

Japan Housing Finance Agency (Incorporated Administrative Agency)  
(Account for Housing Loans, etc.)

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1. Summary of operations implemented using FILP funds

Japan Housing Finance Agency provides loans to disaster-affected persons (post-disaster housing reconstruction loans) to reconstruct disaster-affected housing and loans to persons implementing seismic retrofitting work (seismic retrofitting work loans, landslide-related housing loans and residential disaster prevention work loans (hereinafter referred to as "disaster prevention loans")).

Note: Non-FILP operations include securitization support (guarantee-type), housing loan insurance, provision of housing loans (other than post-disaster housing reconstruction and disaster prevention loans).

2. Amount of lending under FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
34.9	1,142.4

(Outstanding FILP loans at the end of FY2021 include those other than post-disaster housing reconstruction and disaster prevention loans)

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-2.0	-0.5	+1.5
3. Opportunity cost of capital investments, etc.	38.2	37.5	-0.7
<b>Total (1+2+3=policy cost(A))</b>	<b>36.2</b>	<b>37.0</b>	<b>+0.8</b>
Analysis period (years)	40 years	40 years	-

(2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	36.2	37.0	+0.8
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	6.2	6.7	+0.5
2) Policy cost expected to be newly accrued during the analysis period	30.0	30.3	+0.3
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-2.0	-0.5	+1.5
Opportunity cost of surplus, etc.	32.0	30.8	-1.2
Opportunity cost of capital investments, etc.	-	-	-

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	36.2	37.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	34.3	32.7	-1.6
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to interest rate gap for new loans provided in FY2022 (+0.7 billion yen)
- Others (Increase in administrative cost due to new loans, etc.) (+0.4 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to decrease in loan losses (-2.5 billion yen)
- Decrease in cost due to finalization of FY2020 results and revision of FY2021 projections (-0.2 billion yen)

(4) Breakdown of policy cost by causative factor (Unit: billion yen)

(A) Policy cost in FY2022 (previously cited)	37.0
1) Prepayments	-7.2
2) Loan losses	29.0
3) Others (including profit spread)	15.2

(5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy*2	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
37.0	36.9	-0.1	-	-0.5	+0.4

(A) Policy cost (previously cited)	Case of a 1% increase in loan write-offs	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
37.0	37.3	+0.3	-	-0.1	+0.4

(Note) Components in each column may not add up to the total because of rounding.

\*1 Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

\*2 Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

#### 4. Outline of estimation and project prospect employed in the analysis

- 1) Post-disaster housing reconstruction and disaster prevention loans based on the FY2022 business plan are subjected to the estimation.
- 2) Public works subject to estimation: None
- 3) Size of operations subjected to estimation: Outstanding loans at the end of FY2020 at 291.3 billion yen, loans planned in FY2021 at 43.1 billion yen, loans planned in FY2022 at 34.9 billion yen
- 4) Analysis period: 40 years to FY2061 when longest loans will be collected
- 5) Plans for collecting new loans are based on those for collecting existing loans.
- 6) As for prepayments and loan write-offs, amounts calculated based on past results are used for estimation.

(Unit : %)

FY	Result							Estimated	Planned	Assumptions for calculation		
	2014	2015	2016	2017	2018	2019	2020			2021	2022	2023
Prepayment ratio	1.66	1.86	2.60	3.19	2.64	2.24	1.71	3.63	3.62	3.64	3.65	3.67
Loan write-off ratio	0.01	0.01	-	0.01	0.01	0.01	0.02	0.12	0.27	0.46	0.64	0.79

FY	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Prepayment ratio	3.74	3.84	3.84	3.83	3.82	3.82	3.82	3.82	3.81	3.81	3.81	3.81
Loan write-off ratio	0.93	1.01	1.10	1.19	1.27	1.40	1.49	1.56	1.63	1.70	1.89	1.95

FY	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Prepayment ratio	3.81	3.81	3.81	3.83	3.84	3.87	3.90	3.94	3.99	4.06	4.49	5.02
Loan write-off ratio	1.99	2.04	2.07	2.05	2.10	2.05	2.01	1.97	1.91	1.97	1.90	1.85

FY	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061
Prepayment ratio	4.51	3.57	3.50	3.38	3.17	2.67	2.62	3.48	3.32	3.00	2.10	0.52
Loan write-off ratio	1.85	1.89	2.03	2.28	2.86	3.57	3.86	4.30	5.10	7.00	9.91	-

#### 5. Reasons for granting of subsidies, mechanism and underlying laws

(Reason)

•The Japan Housing Finance Agency is required to implement the disaster restoration housing loan program to quickly provide low-interest loans to disaster-affected people to support the prompt restoration of disaster-damaged housing. It is also required to implement the disaster prevention loan program to provide low-interest loans to support the promotion of disaster prevention and reduction measures for housing.

