan indicates that 15 dormitories (91 houses) and 13 rented dormitories are to be disposed by the end of FY 2016, in addition to 3 dormitories decided their disposal in the second mid-term plan.
Review of employee dormitories	Disposal of employee dormitories and the Kouko General Sport Ground.	Implementation beginning in FY 2010	Employee dormitories facilities and Kouko General Sport Ground will be sold.	With regard to employee dormitories, a review plan was formulated in December 2012 in line with the Review Plan for Employee Dormitories of Incorporated Administrative Agencies. The plan indicates that 15 dormitories (91 houses) and 13 rented dormitories are abolished by the end of FY 2016, in addition to 3 dormitories decided their disposal in the second mid-term plan. 4 dormitories out of 18 to be disposed as well as Kouko General Sports Ground were sold in FY 2013.
Review of personnel expenditures	Lowering of the Laspeyres index	Implementation beginning in FY 2010	Steps will be taken with certainty to reduce the Laspeyres index through such as reviews of employees' base salaries and the allowances for officials above director level, among other steps, with further checks on overall personnel expenses.	For FY 2013, as in the previous fiscal year, measures for lowered salary payment have been taken in line with the Act on Revision of Remuneration for National Civil Servant and Temporary Special Provisions (Law No.2, 2012). In addition, personnel and salary systems were reformed including review of the salary structure (terminate guarantee for the current salary for operations of relevant employees in line with the lowering of the maximum rank in the salary table to the 81st rank). To normalize wage levels, a retirement system for management positions (staff members who will turn 55 years or older at the end of FY 2012 become non-management employee and their salary level is lowered to around 70%) was introduced.

## Basic Policy on Reform of Incorporated Administrative Agencies, etc.

Matters in the basic policy on the reform of incorporated administrative agencies, etc., (Cabinet decision on Dec. 24, 2013), for which measures are to be taken individually, are as follows:

- (1) As for the securitization support business, a third-party committee comprising external experts in a neutral position is established to examine the relevance of business operation. This reflects the wish to prevent excessive expansion, align the approach with private financial institutions and disclose the outline, given the importance of maintaining sound management to retain credibility of our MBS from the markets.
- (2) Taking into account the circumstances under which housing loans provided by private financial institutions are mostly offered at variable interest rates, efforts will be made in the foreseeable future to equalize JHF's MBS issuance amount and enhance awareness as the benchmark to promote active MBS issuance by private financial institutions and increase liquidity to boost the securitization market in Japan. There will also be ongoing dialog with private financial institutions intending to issue MBS to ensure needs are swiftly understood.
- (3) The Kita-Kanto and Minami-Kyushu branches will be integrated with others by the end of FY2016.

# 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

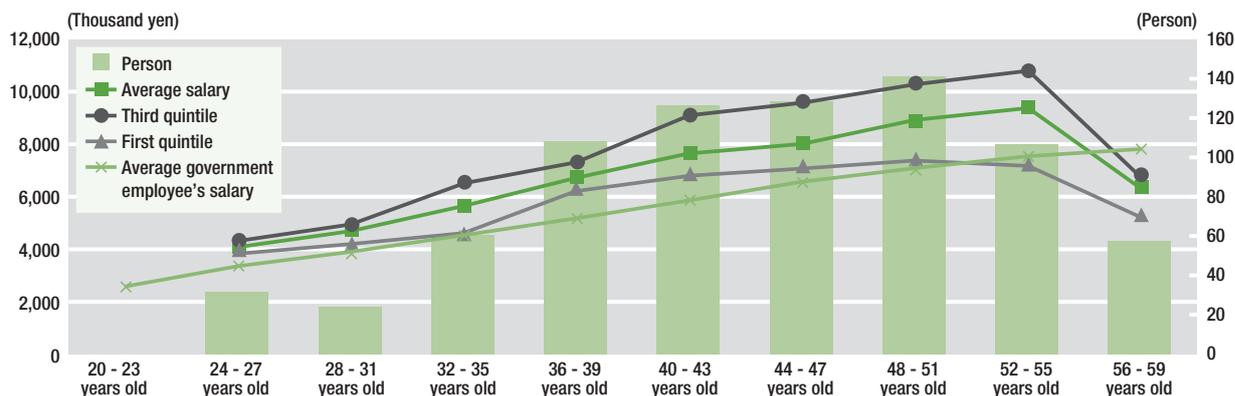
## 2. Employee salaries

### 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
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\*1 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\*2 in accordance with the numeration of national civil servants.

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

### IV Matters that JHF finds necessary

There was no particular matter to be reported.

