

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 FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
30.7	555.4

(The projected FILP balance at the end of FY2022 includes the balance of FILP loans 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	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*	-0.5	-2.0	-1.4
3. Opportunity cost of capital investments, etc.	37.5	36.0	-1.5
Total (1+2+3=policy cost(A))	37.0	34.0	-3.0
Analysis period (years)	40 years	40 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)	37.0	34.0	-3.0
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	6.7	12.8	+6.0
2) Policy cost expected to be newly accrued during the analysis period	30.3	21.3	△9.0
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*	-0.5	-2.0	-1.4
Opportunity cost of surplus, etc.	30.8	22.5	-8.3
Opportunity cost of capital investments, etc.	-	0.7	+0.7

(5) Sensitivity analysis (cases where assumptions change) (Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
34.0	31.7	-2.3	-	-2.2	-0.1

(A) Policy cost (previously cited)	Case of a 1% increase in loan write-offs	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
34.0	34.3	+0.3	-	-0.1	+0.4

(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.

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost	Simple comparison (before adjustment)	FY2022	FY2023	Simple fluctuation
		37.0	34.0	-3.0
Past year comparison (after adjustment)		1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)	Real fluctuation (2-1)
		35.3	33.9	-1.4

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to interest rate gap for new loans provided in FY2023 (+0.9 billion yen)
- Others (Increase in cost due to administrative cost from new loans, etc.) (+0.8 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to finalization of FY2021 results and revision of FY2022 projections (-2.0 billion yen)
- Decrease in cost due to decrease in loan losses (-1.1 billion yen)

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

(A) Policy cost in FY2023 (previously cited)	34.0
1) Prepayments	-15.5
2) Loan losses	27.8
3) Others (including profit spread)	21.8

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

- 1) Post-disaster housing reconstruction and disaster prevention loans based on the FY2023 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 FY2021 at 291.7 billion yen, loans planned in FY2022 at 34.9 billion yen, loans planned in FY2023 at 30.7 billion yen.
- 4) Analysis period: 40 years from FY2023 to FY2062 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		
	2015	2016	2017	2018	2019	2020	2021			2022	2023	2024
Prepayment ratio	1.86	2.60	3.19	2.64	2.24	1.71	1.87	3.68	3.67	3.68	3.70	3.73
Loan write-off ratio	0.01	-	0.01	0.01	0.01	0.02	0.02	0.10	0.30	0.53	0.73	0.88

FY	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Prepayment ratio	3.81	3.87	3.87	3.87	3.86	3.86	3.86	3.85	3.85	3.84	3.85	3.85
Loan write-off ratio	1.02	1.10	1.19	1.27	1.35	1.48	1.54	1.59	1.63	1.67	2.00	2.06

FY	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Prepayment ratio	3.84	3.85	3.86	3.88	3.90	3.93	3.97	4.02	4.06	4.46	4.95	4.16
Loan write-off ratio	2.10	2.14	2.11	2.15	2.11	2.08	2.09	2.08	2.03	2.05	1.94	1.95

FY	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062
Prepayment ratio	4.39	3.55	3.47	3.40	3.18	2.68	2.54	3.51	3.34	2.98	1.88	0.57
Loan write-off ratio	1.98	2.08	2.14	2.45	3.07	3.63	4.24	4.75	5.70	8.10	10.83	-

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

231,202 houses, 2,1416 trillion yen (as of the end of FY2022; 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
20,876 houses, 361.4 billion yen (as of the end of FY2022; on a contractual basis)

<Trend of contracts (last 10 years)>

(Unit: houses or million yen)

FY	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of houses	3,200	2,136	1,805	2,893	2,284	2,638	2,162	1,470	895	329
Sum	57,807	40,357	34,111	45,331	36,683	34,059	28,848	24,669	17,169	6,387

[Disaster Prevention loans]

1) Actual loans

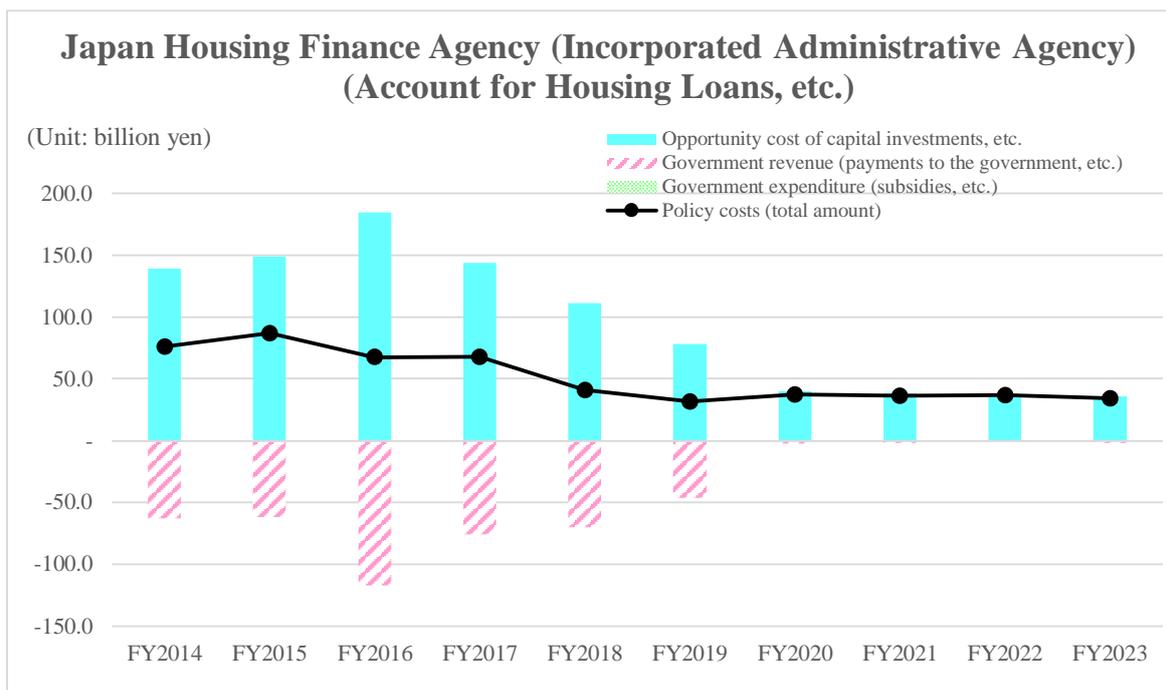
9,051 houses, 8.8 billion yen (as of the end of FY2022; on a contractual basis)

