

Japan Housing Finance Agency (Incorporated Administrative Agency)
(Account for Securitization Support)

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1. Summary of operations implemented using FILP funds

The Japan Housing Finance Agency engages in the securitization support business (purchase type), which takes over loan claims ("Flat 35" long-term, fixed-interest housing loans) in order to support private financial institutions' provision of funds necessary for construction of houses.

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

2. Amount of lending under FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
220.0	537.0

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	138.2	118.9	-19.3
2. Government revenue (payments to the government, etc.)*	-34.7	-18.8	+15.9
3. Opportunity cost of capital investments, etc.	-518.2	-307.9	+210.3
Total (1+2+3=policy cost(A))	-414.6	-207.8	+206.9
Analysis period (years)	36 years	36 years	-

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

Category	FY2022	FY2023	Fluctuation
(A) Policy cost (previously cited)	-414.6	-207.8	+206.9
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	115.4	220.6	+105.2
2) Policy cost expected to be newly accrued during the analysis period	-530.0	-428.4	+101.7
Government expenditure (subsidies, etc.)	138.2	118.9	-19.3
Government revenue (payments to the government, etc.)*	-34.7	-18.8	+15.9
Opportunity cost of surplus, etc.	-633.6	-528.5	+105.0
Opportunity cost of capital investments, etc.	-	-	-

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

		FY2022	FY2023	Simple fluctuation
Policy cost	Simple comparison (before adjustment)	-414.6	-207.8	+206.9
	Past year comparison (after adjustment)	-369.3	-423.4	-54.1
				Real fluctuation (2-1)
				-54.1

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to finalization of FY2021 results and revision of FY2022 projections (+129.2 billion yen)

- Increase in cost due to increase in loan losses (+5.1 billion yen)

- Other (increase in administrative expenses due to new purchases, etc.) (+44.5 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to an interest gap for new purchases in FY2023 (-195.9 billion yen)

- Decrease in cost due to decrease in prepayments (-37.0 billion yen)

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

(A) Policy cost in FY2023 (previously cited)	-207.8
1) Prepayments	317.2
2) Loan losses	304.9
3) Others (including profit spread)	-829.8

(5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*		3. Opportunity cost of capital investments, etc.	
-207.8	-148.5	+59.3	+4.7	+1.7	+52.9				

(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.)*		3. Opportunity cost of capital investments, etc.	
-207.8	-203.6	+4.1	-0.0	-0.0	+4.1				

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

* 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.

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

- 1) Operations subject to the estimation: the securitization support business (purchase type) as a whole, including operations that do not use the FY2023 FILP.
- 2) Public works subject to estimation: None
- 3) Size of operations subject to the estimation: As of the end of FY2021, the outstanding amount of purchased loans was 18,534.6 billion yen. The amount of planned purchases is 2,281.9 billion yen in FY2022 and 2,136.4 billion yen in FY2023.
- 4) Analysis period: 36 years to FY2058 when longest loans will be collected from FY2023.
- 5) Plans for collecting new purchased loans are based on those for collecting existing purchased loans.
- 6) As for prepayments and loan write-offs, the rates estimated based on past results are used as an assumption for the estimation.

	Result					Estimated	Decision	Trial assumption					
	2018	2019	2020	2021	2022			2023	2024	2025	2026	2027	2028
FY	3.91	3.38	3.46	4.00	4.14	2.54	3.61	4.46	4.65	4.57	4.20	3.48	
Prepayment ratio	0.04	0.04	0.03	0.04	0.07	0.10	0.12	0.14	0.16	0.17	0.18	0.19	
Loan write-off ratio													

	Result					Estimated	Decision	Trial assumption					
	2030	2031	2032	2033	2034			2035	2036	2037	2038	2039	2040
FY	2.85	2.38	2.19	2.02	1.74	1.55	1.45	1.32	1.27	1.25	1.28	1.42	
Prepayment ratio	0.19	0.20	0.21	0.22	0.22	0.21	0.21	0.21	0.21	0.21	0.22	0.22	
Loan write-off ratio													