# Product Outline

## Product outline of Flat 35 (Purchase Program)

As of April 1, 2014

Application requirements	<ul style="list-style-type: none"> <li>Those aged less than 70 at the time of application (if the two-generation loan repayment scheme (there are certain requirements) is applied, this loan applies also to people aged 70 years and over).</li> <li>Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status.</li> <li>Those whose repayments on all loans*, including Flat 35, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined, but the repayment period may be shortened).</li> </ul>					
	<table border="1"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <p>* Besides loans under the Flat 35 program, all loans include those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including income of the co-borrowers, if any).</p> <ul style="list-style-type: none"> <li>In the case that the house and its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership of the property</li> </ul> <p>(Note 1) The income, in principle, must be based on income stated in the official certificate for the year before the fiscal year in which the application is made (in the case of FY 2014, the income must be based on income between January and December 2013 in principle.). The income stated in the official certificate is as follows:          ① For those other than the above, amount of salary income; or          ② For those other than the above, amount of incomes (a total income from business, real estate, and interest, salary income, and dividend income)</p> <p>(Note 2) The number of applicants is limited to two people including a co-borrower.</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less
Annual income	Less than 4 million yen	4 million yen or more				
DTI	30% or less	35% or less				
Purpose of the loan	<ul style="list-style-type: none"> <li>Loans for construction/purchase of a new home or purchase of an existing home for occupation by the applicant or relatives</li> <li>Loans for construction/purchase of a house for weekends (a second house) to be used by the applicant</li> </ul> <p>(Note) This loan cannot be offered for reform of a house.</p>					
House covered by loan	<ul style="list-style-type: none"> <li>Houses that satisfy the technical criteria set by JHFF</li> <li>Have a floor area*1 of 70 m<sup>2</sup> or more for a detached house, a terrace house style including semi-detached house and a flat **style, 2 or 30 m or more for a condominium style, etc.</li> </ul> <table border="1"> <thead> <tr> <th>Detached house, terrace house style including semi-detached house, flat style</th> <th>70 m<sup>2</sup> or more</th> </tr> </thead> <tbody> <tr> <th>Apartment complex (condominium and similar)</th> <th>30 m<sup>2</sup> or more</th> </tr> </tbody> </table> <p>* 1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.).          * 2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls.          Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house.          ** Costs of housing construction (including the land purchased for the house), or a purchase price of 100 million yen and under (including consumption tax).          • No conditions on the size of land for the house</p>	Detached house, terrace house style including semi-detached house, flat style	70 m <sup>2</sup> or more	Apartment complex (condominium and similar)	30 m <sup>2</sup> or more	
Detached house, terrace house style including semi-detached house, flat style	70 m <sup>2</sup> or more					
Apartment complex (condominium and similar)	30 m <sup>2</sup> or more					
Amount of the loan	One to 80 million yen (in increment of 10 thousand yen), provided that the total LTV (loan to value) ratio is 100% or less of construction or purchase cost (excluding costs for the nonresidential space)*.					
Duration of the loan	<ul style="list-style-type: none"> <li>15 years (10 years if the applicant and/or a co-borrower is aged 60 and over at the *1,2 time the application is filed) or over, and whichever is shorter between 1) and 2) below (increment: 1 year)</li> <li>① 80 years minus the age of the applicant at the time the application is filed with the part of the period less than one year counted as one year.</li> <li>* 1 If the two-generation loan repayment scheme (there are certain requirements) is applied, the loan term shall be based on the age of the successor regardless of any co-borrower.</li> <li>* 2 If the two-generation loan repayment scheme (there are certain requirements) is applied, the loan term shall be based on the age of the successor regardless of any co-borrower.</li> <li>② 35 years</li> </ul> <p>(Note 1) The loan is not available if whichever shorter between 1) and 2) is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over).          (Note 2) Customers who have selected a loan of 20 years or less cannot change the period to 21 years or more during the repayment period.</p>					
Borrowing rate	<ul style="list-style-type: none"> <li>Fixed rate*1</li> <li>The borrowing rate differs according to its loan duration (20 years and under, or 21 years and over) and its loan-to-value ratio (90% or lower, or over 90%).</li> <li>* 1 Under Flat 35S, the interest rate is reduced for a certain period (please visit the Flat 35 website for more information).</li> <li>* 2 Loan-to-value ratio is calculated with the following formula:  <math display="block">\text{Loan-to-value ratio} = \frac{\text{Borrowing amount of [Flat 35]}}{\text{Construction or purchase cost of a house (including the land purchased for the house)}}</math> </li> <li>* 3 Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website (www.flat35.com).</li> <li>* 4 The interest rate applied is that on the date of disbursement, not of application. The disbursement date shall be determined by the financial institution.</li> <li>* 5 Some financial institutions offer the same borrowing rate regardless of the loan duration and the loan-to-value ratio.</li> </ul>					
Amortization	<ul style="list-style-type: none"> <li>Monthly principal and interest equal repayment or monthly principal equal repayment.</li> <li>Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen.</li> </ul>					
Collateral	<ul style="list-style-type: none"> <li>JHF holds a first-lien mortgage on the house and land to which the loan is extended.</li> </ul> <p>(Note) Fees for closing the mortgage (registration license tax, compensation for an escrow agents, etc.) shall be paid by the borrower.</p>					
Surety	<ul style="list-style-type: none"> <li>Not required.</li> </ul>					
Group credit life insurance	<ul style="list-style-type: none"> <li>The use of JHF credit life insurance is recommended. It is strongly recommended to prepare for unexpected adverse events.</li> </ul> <p>(Note) A special contract premium shall be paid by the customer. Some customers may not be able to be accepted depending on their health conditions.</p>					
Fire insurance	<ul style="list-style-type: none"> <li>Customers of the scheme must until the end of repayment of the loans take out fire insurance (meaning either a fire insurance provided by an insurance company selected at the discretion of the customer or a mutual aid fire insurance stipulated by laws; the same hereinafter.) for the dwelling that is the purpose of borrowing the loan.</li> <li>The insurance amount must at least equal the loan amount (Note) and the subject of indemnification must be fire damage to the building.</li> <li>(Note) The appraisal amount if the amount (appraisal amount) computed on the basis of the criteria of the insurance company is less than the loan amount.</li> <li>If a mortgage is placed on the lot, the insurance period, premium payment method and requirements for a pledge vary by the financial institution offering the loan.</li> <li>If a mortgage is not placed on the lot, the maturity date of the insurance policy shall be the day of the final repayment or later, the payment method shall be up-front payment for all the insurance term, and JHF takes a first priority pledge on the recipient's right to obtain fire insurance benefits.</li> </ul> <p>(Note) A fire insurance premium shall be paid by the customer. JHF's special fire insurance is not applicable.</p>					
Fees for the Origination of the loan Fees for the inspection of the property	<ul style="list-style-type: none"> <li>Origination fees *1,2 may differ between financial institutions offering loans.</li> <li>Different institutions/experts that certify suitability impose different fees for inspecting properties.*2</li> <li>* 1 Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com).</li> <li>* 2 Origination fees and property inspection fees shall be paid by the borrower.</li> </ul>					
Guarantee Fee and Prepayment penalty	<ul style="list-style-type: none"> <li>Not required.</li> </ul> <p>(Note) When the loan is prepaid partially, the day of the payment shall be on the monthly payment day. There is a minimum amount for prepayment partially which is one million yen.          Since July 2014, the amount of repayment will have been 100,000 yen or more when applying for prepayment of a part of loan through "Su-My Note" (an online service for customers during their repayment period).</p>					

Please note that the loan application may be rejected according to the results of underwriting conducted by the originating financial institution or JHF which purchases the loan. In addition, if loan-to-value ratio exceeds 90%, JHF more carefully examines repayment certainty and other matters than cases with the ratio of 90% or lower.