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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)	76.1	87.0	67.5	67.8	40.8	31.8	37.1	36.2	37.0	34.0
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-63.0	-61.9	-116.8	-75.9	-70.2	-46.1	-2.6	-2.0	-0.5	-2.0
Opportunity cost of capital investments, etc.	139.1	148.9	184.3	143.7	111.0	78.0	39.7	38.2	37.5	36.0

【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 (FY2023)】

- Policy cost in FY2023 was 34.0 billion yen, a drop of 3.0 billion yen based on a simple comparison with the previous fiscal year. The main reason for the decrease in policy cost is the increase in the year-end balance of reserves due to an increase in surplus investment profits during the analysis period.
- As annual gross profits in the account for housing loans, etc. are expected to remain at 14.0 billion yen or more in FY2022 and FY2023, financial soundness is assessed as having been secured.
- The results of the sensitivity analysis (case of assumed interest rate + 1%) showed a decrease of 2.3 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 of assumed interest rate + 1%) 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 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	141,464	240,692	242,417	Borrowings	319,425	336,504	341,353
Cash	0	—	—	Borrowings from government fund for Fiscal Loan	274,425	284,004	288,853
Deposits	131,578	232,127	234,258	Borrowings from private sector	45,000	52,500	52,500
Money on agencies	9,885	8,565	8,159	Borrowings from other accounts	29,000	34,000	39,000
Money in trust	23,458	26,172	26,289	Bonds	1,039,267	1,153,835	1,253,963
Securities	27,699	14,181	34,113	Loan mortgage bond	9,937	7,929	2,510
Loans receivable	1,524,719	1,573,181	1,642,509	General mortgage bond	611,268	724,268	759,268
Loans receivable from other accounts	155,048	167,204	208,704	Housing and building bond	418,083	421,654	492,196
Other assets	50,352	44,931	27,849	Discount on bond (-)	-22	-16	-12
Claimable assets	5,381	5,174	4,904	Deposited subsidies			
Transferred pension claims	25,148	21,953	18,962	Deposit of subsidies for emergency measures such as housing loans for post-disaster reconstruction, etc.	51,596	47,492	43,547
Accrued income	1,023	1,151	1,208	Other liabilities	31,505	28,173	26,102
Other assets	18,800	16,653	2,774	Accrued expenses	8,100	7,219	7,292
Intangible fixed assets				Advance revenues	19,025	16,407	14,351
Software	2,204	1,773	5,473	Other liabilities	4,198	4,392	4,325
Contra-accounts for guarantee liabilities	110,490	84,550	65,099	Accrued liabilities of other accounts	183	155	134
Allowance for loan losses	-9,610	-9,246	-8,821	Provisions	2,682	2,303	2,274
				Provision for bonuses	146	137	135
				Provision for retirement benefits	2,532	2,162	2,135
				Provision for guarantee charge	4	4	4
				Guarantee liabilities	110,490	84,550	65,099
				(Total liabilities)	1,583,965	1,686,858	1,771,338
				Capital			
				Government investment	50,812	51,812	53,332
				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	391,484	405,123	419,245
				Reserve fund carried over from the previous Mid-term objective period	302,734	301,944	301,780
				Reserve fund under Paragraph 2 of Article 18 of the Act on the Japan Housing Finance Agency	67,856	67,856	67,856
				Reserve fund	-	20,893	35,324
				Unappropriated income for the current year	20,893	14,430	14,285
				(Of this, gross profit)	20,893	14,430	14,285
				Valuation and translation adjustments			
				Deferred gains or losses on hedges	-454	-371	-300
				(Total net assets)	441,858	456,580	472,293
Total assets	2,025,823	2,143,438	2,243,632	Total liabilities and net assets	2,025,823	2,143,438	2,243,632

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

Income Statement (Account for Housing Loans, etc.) (Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Ordinary income	157,050	157,121	142,768
Profit from fund operation	23,692	23,893	25,895
Insuring profit	125,042	126,642	111,955
Profit from services, trades, etc.	392	427	355
Revenues from subsidies, etc.	4,399	4,269	4,132
Other ordinary income	3,527	1,890	430
Ordinary expenses	137,141	143,481	128,647
Fund-raising expenses	9,239	9,812	10,733
Insuring expenses	118,655	121,307	104,875
Expenses for services, trades, etc.	1,447	1,763	1,692
Other operating expenses	318	585	639
Business expenses	7,393	9,446	9,634
Other ordinary expenses	89	569	1,073
Ordinary profit	19,909	13,640	14,121
Net profit	19,909	13,640	14,121
Reversal of reserve fund carried over from the previous Mid-term Objective period	984	791	163
Gross profit	20,893	14,430	14,285

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