	Result					Estimated	Decision	Trial assumption					
	2042	2043	2044	2045	2046			2047	2048	2049	2050	2051	2052
FY	1.35	1.22	1.27	1.25	1.13	1.02	1.20	1.32	1.63	2.14	2.75	3.11	
Prepayment ratio	0.22	0.23	0.23	0.24	0.25	0.25	0.26	0.28	0.34	0.39	0.44	0.51	
Loan write-off ratio													

	Result					Estimated	Decision	Trial assumption					
	2054	2055	2056	2057	2058								
FY	3.34	2.92	2.03	1.82	1.21								
Prepayment ratio	0.59	0.60	0.71	1.68	-								
Loan write-off ratio													

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

(Reason)

• The Japan Housing Finance Agency is required to implement the "Flat 35" securitization support business (purchase type), which securitizes housing loans purchased from private financial institutions in order to support the provision of long-term, fixed-interest-rate housing loans by private financial institutions. In addition, it receives subsidies, etc. from the General Account in order to implement the "Flat 35" S business, which reduces borrowing interest rates for a certain period of time when "Flat 35" users acquire houses with superior energy-saving performance, under the framework of the securitization support business.

(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.

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.

Article 18-4 Regarding the application of the proviso to Article 44, Paragraph 1 of the Act on General Rules to the accounts related to the operations set out in Paragraph 1 of the preceding article, in the proviso of the same paragraph, where it states "In cases where the funds are allocated for the purpose specified in the same paragraph pursuant to the provisions of Paragraph 3," it shall be amended to read as "in cases where the amount calculated in accordance with the provisions specified by Cabinet Order are paid into the national treasury or allocated for the purpose specified in the same paragraph pursuant to the provisions of Paragraph 3."

Order for Enforcement of the Incorporated Administrative Agency Japan Housing Finance Agency Act

Article 8: The amount calculated (referred to in Article 13 as "the amount that should be paid to the national treasury every business year") in accordance with the provisions specified by the government ordinance for the proviso to Article 44, Paragraph 1, proviso of the Act on General Rules for Incorporated Administrative Agencies, as reinterpreted and applied under the provisions of Article 18, Paragraph 4 of the act for accounts related to the operations set out in Article 17, Paragraph 1 of the Act, shall be obtained by multiplying the remaining amount prescribed in the same paragraph by 90%.

6. Special remarks

- 1) This analysis covers the "securitization support business (purchase type)," which is eligible for FILP.
- 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

[Securitization support business (purchase type)]

1) Records of purchases

Number of houses: 1,286,176 houses Value 34,314.2 billion yen (as of the end of FY2022)

2) Support for the provision of long-term, fixed-interest-rate housing loans by private financial institutions

The Japan Housing Finance Agency provides support for private financial institutions to provide long-term, fixed-interest-rate housing loans by implementing the "Flat 35" business, which securitizes housing loans purchased from them.

3) Support for the dissemination of houses with superior energy-saving performance