# Product outline of Flat 35 (Loan Refinance)

As of April 1, 2014

<p><b>Application requirements</b></p>	<ul style="list-style-type: none"> <li>In principle, the applicant for loan refinance is the same person as the borrower of the outstanding loan. However, a co-borrower can be added at the time of refinancing (the number of borrowers is limited to two people).             <ul style="list-style-type: none"> <li>If a borrower is added or if the proportion of the ownership to the house is changed at the time of refinancing, please consult with the local tax office or a tax accountant on housing loan tax credit and tax.</li> </ul> </li> <li>In the case that the house or its lot covered by loan is co-owned, the applicant must retain a certain portion of the ownership.</li> <li>Those aged less than 70 at the time of application (if the two-generation loan repayment scheme is applied (there are certain requirements), this loan applies also to people aged 70 years and over).</li> <li>Those who have Japanese nationality, the right of permanent residency in Japan, or a special permanent residence status.</li> <li>Those whose repayments on all loans, including* Flat 35, satisfy the annual DTI (debt to income) ratios set in the following table (income may be combined)</li> </ul> <table border="1" data-bbox="304 322 874 371"> <thead> <tr> <th>Annual income</th> <th>Less than 4 million yen</th> <th>4 million yen or more</th> </tr> </thead> <tbody> <tr> <td>DTI</td> <td>30% or less</td> <td>35% or less</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Besides loans under the Flat 35 program, all loans include those for other housing, cars, education and credit-card loans (including cash advances and purchases of goods by payment in installments) (including the income of the co-borrower, if any).</li> <li>Those who have not missed a repayments on an outstanding loan for at least one year from the loan agreement date (*) to the refinancing application date.             <ul style="list-style-type: none"> <li>The loan agreement date is the date when a new borrower is registered in case the original borrower is changed due to inheritance or other reason (excluding the addition of a borrower).</li> </ul> </li> </ul> <p>(Note 1) The property subject to the loan must be owned by the applicant and must be occupied by the applicant or relatives.          * Eligible for loan refinancing are also dwellings used as second residences (dwellings that are used during temporary long-distance job transfers or on weekends but are not rented out) provided that the applicant is the owner and the dwelling is used by the applicant.          (Note 2) The income of the year before the year of application (between January and December 2013 in the case of FY 2014) shall be examined in principle. The income stated in the official certificate is as follows:          ① For those with only salary income, amount of salary income; or          ② For those other than the above, amount of incomes (a total income from business, real estate, and interest, salary incomes, and dividend income)</p>	Annual income	Less than 4 million yen	4 million yen or more	DTI	30% or less	35% or less
Annual income	Less than 4 million yen	4 million yen or more					
DTI	30% or less	35% or less					
<p><b>Purpose of the loan</b></p>	<ul style="list-style-type: none"> <li>Refinancing for the housing loan of either ① or ② outlined below             <ul style="list-style-type: none"> <li>Construction/purchase of a house that is owned and occupied by the applicant</li> <li>Eligible for loan refinancing are also dwellings used as second residences (dwellings that are used during temporary long-distance job transfers or on weekends but are not rented out) provided that the applicant is the owner and the dwelling is used by the applicant.</li> </ul> </li> <li>Construction/purchase of a house that is owned by the applicant and occupied by relatives</li> </ul> <p>(Note) Loans other than housing loans, e.g., multi-purpose loans and investment loans, are not eligible for refinancing, nor are housing loans for housing improvements.</p>						
<p><b>Requirements for the housing loan and house that are subject to refinancing</b></p>	<ul style="list-style-type: none"> <li>The amount of the original loan taken out at the acquisition of a house shall meet the following requirements:             <ul style="list-style-type: none"> <li>80 million yen or less</li> <li>The total LTV (loan to value*1, *2) ratio is 100% or less.                 <ul style="list-style-type: none"> <li>*1 The cost for acquiring the lot is included.</li> <li>*2 The charges incurred at the acquisition of the house is excluded.</li> </ul> </li> <li>The cost for the construction or purchase of a house (including the lot purchased for the house) is 100 million yen or less (including consumption tax).</li> <li>Have either of the following floor area : *1</li> </ul> <table border="1" data-bbox="304 824 1066 875"> <tbody> <tr> <td>A detached house, a terraced house (including a semi-detached house) and a flat**</td> <td>70 m<sup>2</sup> or more</td> </tr> <tr> <td>A condominium, etc.</td> <td>30 m<sup>2</sup> or more</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>*1 In the case of a multipurpose house such as dwelling with shop, the floor area of the residential space must be larger than that of the non-residential space (shop, office, etc.).</li> <li>*2 Terrace house style, including semi-detached houses: an architectural style other than a condominium style (a building where two or more houses share corridors, stairs, halls, etc.) that has a row of two or more houses sharing side walls.                  Flat style: an architectural style other than a condominium style which has two or more stories and on each of the stories is a suite of rooms for one house.</li> <li>No conditions on the size of land for the house</li> <li>Houses that satisfy the technical criteria etc. set by JHF.</li> </ul> </li></ul>	A detached house, a terraced house (including a semi-detached house) and a flat**	70 m <sup>2</sup> or more	A condominium, etc.	30 m <sup>2</sup> or more		
A detached house, a terraced house (including a semi-detached house) and a flat**	70 m <sup>2</sup> or more						
A condominium, etc.	30 m <sup>2</sup> or more						
<p><b>Amount of the loan</b></p>	<ul style="list-style-type: none"> <li>One to 80 million yen. The lower of the outstanding amount of the current housing loan or 200% of the* assessment rate of collateral by JHF (in increment of 10 thousand yen)</li> <li>The following costs can be included: ① costs for stamp duty affixed on the loan contract; ② origination fees for the refinance; ③ costs for registration and inundation of mortgage (registration license tax); ④ compensation for escrow agent who files the mortgage; ⑤ special premium for JHF's group credit life insurance (for the first year); and ⑥ costs for Flat 35 criteria inspection (fees for inspection of a house).</li> </ul>						