In order to accomplish this mission the JHF strives to smoothly implement housing loans for post-disaster reconstruction by receiving capital investment from the general account and utilizing investment profits.

(Underlying laws and regulations)

•The investment is stipulated under (Article 6 of) the Incorporated Administrative Agency Japan Housing Finance Agency Act.

Article 6-2: The Government may make an additional contribution to the Agency within the amount designated by the budget thereto if such contribution is considered to be required.

In the event of such contribution, the Government shall disclose the amount of the fund so contributed if such contribution as a whole or in part is to be appropriated for the provident fund for the interest fluctuation as set forth under Article 25, Paragraph 1 hereof.

Article 6-3: The Agency, upon such contribution provided in the foregoing made by the Government, shall increase the stated capital of itself with the fund so contributed.

•Payment to the national treasury is stipulated under (Article 18 of) the Incorporated Administrative Agency Japan Housing Finance Agency Act.

Article 18-3: In the event of surplus realized after subtracting the approved amount provided under the preceding two paragraphs from the amount of the reserve funds provided under paragraph 1, the Agency shall pay such surplus to the national treasury

#### 6. Special remarks

1) This analysis covers post-disaster housing reconstruction loans (accepted from FY2005) and disaster prevention loans (accepted from November 2016).

2) The Japan Housing Finance Agency was established on April 1st, 2007 following the winding-up of the Housing Loan Corporation pursuant to the Incorporated Administrative Agency Japan Housing Finance Agency Act (Act No. 82 of 2005).

#### (Reference) Outcome and social and economic benefits of operations

[Housing loans for post-disaster reconstruction]

1) Actual loans

230,873 houses, 2.1351 trillion yen (as of the end of FY2021; on a contractual basis)

2) Long-term fixed-rate low-interest loans for disaster victims

○Supply of long-term fixed-rate low-interest loans to disaster victims immediately following the occurrence of disaster in order to support early reconstruction of disaster-affected housing

3) Disasters targeted by housing loans for disaster victims

○Targeting disasters that caused damage at or above specific levels stipulated in the National Disaster Act (until FY2008)

○Providing loans for post-disaster reconstruction soon after a disaster occurs, irrespective of levels of the disaster that caused damage, thinking of disaster situations and social conditions in recent years. (after FY2009)

4) Response to the Great East Japan Earthquake

○Housing loans for post-disaster reconstruction related to the Great East Japan Earthquake

20,730 houses, 358.2 billion yen (as of the end of FY2021; on a contractual basis)

<Trend of contracts (last 10 years)>

(Unit: houses or million yen)

FY	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of houses	4,511	3,200	2,136	1,805	2,893	2,284	2,638	2,162	1,470	895
Sum	70,507	57,807	40,357	34,111	45,331	36,683	34,059	28,848	24,669	17,169

[Disaster Prevention loans]