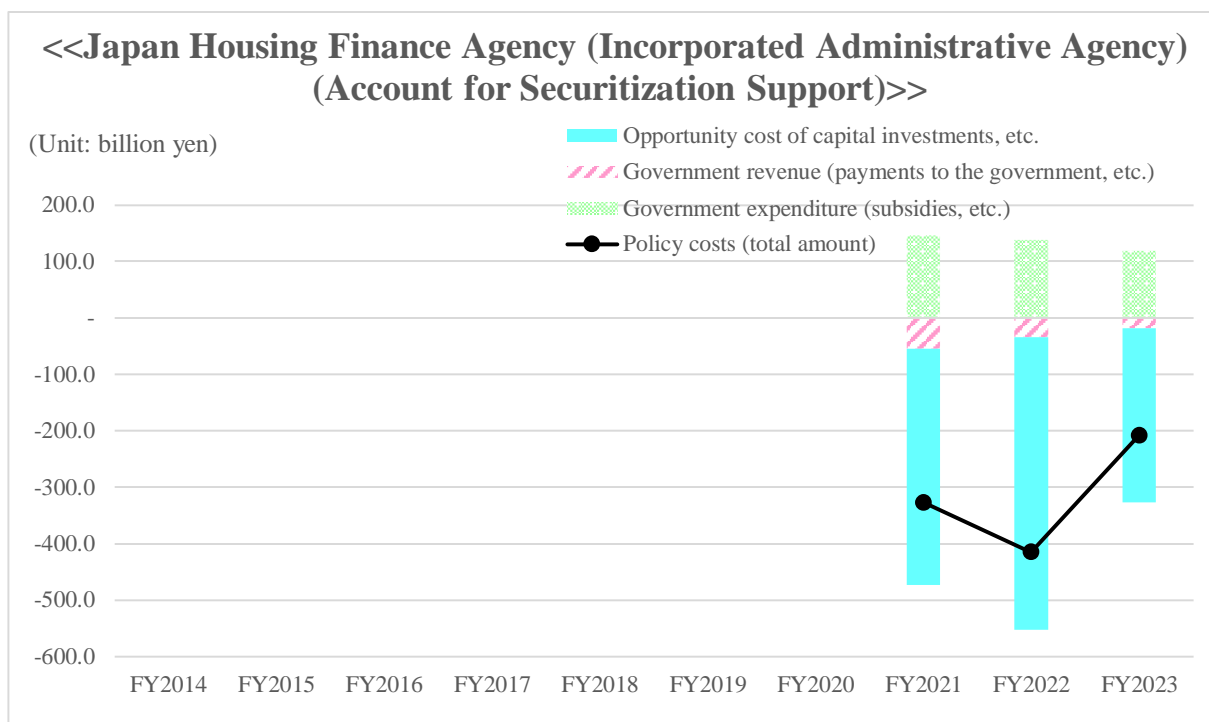
The Japan Housing Finance Agency provides support to promote the spread of houses with superior energy-saving performance through the implementation of "Flat 35" S, which reduces the borrowing rate for a certain period of time when acquiring a house with superior energy-saving performance, and through JHF Green Bonds, targeted at houses that fulfill the energy-saving technology standards from among houses in the "Flat 35" S and other projects.

4) Trend in records of purchases (last 10 years)

	Number of houses	Value (billion yen)
FY2013	72,517	1,855.3
FY2014	64,770	1,672.2
FY2015	85,278	2,344.5
FY2016	116,190	3,201.0
FY2017	87,551	2,515.6
FY2018	76,972	2,273.2
FY2019	76,460	2,325.2
FY2020	71,067	2,201.1
FY2021	61,269	1,918.7
FY2022	46,130	1,509.1

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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)								-327.3	-414.6	-207.8
Government expenditure (subsidies, etc.)								145.8	138.2	118.9
Government revenue (payments to the government, etc.)								-55.2	-34.7	-18.8
Opportunity cost of capital investments, etc.								-417.9	-518.2	-307.9

【Explanation of policy cost trends】

- The policy cost analysis was conducted because FILP (government-backed bonds) funds started to be provided in FY2021.
- In FY2022, the policy cost decreased due mainly to a rise in the interest margin for loan purchases.
- In FY2023, policy cost increased due to an increase in the opportunity cost of capital investments, etc. associated with a rise in assumed interest rate.