<p><b>Duration of the loan</b></p>	<ul style="list-style-type: none"> <li>15 years (10 years if the applicant and/or a co-borrower is aged 60 and over * 1, 2 at the time the application is filed) or over, and whichever is shorter between ① and ② below for the upper limit (unit: 1year)             <ul style="list-style-type: none"> <li>80 years minus the age of the applicant at the time the application is filed * 1, 2, with the part of the period less than one year counted as one year.                 <ul style="list-style-type: none"> <li>1 If there is a co-borrower who uses over 50% of their annual income for debt repayments, the loan term shall be based on the age of whichever is higher between that of the applicant and that of the co-borrower.</li> <li>2 If the two-generation loan repayment scheme is applied (there are certain requirements), the loan conditions shall be based on the age of the successor regardless of any co-borrower.</li> </ul> </li> <li>35 years less the month elapsed on the outstanding mortgage rounded at one year increment                 <ul style="list-style-type: none"> <li>1 Starting date of the calculation is the date of closing on the outstanding mortgage</li> <li>2 This treatment may not be applicable at some financial institutions. Please ask the financial institution originating the loan.</li> </ul> </li> </ul> </li> </ul> <p>(Note 1) Loan refinancing is not applicable if whichever shorter between ① and ② is less than 15 years (10 years if the applicant and/or a co-borrower is aged 60 and over).          (Note 2) Borrowers who have selected a loan term of 20 years or less cannot change the term to 21 years or more during the repayment period.</p>						
<p><b>Borrowing rate</b></p>	<ul style="list-style-type: none"> <li>Fixed rate</li> <li>The borrowing rate *1,2 applicable to loans of 20 years and under is different from the rate applicable to loans of 21 years*3 and over.             <ul style="list-style-type: none"> <li>1 Different interest rates are set by different financial institutions. Information on the rates is available at financial institutions and the Flat 35 website (www.flat35.com).</li> <li>2 The interest rate applied is that on the date of disbursement, not of application. The disbursement date when the recipient takes out the loan shall be determined by the financial institution.</li> <li>3 Some financial institutions offer the same borrowing rate regardless of the duration of the loan.</li> </ul> </li> </ul>						
<p><b>Amortization</b></p>	<ul style="list-style-type: none"> <li>Monthly principal and interest equal repayment or monthly principal equal repayment.</li> <li>Recipients may choose to repay with bonuses every six months to the limit of 40% of the loan and in the unit of 10,000 yen.</li> </ul>						
<p><b>Collateral</b></p>	<ul style="list-style-type: none"> <li>JHF holds a first-lien mortgage on the house and land to which the loan is extended.</li> </ul> <p>(Note) Fees for filing the mortgage at the title recording office (registration license tax, compensation for an escrow agent, etc.) shall be paid by the borrower.</p>						
<p><b>Surety</b></p>	<ul style="list-style-type: none"> <li>Not required.</li> </ul>						
<p><b>Group credit life insurance</b></p>	<ul style="list-style-type: none"> <li>The use of JHF credit life insurance is recommended. It is strongly recommended to prepare for unexpected adverse events.</li> <li>If the group credit life insurance is applied to the loan to be refinanced, the insurance will be terminated at the time of refinancing. Those who wish to have JHF credit life insurance must take out a new policy. However, some customers may not be able to take out a new policy depending on the results of inspections by insurance companies.</li> </ul> <p>(Note 1) A special contract premium shall be paid by the customer. Some customers may not be able to be accepted depending on their health conditions.          (Note 2) If customers who have JHF credit life insurance withdraw due to the discretionary early redemption, JHF refunds the customers the amount equivalent to unexpired guaranteed months of their prepaid fees as JHF set for a special contract premium. However, this may not be the case according to the period of withdrawal, etc.</p>						
<p><b>Fire insurance</b></p>	<ul style="list-style-type: none"> <li>Customers of the scheme must until the end of repayment of the funds take out fire insurance (meaning either a fire insurance provided by an insurance company selected at the discretion of the borrower or a mutual aid fire insurance stipulated by laws; the same hereinafter) for the dwelling that is the purpose of borrowing loan.</li> <li>The insurance amount must at least equal the outstanding loan amount (Note) and fire damage to the building must be the subject of indemnification.</li> <li>(Note) The appraisal amount if the amount (appraisal amount) computed on the basis of the criteria of the insurance company is less than the outstanding loan amount.</li> <li>Insurance periods and insurance premium payment methods differ depending on the handling financial institution. If no mortgage has been established on the lot, the fire insurance must have a payment mode whereby insurance premiums are paid in an up-front payment for all the insurance term to ensure that the date of insurance maturity falls on or after the end of the final repayment of the refinancing loan. Moreover, with respect to the right to claims to the fire insurance money, a first-ranking right of pledge must be established for the Japan Housing Finance Agency as pledge.</li> <li>If a mortgage is placed on the lot, the insurance period and premium payment method and requirements for a pledge vary by the financial institution offering the loan. If a mortgage is not placed, the maturity date of the insurance policy shall be the day of the final repayment or later, the payment method shall be long-term lump-sum payment, and JHF takes a first priority pledge on the recipient's right to obtain fire insurance benefits.</li> <li>If the fire insurance that was already taken out before refinancing meets requirements prescribed as above, the customer can keep the policy. However, if a mortgage is not registered on the lot, and if the maturity date of the insurance taken out before refinancing is the day before the final repayment of the refinancing loan or if the maturity date comes after the final repayment of the refinancing loan with yearly payment of insurance premium, the fire insurance shall be cancelled and a new policy with an up-front payment for all the insurance term shall be taken out so that the maturity date shall be the day on the final repayment or later. In addition, JHF takes a first-priority pledge on the recipient's right to obtain fire insurance benefits.</li> </ul> <p>(Note) A fire insurance premium shall be paid by the customer. JHF's special fire insurance is not applicable.</p>						
<p><b>Fees for loan origination and property inspection</b></p>	<ul style="list-style-type: none"> <li>Origination fees *1,2 may differ between financial institutions offering loans.</li> <li>Fees for the inspection of the property are*2 necessary to certify the conformity with technical standards prescribed by JHF in a document. Different institutions/ experts that certify suitability impose different fees for inspecting properties*2.</li> <li>*1 Information on origination fees is available at financial institutions and the Flat 35 website (www.flat35.com).</li> <li>*2 Origination fees and property inspection fees shall be paid by the borrower.</li> </ul>						
<p><b>Guarantee Fee and Prepayment penalty</b></p>	<ul style="list-style-type: none"> <li>Not required.</li> </ul> <p>(Note) When the loan is prepaid partially the day of the payment shall be on the monthly payment day. There is a minimum amount for prepayment partially which is one million yen.          Since July 2014, the amount of repayment will have been 100,000 yen or more when applying for prepayment of a part of loan through "Su-My Note" (an online service for customers during their repayment period).</p>						
<p><b>Special matters in the case of refinance</b></p>	<ul style="list-style-type: none"> <li>Flat 35 S is not applicable to loan refinancing.</li> <li>If the lot is located within the land adjustment project lot which is not completed and where lien upon the property cannot be registered until the completion of the project, refinancing is not available.</li> </ul>						