1) Actual loans

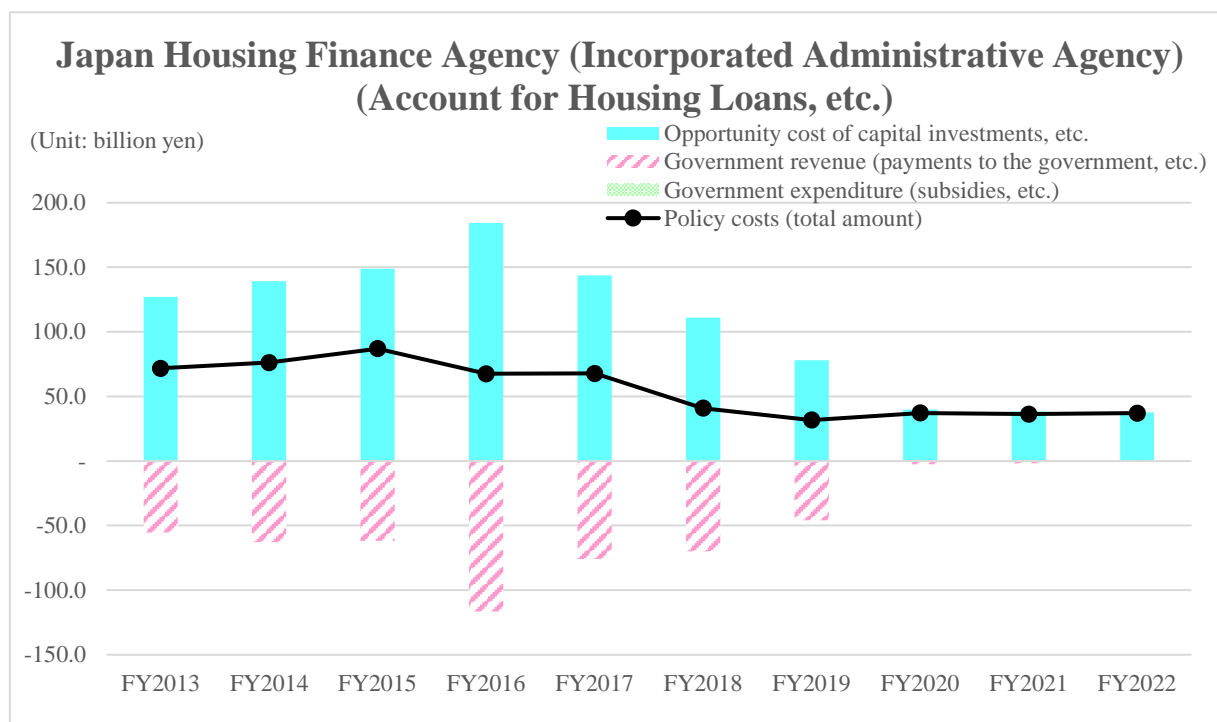
6,740 houses, 6.7 billion yen (as of the end of FY2021; on a contractual basis)

2) Long-term, fixed-low-interest loans to persons implementing seismic retrofitting work

○To improve anti-earthquake safety, long-term, fixed-low-interest loans are provided to persons implementing seismic retrofitting work.

# Overview of policy cost analysis results

## [Changes in policy costs]



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

(Unit: billion yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	71.7	76.1	87.0	67.5	67.8	40.8	31.8	37.1	36.2	37.0
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-55.4	-63.0	-61.9	-116.8	-75.9	-70.2	-46.1	-2.6	-2.0	-0.5
Opportunity cost of capital investments, etc.	127.1	139.1	148.9	184.3	143.7	111.0	78.0	39.7	38.2	37.5

### 【Explanation of policy cost trends】

- From FY2012 onward, the policy cost trended upward, reflecting the effects of receiving subsidies under the FY2011 supplementary budget and FY2012 budget due to the response to the Great East Japan Earthquake. However, since peaking in FY2015, the policy cost has trended downward due to a decrease in operations.
- In FY2020, the policy cost turned upward owing to the significant effects of a decrease in the return on investment of surplus funds due to the payment of subsidies to the government in FY2019.

### 【FILP agency's self-assessment of policy cost analysis results (FY2022)】

- The policy cost in FY2022 came to 37.0 billion yen, which was up only 0.8 billion yen from FY2021, remaining almost unchanged from FY2020 and FY2021. The policy cost increase was attributable mainly to drops in average outstanding loans and interest on loans during the analysis period.
- As annual gross profits in the account for housing loans, etc. are expected to remain at 15.0 billion yen or more in FY2021 and FY2022, financial soundness is assessed as having been secured.
- The results of the sensitivity analysis (before the negative interest rate policy) showed a decrease of 0.1 billion yen in the policy cost compared with the basic case owing to an increase in payments to the government due to an increase in the return on investment of surplus funds. Even in a phase of rising interest rates, the impact of a cost increase due to a decline in voluntary prepayments and a subsequent increase in subsidy spending is considered to be small in the sensitivity analysis (case before the negative interest rate policy) because the interest rate sensitivity of borrowers of post-disaster housing reconstruction loans is low.
- The results of the sensitivity analysis (case of a 1% increase in loan write-offs) showed an increase of 0.3 billion yen in the policy cost from the basic case due to an increase in expenses. However, the increase's impact on financial soundness is assessed as minimal.