【FILP agency's self-assessment of policy cost analysis results (FY2023)】

- The results of the policy cost analysis (FY2023) showed that the policy cost was -207.8 billion yen due to expected stable income, including interest on purchased loans and profits from investment of surplus funds. Therefore, the Japan Housing Finance Agency's assessment is that there is no problem with financial soundness.
- The results of the sensitivity analysis (case of assumed interest rate + 1%) showed that policy cost increased 59.3 billion yen due to an increase in the opportunity cost of capital investments, etc. However, as it is -148.5 billion yen, there is assessed to be no problem with financial soundness.
- The results of the sensitivity analysis (case of a 1% increase in loan write-offs) showed that policy cost increased 4.1 billion yen due to an increase in loan write-off expenses. However, as it is -203.6 billion yen, there is assessed to be no problem with financial soundness.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)	Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)
(Assets)				(Liabilities and net assets)			
Cash and deposits	565,067	949,543	949,642	Borrowings			
Cash	0	-	-	Borrowings from private sector	39,950	68,250	136,550
Deposits	524,027	908,176	915,271	Borrowings from other accounts	202,023	219,178	265,678
Money on agencies	41,040	41,367	34,371	Bonds	17,834,890	18,904,482	19,866,790
Money in trust	63,657	63,894	52,589	Government-guaranteed bonds	220,000	460,000	680,000
Securities	314,638	347,300	402,682	Loan mortgage bond	14,388,518	14,915,239	15,567,673
Purchased loans	18,534,583	19,404,237	20,358,375	General mortgage bond	2,650,653	2,921,653	3,010,153
Other assets	21,143	20,414	20,815	Housing and building bond	575,186	607,099	608,617
Accrued income	12,430	12,927	14,401	Discount on bond	533	491	346
Deferred losses from financial derivatives products	7,465	6,284	5,259	Deposited subsidies	84,707	64,711	54,649
Accrued insurance premiums	12	15	20	Deposited subsidies for the cost of emergency measures for housing finance facilitation	54,292	41,372	37,327
Other assets	862	859	861	Deposited subsidies for projects to develop superior houses, etc.	30,414	23,339	17,322
Accounts receivables in other accounts	373	329	273	Deposit of subsidies for emergency measures such as housing loans for post-disaster reconstruction, etc.	1	0	-
Tangible fixed assets	22,917	23,587	25,438	Other liabilities	177,566	309,499	198,097
Buildings	9,069	9,286	8,783	Accrued expenses	12,231	12,830	15,097
Land	12,869	12,869	12,869	Deferred profits from financial derivatives products	1,544	1,214	933
Construction in progress	721	1,150	3,178	Accounts payable regarding purchased loans	160,382	291,923	178,033
Other tangible fixed assets	257	282	608	Other liabilities	3,215	3,385	3,966
Intangible fixed assets				Accrued liabilities of other accounts	195	147	67
Software	3,818	3,281	6,507	Provisions	6,262	6,063	6,208
Contra-accounts for guarantee liabilities	1,352,387	1,599,694	1,824,293	Provision for bonuses	341	361	368
Allowance for loan losses	-77,436	-83,961	-88,089	Provision for retirement benefits	5,921	5,702	5,840
				Guarantee liabilities	1,352,387	1,599,694	1,824,293
				(Total liabilities)	19,697,785	21,171,877	22,352,265
				Capital			
				Government investment	529,477	524,977	524,977
				Capital surplus	142	142	142
				Capital surplus	-2,857	-2,857	-2,857
				Other accumulated administrative costs			
				Amount equivalent to net gains or losses on sale or disposal	2,999	2,999	2,999
				Retained earnings	573,370	630,993	674,867
				Reserve fund carried over from the previous Mid-term objective period	23,334	22,076	21,280
				Reserve fund under Paragraph 2 of Article 18 of the Act on the Japan Housing Finance Agency	465,962	465,962	465,962
				Reserve fund	-	84,074	142,954
				Unappropriated income for the current year	84,074	58,881	44,671
				(Of this, gross profit)	84,074	58,881	44,671
				(Total net assets)	1,102,989	1,156,112	1,199,986
Total assets	20,800,774	22,327,989	23,552,251	Total liabilities and net assets	20,800,774	22,327,989	23,552,251

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

Income Statement

(Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Ordinary income	279,579	276,415	301,621
Profit from fund operation	233,011	235,850	265,679
Insuring profit	141	182	236
Profit from services, trades, etc.	124	147	171
Revenues from subsidies, etc.	45,548	39,704	35,146
Other business income	39	40	42
Other ordinary income	716	492	347
Ordinary expenses	196,959	218,792	257,746
Fund-raising expenses	122,045	123,180	149,877
Insuring expenses	1,095	2,798	3,060
Expenses for services, trades, etc.	16,890	17,749	18,743
Other operating expenses	8,904	8,556	8,633
Business expenses	13,162	16,863	19,018
Other ordinary expenses	34,863	49,644	58,415
Ordinary profit	82,620	57,623	43,875
Net profit	82,620	57,623	43,875
Reversal of reserve fund carried over from the previous Mid-term Objective period	1,454	1,258	796
Gross profit	84,074	58,881	44,671

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