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

# Product outline of Loans for Recovery from Disasters (Great East Japan Earthquake)

As of April 1, 2014

Purpose	<p>Fund to build, purchase or repair own housing or housing of parents damaged by disaster                  ※Also covers housing to be leased to people affected by disasters.                  ※Cannot be used to refinance housing loans.</p>
Loan Amount	<p>The loan amount is the lower amount of the total of each required amount or the total loan limit of the following (in increment of ¥100,000, at least ¥100,000)</p> <p>◆Construction</p> <p>①Basic loan amount (construction fund) : ¥15 million <sup>(Note1)</sup>                  (Land acquisition fund) : ¥9.7 million <sup>(Note2)</sup>                  (Land leveling fund) : ¥4 million</p> <p>②Special added amount (construction fund) : ¥4.6 million</p> <p>(Note 1) The loan limit when living with an affected relative is ¥20.7 million. "Living with an affected relative" refers to circumstances in which the candidate borrower and their lineal relative, previously living apart from the borrower, were both affected and now live together in a newly built house.                  (Note 2) The basic loan amount (Land acquisition fund) is up to ¥5.8 million when the candidate borrower obtains a leasehold right.                  Although the deposit for a fixed-term leasehold is also eligible for loans provided certain conditions are met, the basic loan amount (Land acquisition fund) in such cases is up to ¥3.8 million.</p> <p>※The total basic loan amount (construction fund) and special added amount (construction fund) is up to the construction cost.                  ※The basic loan amount (Land acquisition fund) and basic loan amount (Land leveling fund) are each up to the required cost amount.                  ※The basic loan amount (Land acquisition fund) and basic loan amount (Land leveling fund) can be borrowed together with the basic loan amount (construction fund)                  ※The cost to remove damaged houses can be included in the construction cost.                  ※The basic loan amount (Land acquisition fund) is available only when the candidate borrower obtains land after the disaster.                  ※The basic loan amount (Land leveling fund) is available for removing accumulated soil, earth cut, earth fill, or retaining wall construction, etc.                  ※The loan amount for those who receive subsidies for housing construction from national or municipal governments may be reduced.</p> <p>◆Purchase</p> <p>●Purchase a new house</p> <p>①Basic loan amount (purchase fund) : ¥24.7 million <sup>(Note 1), (Note 2)</sup>                  ②Special added amount (purchase fund) : ¥4.6 million</p> <p>●Purchase an existing (second-hand) house</p> <p>①Basic loan amount (purchase fund): good existing houses, good existing condominiums: ¥24.7 million <sup>(Note 1), (Note 2)</sup>                  existing houses, existing condominiums: ¥21.7 million <sup>(Note 1), (Note 2)</sup>                  ②Special added amount (purchase fund): ¥4.6 million</p> <p>(Note 1) The basic loan amount (purchase fund) includes land acquisition funding of ¥9.7 million.                  As the land acquisition fund when the leasehold right is acquired is up to ¥5.8 million, the basic loan limit (purchase fund) differs from the above amount.                  Although the deposit for a fixed-term leasehold is also eligible for loans provided certain conditions are met, the basic loan amount (Land acquisition fund) in such cases is up to ¥3.8 million and the basic loan limit (purchase fund) differs from the above amount.</p> <p>(Note 2) When the candidate borrower lives with an affected relative and the lot is possessory, the loan amount for purchasing a new house, good existing house or condominium is up to ¥30.4 million and that for an existing house or condominium is up to ¥27.4 million.                  "Living with an affected relative" refers to circumstances in which the borrower and their lineal relative, previously living apart from the borrower, were both affected and live together in the newly purchased house.                  ※The total basic loan amount (purchase fund) and special added amount (purchase fund) is up to the purchase price.                  ※The land acquisition fund cannot be borrowed by itself.                  ※The loan amount for those who receive subsidies for purchasing a house from national or municipal governments may be reduced.</p> <p>◆Repair</p> <p>Basic loan amount (repair fund) : ¥6.6 million                  (Relocation fund) : ¥4 million <sup>(Note)</sup>                  (Land leveling fund) : ¥4 million <sup>(Note)</sup></p> <p>Special added amount (Land leveling fund) : ¥2.1 million</p> <p>(Note) When the candidate borrower borrows both a basic loan (relocation fund) and basic loan (Land leveling fund), the total is up to ¥4 million.                  ※The loan limits of basic loan account (repair fund), basic loan amount (Land leveling fund), and basic loan amount (relocation fund) is the required amount in each case.                  ※The basic loan amount (repair fund) is also available for extension work and gate repairs carried out alongside the repair of the damaged part.                  ※The basic loan amount (Land leveling fund) is available for removing accumulated soil, cut earth, earth fill, or retaining wall construction, etc.                  ※The basic loan amount (Land leveling fund) and the basic loan amount (relocation fund) can be borrowed alongside the basic loan amount (repair fund).                  ※The special added amount (Land leveling fund) can be borrowed for the portion that exceeds the basic loan amount (Land leveling fund).                  ※The loan amount for those who receive subsidies for housing repair from national or municipal governments may be reduced.                  ※The loan amount may not be that the candidate borrower is expecting following the screening.</p>
Repayment Period	<p>The maximum repayment period is the shorter one of ① or ② below (one-year units.)</p> <p>①Maximum repayment period under the application category and structure of housing</p> <p>◆Construction or purchase of new house</p> <ul style="list-style-type: none"> <li>Fireproof, semi-fireproof, wooden (durability): 35 years, wooden (ordinary): 25 years</li> </ul> <p>◆Purchase of an existing (second-hand) house</p> <ul style="list-style-type: none"> <li>Good existing house or condominium: 35 years</li> <li>Existing house or condominium: 25 years</li> </ul> <p>◆Repair: 20 years</p> <p>※The principal repayment deferment period (payment of interest only) can be set for up to five years (in one-year units) from the date of execution of the loan agreement when building or purchasing a house and the repayment period is extended for the deferment period. The principal repayment deferment period (payment of interest only) can be set for up to one year from the date of execution of the repair loan agreement (with no extension of the repayment period.)</p> <p>②Maximum repayment period based on age</p> <p>"80 years old" — the highest age of applicant or combined-income earner (Note) (months and days less than one year are rounded up)</p> <p>(Note) Only applicable when more than 50% of the income of the combined-income earner is used toward the total combined income.</p>
Interest Rate	<p>Fixed interest rate (entire-term)</p> <p>※The applicable loan interest rate is as of the day of applying for the loan.                  ※As the basic loan interest increases in stages, monthly repayment increases after the first five years and ten years (only after the first five years in case of repair.)                  ※Visit the JHF website to find out the interest rate.</p>
Repayment Method	<p>Equal monthly instalments of the principal and interest or equal monthly instalments of the principal</p> <p>※Payment at bonuses every six months (40% or less of basic loan amount or special added amount (in units of ¥0.5 million) can be used together. However, the payment during the deferment period is monthly when the principal payment is deferred.                  ※When the loan amount is less than ¥1.3 million, combined payment methods with the bonus payment cannot be used.</p>
Mortgage	<p>A first rank mortgage shall be imposed on the building and site subject to the JHF.                  ※Although the mortgage for JHF shall be imposed on the building when the loan is for repair, the mortgage may be imposed on site following screening.                  ※The cost of imposing a mortgage shall be borne by the borrower (fees for judicial scrivener, etc.).</p>
Surety	<p>Not needed (A surety is needed to borrow the disaster-recovery loan to rent the property to affected persons.)</p>
Property Inspection	<p>JHF requires the candidate borrower to have the housing inspected to ensure it complies with JHF technical standards. This is free of charge.                  ※The inspection is carried out by the municipal government, etc.</p>
Group Credit Life Insurance	<p>Borrowers are eligible to purchase JHF group credit life insurance, which is strongly recommended.                  ※The special contract insurance premium shall be paid by the borrower.</p>
Fire Insurance	<p>Borrowers must buy special fire insurance or other fire insurance that meets the conditions provided by JHF on the building subject to our loan.                  JHF also require a first pledge on the right to claim fire insurance money to be created for the same.                  ※The fire insurance premium shall be borne by the borrower.</p>
Fees to Change Repayment Method	<p>Not needed.</p>
Fees for Advanced Payment	<p>Not needed.</p>
Receiving Fund	<p>The borrower may choose how to receive the house construction fund from the following options:</p> <p>①Final fund                  ②Intermediate fund + final fund                  ③Advanced fund for land + final fund                  ④Advanced fund for land + intermediate fund + final fund</p> <ul style="list-style-type: none"> <li>An advanced fund for land is the basic loan amount (Land acquisition fund) to be received before the application for site inspection after the loan commitment.</li> <li>The intermediate fund is received after the site inspection (on completion of framework) and the final fund is received after the completion of the house, and both will be done once certain procedures have been completed</li> <li>The basic loan amount (Land acquisition fund) can be received as an advanced fund for land, intermediate fund or final fund and received in full.</li> <li>The basic loan amount (construction fund and land leveling fund) can be received as 60 or 80% as intermediate fund and the remaining amount is received as the final fund.</li> <li>The special added amount is received only as the final fund.</li> </ul> <p>The fund for purchase or repair is received only as the final fund in a lump sum.</p>
Loan Charges	<p>Not needed</p>
Reapplication	<p>When the interest rate declines during the loan procedures below the level at the time of application, the applicant may cancel the application and reapply to benefit from the lower interest rate (reapplication).                  However, since reapplications are screened based on the prevailing circumstances, there may be cases in which loans cannot be received or the amount is reduced following the screening.                  Fully confirm the warning provided in the Reapplication for Loans for Disaster Recovery in the Guide to Loans for Disaster Recovery &lt;Great East Japan Earthquake&gt; before commencing reapplication procedures.</p>