## (Reference) Financial Statements

## Balance Sheet (Account for Housing Loans, etc.)

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
<b>(Assets)</b>				<b>(Liabilities and net assets)</b>			
Cash and deposits	89,458	112,371	113,045	Borrowings	320,607	343,388	350,649
Cash	0	-	-	Borrowings from government fund for Fiscal Loan	280,607	298,388	305,649
Deposits	79,633	102,224	102,730	Borrowings from private sector	40,000	45,000	45,000
Money on agencies	9,825	10,147	10,315	Borrowings from other accounts	-	29,000	29,000
Money in trust	25,776	24,132	24,260	Bonds	1,002,132	1,037,498	1,166,887
Securities	34,043	27,899	132,968	Loan mortgage bond	11,183	9,822	7,415
Loans receivable	1,482,160	1,573,928	1,638,689	General mortgage bond	566,408	611,268	676,768
Loans receivable from other accounts	160,548	155,048	143,704	Housing and building bond	424,568	416,429	482,720
Other assets	55,313	46,825	32,681	Discount on bond (-)	-28	-22	-16
Claimable assets	5,745	5,520	5,232	Deposited subsidies			
Transferred pension claims	29,910	26,403	23,407	Deposit of subsidies for emergency measures such as housing loans for post-disaster reconstruction, etc.	55,739	51,393	47,163
Accrued income	1,046	1,171	1,224	Other liabilities	34,338	30,193	27,940
Other assets	18,612	13,731	2,819	Accrued expenses	8,327	7,209	7,340
Intangible fixed assets				Advance revenues	21,642	18,522	16,177
Software	2,088	1,770	1,408	Other liabilities	4,204	4,306	4,274
Contra-accounts for guarantee liabilities	128,786	99,901	78,271	Accrued liabilities of other accounts	165	155	149
Allowance for loan losses	-12,145	-11,974	-10,309	Provisions	2,616	2,594	2,288
				Provision for bonuses	146	147	138
				Provision for retirement benefits	2,462	2,441	2,143
				Provision for guarantee charge	7	7	7
				Guarantee liabilities	128,786	99,901	78,271
				(Total liabilities)	1,544,216	1,593,966	1,702,198
				Capital			
				Government investment	50,812	50,812	51,812
				Capital surplus	16	16	16
				Capital surplus	-33	-33	-33
				Other accumulated administrative costs			
				Amount equivalent to accumulated net gains or losses on sale or disposal	50	50	50
				Retained earnings	371,574	385,561	401,060
				Reserve fund carried over from the previous Mid-term objective period	296,927	302,230	301,439
				Reserve fund under Paragraph 2 of Article 18 of the Act on the Japan Housing Finance Agency	38,857	67,856	67,856
				Reserve fund	19,037	-	15,475
				Unappropriated income for the current year	16,754	15,475	16,290
				(Of this, gross profit)	16,754	15,475	16,290
				Valuation and translation adjustments			
				Deferred gains or losses on hedges	-591	-454	-371
				(Total net assets)	421,811	435,935	452,517
Total assets	1,966,028	2,029,901	2,154,716	Total liabilities and net assets	1,966,028	2,029,901	2,154,716

Note: Components may not add up to the total because of rounding.

## Income Statement (Account for Housing Loans, etc.)

(Unit: million yen)

Item	FY2020 (Result)	FY2021 (Estimated)	FY2022 (Planned)
Ordinary income	157,803	155,649	143,379
Profit from fund operation	23,626	23,899	24,978
Insuring profit	126,964	125,053	112,500
Profit from services, trades, etc.	417	460	427
Revenues from subsidies, etc.	4,604	4,604	4,442
Other ordinary income	2,192	1,632	1,031
Ordinary expenses	141,942	141,662	127,879
Fund-raising expenses	9,576	9,363	10,499
Insuring expenses	123,528	120,614	106,089
Expenses for services, trades, etc.	1,749	1,881	1,773
Other operating expenses	362	319	680
Business expenses	6,716	8,621	8,839
Other ordinary expenses	10	864	-
Ordinary profit	15,861	13,987	15,499
Net profit	15,861	13,987	15,499
Reversal of reserve fund carried over from the previous Mid-term Objective period	893	1,489	791
Gross profit	16,754	15,475	16,290

Note: Components may not add up to the total because of rounding.