Please visit the JHF website for details.

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# Product outline of Town Development Loan (Short-Term Project Loan)

As of April 1, 2014

Types of Town Development Loan		Construction and Purchase Fund
Redevelopment Project		<ul style="list-style-type: none"> <li>●Fund needed for projects by redevelopment associations, etc., during the period from project design and planning to construction completion and transfer of the site and floor space retained by the project execution body</li> </ul>
Eligible Borrower		<ul style="list-style-type: none"> <li>●Individual or small and medium-sized corporations or associations implementing reconstruction projects (urban redevelopment associations, associations of disaster prevention area development, condominium rebuilding associations, etc.)</li> </ul>
Zone Requirement		<ul style="list-style-type: none"> <li>●Both the following conditions must be satisfied. Visit the JHF website for details.                             <ul style="list-style-type: none"> <li>①The zone shall be a residential, commercial or semi-industrial zone.</li> <li>②The zone shall be a fire control or semi-fire control zone.</li> </ul> </li> </ul>
Project Requirement / Structural Requirement		<ul style="list-style-type: none"> <li>●[Project requirement]The projects listed below are eligible for the loan. Visit the JHF website for details.                             <ul style="list-style-type: none"> <li>① Condominium rebuilding project</li> <li>② Joint rebuilding project</li> <li>③ Rental structure rebuilding project</li> <li>④ Comprehensive design and coordinated rebuilding project</li> <li>⑤ Rebuilding project to comply with district plan, etc.</li> </ul> </li> <li>●[Structural Requirement]Projects must meet all the following conditions. Visit the JHF website for details.                             <ul style="list-style-type: none"> <li>① The ratio of total area of the residential portion must exceed 50 percent of the total building area.</li> <li>② The building must be either a fireproof or semi-fireproof structure.</li> <li>③ More than 50 percent of the legal floor-area ratio must be used.</li> <li>④ The floor area per residential unit must be 30m<sup>2</sup> or more and 280m<sup>2</sup> or less.</li> <li>⑤ It must comply with the technical requirements provided by JHF.</li> </ul> </li> </ul>
Loan Amount	Eligible Project Cost	<ul style="list-style-type: none"> <li>●Survey, design and planning cost, land or leasehold acquisition cost, construction cost, repair cost, contribution of participating members, etc.</li> <li>※The purchase fund is available for projects for which the purchaser is originally planning to obtain it from the beginning of the project.</li> </ul>
	Maximum Loan Ratio	<ul style="list-style-type: none"> <li>●100% of the eligible project cost (Projects have JHF screening after loan applications and the loan amount may not be the expected following the screening of the evaluation of collateral, etc.)</li> <li>※The loan amount is in units of 100,000 yen and at least one million yen</li> </ul>
Interest Rate	Interest-Rate Level	<ul style="list-style-type: none"> <li>●0.99%</li> <li>※The interest rate is reviewed monthly. The rate above is as of April 1, 2014. Visit the JHF website for the latest rate.</li> </ul>
	Interest-Rate Decision	<ul style="list-style-type: none"> <li>●The interest rate is that of the date of the fund delivery. (However, the interest rate at the time of refinancing applies when refinancing by renewing the bill.)</li> <li>※The interest rate applies until the delivery date of the second half in April of the following fiscal year to that of the fund delivery (as designated by JHF). However, in case of refinancing, it applies until one day before the delivery of the second half in April of the following year.</li> <li>※The interest rate after refinancing applies until the date of the fund delivery in the second half in April in the following fiscal year to that of the refinancing. (In case of further refinancing, it applies until one day before the delivery of the second half in April.)</li> </ul>
Loan Repayment maturity		<ul style="list-style-type: none"> <li>●The date is within two years of completion of the building and designated by JHF in accordance with each project.</li> </ul>
Loan Repayment Method		<ul style="list-style-type: none"> <li>●The principal and interest are repaid on the date designated by JHF upon discussion with JHF in accordance with the transfer condition of the site and floor space retained by the project execution body, etc.</li> <li>The repayment amount is calculated by JHF based on the sales price of the housing units subject to the loan (sales price when JHF approved the project plan and consumption tax is included) multiplied by the loan ratio<sup>*1</sup> and the repayment ratio<sup>*2</sup> set individually based on the JHF calculation and in accordance with the number of sold units ("50% + (loan ratio (%) - 50%) x 2" until 30% of housing units subject to the loan are sold<sup>*3</sup> *4 and the same ratio as the loan ratio after 30% is sold in principle). Contact JHF for details.                             <ul style="list-style-type: none"> <li>*1 The loan ratio is the ratio of the JHF loan amount to the total sales price of housing units (consumption tax included) subject to the loan when JHF approved the project plan.</li> <li>*2 The repayment ratio refers to the ratio of repayment amount to the sales price of housing units (consumption tax included) subject to the loan when JHF approved the project plan.</li> <li>*3 The repayment ratio is 100% when the loan ratio is 75% or more and the same as the loan ratio when the loan ratio is below 50%.</li> <li>*4 When there is minimal concern over repayment because of the debt guarantee by companies in good standing and provision of a separate mortgage, the loan ratio can be the repayment ratio.</li> </ul> </li> <li>●The principal and interest are to be paid in lump sum on the date in April designated by JHF every year. If lump-sum repayment is not possible because the project period exceeds the repayment date, the bill can be renewed on the repayment date for refinancing to continue borrowing. When refinancing on the repayment date, the loan shall be repaid with the loan based on the loan commitment of the following fiscal year on the repayment (refinancing) date. The accrued interest shall be paid on the same date or added to the principal. Contact JHF for the specific repayment amount and other details.</li> </ul>
Repayment Resources: Examples		<ul style="list-style-type: none"> <li>●The sales proceeds of the site and floor space retained by the project execution body, settlement money of right holders, subsidies, etc.</li> </ul>
Loan Contract Form		<ul style="list-style-type: none"> <li>●Promissory note</li> </ul>
Collateral		<ul style="list-style-type: none"> <li>●The first fixed mortgage shall be imposed on the land and building and the first pledge and assignment security right, etc. shall be imposed on the claims of the project executing body for JHF. It is individually consulted based on the project contents. The expense of imposing a mortgage (registration license tax and fees for judicial scrivener, etc.) shall be borne by the borrower.</li> </ul>
Surety		<ul style="list-style-type: none"> <li>●Following loan screening, the borrower may be required to obtain surety with sufficient guarantee capacity.                             <ul style="list-style-type: none"> <li>※An individual can serve as the cosigner only when the applicant is the operator of the corporation.</li> <li>※When a corporation serves as the cosigner, guarantees of guarantee agencies approved by JHF at the time of application are available in addition to a eligible corporation.</li> <li>※A guarantee fee must be paid to a guarantee agency.</li> </ul> </li> </ul>
Building Technical Requirement		<ul style="list-style-type: none"> <li>●The building must satisfy the technical requirements provided by JHF. (Visit the JHF website for details.)</li> <li>※The building needs to be inspected by a conformance certifying agency and inspection fees are levied. The fees differ according to the conformance certifying agency.</li> </ul>
Fire Insurance		<ul style="list-style-type: none"> <li>●The building shall have fire insurance when JHF deems it necessary. (The first pledge is imposed on the right to claim insurance money for JHF when it deems the pledge necessary.)</li> <li>※Fire insurance premiums shall be borne by the borrower.</li> </ul>
Fees for Partial Advanced Payment		<ul style="list-style-type: none"> <li>●¥5,250</li> </ul>
Fees to Change Repayment condition		<ul style="list-style-type: none"> <li>●¥5,250</li> </ul>

※ JHF screens loan applications based on its own procedures and there may be cases in which applicants' expectations are not satisfied following the screening.

(Note) The guarantee agencies approved by JHF as of April 1, 2014, and their fees are listed below:

・ Shutoken Funen Kenchiku Kosha and Jutaku Kaiyo Kaihatsu Kosha: 1% of loan amount p. a. (paid annually)

・ Zenkoku Shigaichi Saikaihatsu Kyokai: 0.2 to 0.75% of loan amount p. a. (paid annually) (There are other requirements to be guaranteed.)

# Product outline of Loans for Construction of Rental Housing

As of April 1, 2014

<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>● Up to 100% of the cost of construction projects eligible for the loan (in units of ¥100,000)</li> <li>※ The expectations of the applicants may not be met following screening of land and building evaluation and balance of payments plan, etc.</li> </ul>
<b>Loan Period</b>	<ul style="list-style-type: none"> <li>● Within 35 years (in one-year units)</li> <li>※ A one-year principal repayment deferment period (payment of interest only) can be set from the date of loan delivery for loans for serviced rental housing construction for the elderly. (The repayment period is not extended.)</li> </ul>
<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>● There are two schemes – 35-year fixed interest rate or 15-year fixed interest rate.</li> <li>● The borrowing rate differs between the two schemes above.</li> <li>● The borrowing interest differs when the advanced repayment scheme is used.</li> <li>※ The borrowing interest is determined about two months after the end of the acceptance period.</li> <li>※ The interest-rate scheme cannot be changed after application.</li> <li>※ When an applicant chooses a 15-year fixed interest rate, the subsequent rate is reviewed 15 years after concluding the contract. The interest rate for the remaining repayment period is fixed after review and the rate for the shortest fixed period (although it needs to exceed the repayment period) among JHF interest schemes at the review is applied.</li> <li>※ 35-year fixed interest rate and 15-year fixed interest rate can be combined.</li> <li>※ Visit the JHF website or JHF office for details of the borrowing interest.</li> </ul>
<b>Repayment Method</b>	<ul style="list-style-type: none"> <li>● Equal monthly instalments of the principal and interest or equal monthly instalments of the principal.</li> </ul>
<b>Collateral</b>	<ul style="list-style-type: none"> <li>● A first mortgage shall be imposed on the building and site subject to the JHF loan.</li> <li>※ Another mortgage may be requested in addition to the building and site subject to the loan following the screening of land and building evaluation and balance of payments plan, etc.</li> <li>※ The expense of imposing a mortgage (registration license tax and fees for judicial scrivener, etc.) shall be borne by the borrower.</li> </ul>
<b>Surety</b>	<ul style="list-style-type: none"> <li>● The borrower must have an individual (limited to the operator of the corporation when the applicant is a corporation) or corporate cosigner with sufficient guarantee capacity.</li> <li>※ The cosigner in the application may not be approved following JHF screening.</li> <li>※ When a corporation serves as the cosigner, guarantee of guarantee agencies approved by JHF at the time of application is available in addition to an eligible corporation. (A guarantee fee is required separately to use a guarantee agency. Rejection is possible following screening by the guarantee agency. See the Reference at the end of the Guide to Loans for Rental Housing to check the guarantee agencies approved by JHF.)</li> <li>※ No cosigner is required for loans to construct serviced rental housing for the elderly (communal facility type.)</li> </ul>
<b>Fire Insurance</b>	<ul style="list-style-type: none"> <li>● The building subject to the loan shall have fire insurance that satisfies JHF requirements and a first pledge shall be imposed on the right to claim insurance money or mutual aid money for JHF.</li> <li>※ The insurance that satisfies JHF requirements refers to fire insurance or fire mutual aid fire insurance that satisfy the requirements.</li> <li>※ The fire insurance premium shall be borne by the borrower.</li> </ul>
<b>Property Inspection</b>	<ul style="list-style-type: none"> <li>● The building shall have design and completion site inspections by a conformance certifying agency.</li> <li>※ The property inspection fees shall be borne by the borrower. (The fees differ according to the conformance certifying agency.)</li> </ul>
<b>Fees to Change Repayment Method</b>	<ul style="list-style-type: none"> <li>● ¥5,250 (tax included) is charged per change.</li> <li>※ When 35- and 15-year fixed interest rates are combined, the fees are charged for each interest scheme for which the borrower expects to change the repayment conditions.</li> </ul>
<b>Fees for Advanced Payment</b>	<p>[Advanced payment of total loan amount] No fees needed.</p> <p>[Advanced payment of partial loan amount] Fees differ according to the repayment scheme.</p> <ul style="list-style-type: none"> <li>· The amount of monthly instalments is unchanged after advanced payment and the borrowing period is shortened: ¥3,150 (tax included)</li> <li>· Cases other than above: ¥5,250 (tax included)</li> </ul> <li>※ When 35- and 15-year fixed interest rates are combined, the fees are charged for each interest scheme of advanced payment.</li>
<b>Receiving Fund</b>	<ul style="list-style-type: none"> <li>● The fund can be received in portions when construction commences (within 30%), completion of roof work (within 30%), and completion (within 30%) and final payment.</li> <li>※ The amount of intermediate fund when construction commences and on completion of roof work depends on the land evaluation value by JHF.</li> <li>※ The fund cannot be received in the case of loans to construct serviced rental housing for the elderly unless the housing is registered as such pursuant to Article 5.1 of the Act to Secure a Stable Supply of Elderly Persons' Housing (Law No. 26 of 2001, hereinafter referred to as the "Act on Elderly Housing".)</li> </ul>
<b>Loan Charges</b>	Not needed
<b>Compliance of Beginning of Construction</b>	<ul style="list-style-type: none"> <li>● The loan commitment may be canceled if the construction does not start by the time limit, and JHF sees no rational reason for it.</li> </ul>
<b>Registration of Serviced Housing for the Elderly</b>	<ul style="list-style-type: none"> <li>● To borrow loans to construct serviced rental housing for the elderly, all the units of the housing subject to the loan must be registered as such pursuant to Article 5.1 of the Act on Elderly Housing and a copy of the document confirming completion of registration shall be submitted to JHF before submitting the construction agreement on completion of the construction (or at the application to provide initial intermediate funds when fund payment is requested.)</li> <li>● When borrowing loans to construct serviced rental housing for the elderly, the registration as such needs to be renewed every five years pursuant to Article 5.2 of the Act on Elderly Housing for all the housing units subject to the loan and a copy of the document confirming completion of the renewal shall be submitted to JHF immediately after the renewal until the repayment is completed.</li> </ul>
<b>Contract with Residents of Serviced Rental Housing for the Elderly</b>	<ul style="list-style-type: none"> <li>● When borrowing loans to construct serviced rental housing for the elderly, the contract concerning the residency of all the units of the rental housing subject to the loan shall be a building lease contract and no other type of contract can be concluded until the loan repayment is completed.</li> </ul>
<b>Submission of Income-Tax Returns</b>	<ul style="list-style-type: none"> <li>● Applicants (cosigners also included hereinafter) for loans must submit the following document to JHF every year at its request (third parties commissioned by JHF included hereinafter.) The document concerns the "applicant" and the "corporation he/she operates" when he/she is an individual and "applicant", "representative of the applicant" and "corporations operated by the applicant's representative" when it is a corporation.</li> <li>When JHF requests a survey or report on the matters, the request shall be met immediately.</li> <li>· Copy of corporate financial statements (set of balance sheet, profit-and-loss statement, and statement of account items, etc.)</li> <li>· Copy of income-tax returns or corporate-tax returns with receipt seal of the taxation office</li> <li>· Copy of repayment schedule for any loans other than JHF loans</li> <li>· Survey report on the project of the building for which the loan is provided</li> <li>· Other document designated by JHF</li> </ul> <p>The above documents must be submitted to JHF also by the business operator that leases the entire building or service provider.</p>

## Product outline of Loans to Renovate Shared Parts of Condominiums [for condominium associations (in the case of Condominium Management Center Guarantee\*)]

\*To apply for this loan, it is required to be guaranteed by a guarantee institution or individuals recognized by JHF  
(Visit the JHF website for details)

As of April 1, 2014

Purpose	●Fund for condominium associations to reform shared parts of condominium
Loan Amount	●Lower amount of 80% of construction cost or ¥1.5 million (¥5 million for earthquake resistant improvement work)×the number of housing units (in unit of ¥0.1 million. ¥1 million as the minimum (less than ¥0.1 million is rounded off). Note that monthly repayment amount should be 80% or less of monthly-accumulated funds for future extensive repairs. ※If repaying other loans at the same time, the total amount of repayment including this loan should be 80% or less of monthly-accumulated funds for future extensive repairs. ※Visit the JHF website for details.
Repayment Period	●Between 1 year and 10 years (in unit of a year)
Interest Rate	●fixed-rate interest that is applicable at the time of application ※Regarding the interest rate, please visit the JHF website.
Repayment Method	●Equal monthly instalments of the principal and interest or equal monthly instalments of the principal.
Mortgage	●Not needed
Surety	●Guarantee institution that JHF recognizes (Condominium Management Center) ※Guarantee fees are requested. Visit the JHF website for details.
Fire Insurance	●Insurance and pledge are not needed.
Submission of completion report	●After the completion of the construction work, please submit the completion report on reform of shared parts to JHF.
Receiving Fund	●It takes around 1 to 1.5 months after conclusion of loan agreement following the completion of the construction work.
Loan Charges	●Not needed.
Prepayment penalty	[Prepayment of all amount of loans] ●No fees are required. [Prepayment of a part of loans] ●Amount of fees depends the way of prepayment · Shortening redemption period without changing the amount of monthly installment after prepayment: ¥3,150 · Others: ¥5,250

# Corporate Data

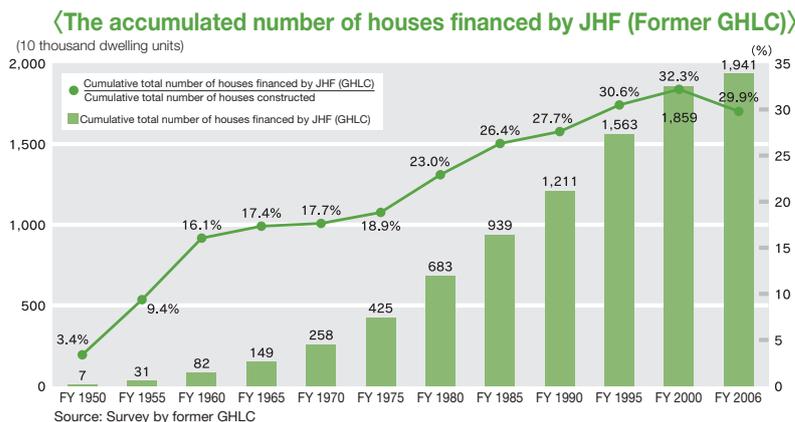
## History of Former GHLC and JHF

Year	Historical matter	Year	Historical matter
June 1950	Establishment of the GHLC, and launch of loan scheme for owner-occupied and rental houses	February 2010	Expansion of the range of interest rate reduction in Flat 35S for the first 10 years ( $\Delta 0.3\% \rightarrow \Delta 1.0\%$ ) (until the end of September 2011, as a provisional measure)
March 2001	Launch of MBS (Mortgage Backed Securities) issuance	May 2011	Expansion of loans for recovery from disasters and loan modification for the people affected by the Great East Japan Earthquake (e.g. 0% of interest-rate for the first 5 years, a grace period for repayment, etc.)
October 2003	Launch of securitization business (Purchase Program) (the current "Flat 35 (Purchase Program)")	November 2011	Launch of a loan program for serviced rental housing for the elderly
October 2004	Launch of securitization business (Guarantee Program) (the current "Flat 35 (Guarantee Program)")	December 2011	Expansion of interest-rate reduction for the first 5 years for housing with high energy-saving performance concerning Flat 35S ( $\Delta 0.3\% \rightarrow \Delta 0.7\%$ ( $\Delta 1.0\%$ for the disaster-affected area )) (until the end of October 2012, as a provisional measure)
June 2005	Launch of support scheme to facilitate for acquiring high-quality housing through the securitization business (Purchase Program) (the current "Flat 35S")	April 2012	Commencement of the second mid-term target period (5 years until March 2017)
July 2005	Promulgation of JHF Law		
September 2006	Launch of general collateral bonds issuance		
April 2007	Abolition of GHLC Establishment of JHF Commencement of the first mid-term target period (5 years until March 2012)		
June 2009	Launch of Flat 35S 20-year interest rate reduction (the service is currently terminated)		

## (Reference) Roles Former GHLC has Played

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

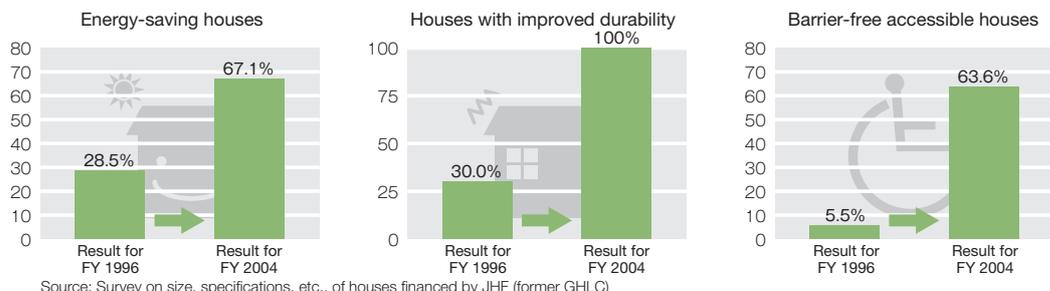
The achievements of Former Government Housing Loan Corporation loans reached 19.41 million dwellings for 57 years from its establishment in 1950 to its closure by the end of FY 2006. This accounts for approximately 30% of dwellings built after World War II.



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

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

### <Increase of good quality houses financed by Former GHLC>



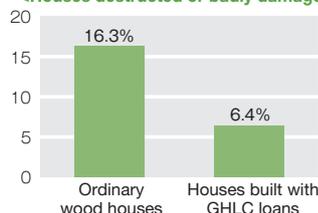
### Proven strength: Former GHLC financed houses survived the Great Hanshin-Awaji Earthquake.

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

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

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

### <Houses destructed or badly damaged>



# Executives and Organization Chart

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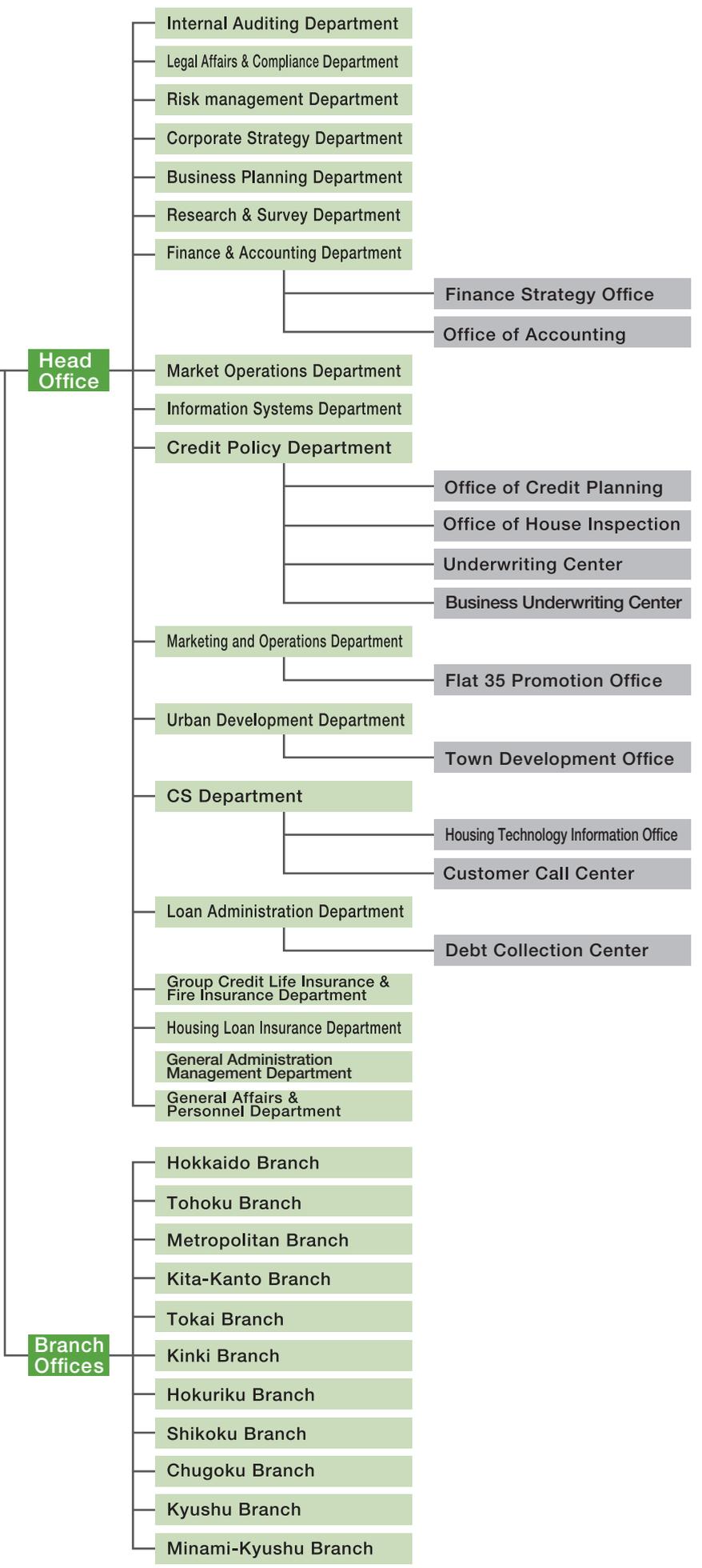
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Executives	
President	: Shinya Shishido
Senior Executive Vice President	: Masato Koumura
Senior Executive Director	: Yuji Sudo
Senior Executive Director	: Hideyuki Juge
Senior Executive Director	: Takeshi Isokawa
Senior Executive Director	: Tsutomu Sakamoto
Senior Executive Director	: Toshihiko Anzai
Senior Executive Director	: Kimio Watanabe
Auditor General	: Hiroaki Kubota
Auditor General	: Hiroyuki Tanahashi
Auditor General	: Kazukiyo Yamashina



(As of July 1, 2014)

## For Inquiries:

### ■ Customer Call Center

Hours: 9:00 – 17:00

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

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

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

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

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

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

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

### ■ JHF website

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

## Head Office and Regional Offices

(As of July 1, 2014)

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