HOUSING WARRANTY SCHEME IN JAPAN PART3

JANUARY 2026

The Foundation for Housing Warranty

Housing Warranty Scheme in Japan

The purpose of this series of notes is to help people who are interested in the housing warranty system in Japan. We hope this will contribute to a mutual understanding of the housing warranty system and housing policies with people outside of Japan. The information described in this booklet is as of September 30, 2025.

Fiscal Year : One year from April to March
Housing business providers include home builders, suppliers or licensed real estate agents

Abbreviation	
AEDWL	Act for Execution of Defect Warranty Liability under HQAA
CHORD	The Center for Housing Renovation and Dispute Settlement Support
HQAA	Housing Quality Assurance Act
HQAS	Housing Quality Assurance System
JPA	Japan Prefabricated Construction Suppliers and Manufacturers Association
LSCF	Large-scale Loss Compensation Fund
MC	Ministry of Construction
MLIT	Ministry of Land, Infrastructure, and Transport and Tourism
OWH	Organization for Housing Warranty
SDS	Security Deposit Scheme

Contents

1-1. Major Defect Liability Insurance Products

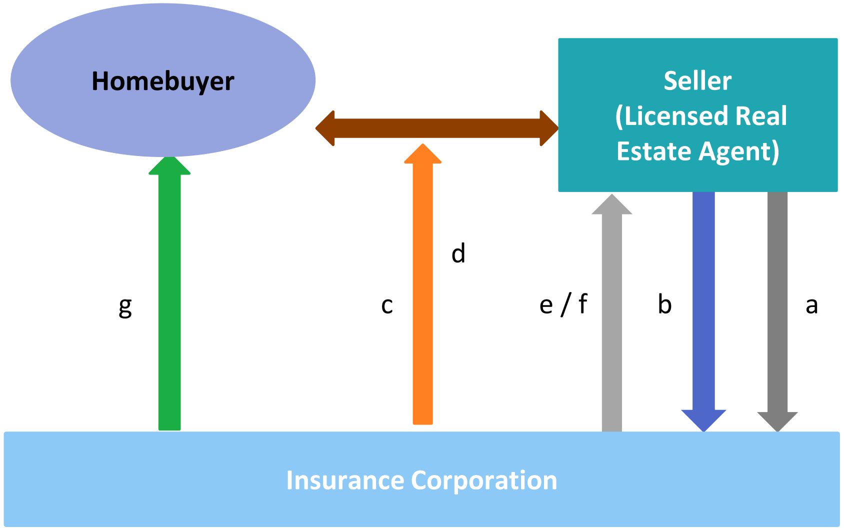
Housing Defects liability insurance have been underwritten by Insurance Corporations.
Insurance Corporations need to obtain permissions to start business from the minister of MLIT in order to conduct business as prescribed in the relevant rule. New housing defect liability insurance is mandatory, therefore, site inspection conducted by the licensed architect is obligatory. As for existing houses resale warranty insurance is voluntary. Products related to existing houses provides warranties provided that the result of inspections meet the criterion set by insurance corporations. Currently, there are five insurance corporations.

Table 1 Name of Insurance Corporation

Insurance Corporation	Organization for Housing Warranty Ltd.	JIO Corporation	Houseplus Co., Ltd.	J-Anshin	House G-men Co., Ltd
Established	2011/05/24	1999/07/01	2008/02/01	1999/06/01	2000/12/01
Paid up Capital (Yen Million)	635	1,000	970	466	300

Source: Websites of Insurance Corporations

Diagram 1 New House Defects Liability Insurance



a. Registration
b. Applying for insurance incl. inspection
c. Inspection
d. Inspection results
e. Insurance contract
f. Insurance payments
g. Direct payments in the event of bankruptcy of contractors

Source: MLIT, 10 years of implementation regarding Defect Liability Insurance (Japanese Only)

1-2. Major Defect Liability Insurance Products

Diagram 2 Existing House Sale Warranty Insurance for real estate agents

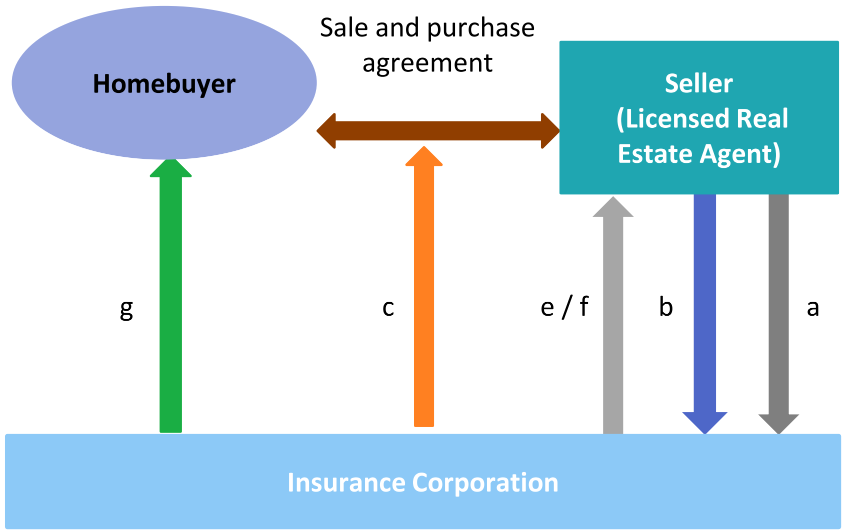


Diagram 3 Existing House Sale Warranty Insurance for transactions between individuals (real estate broker (= the seller) type)

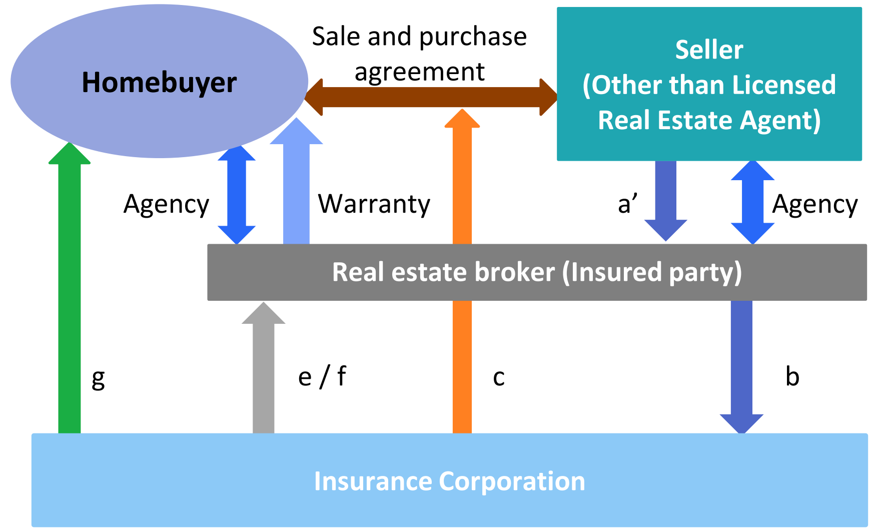
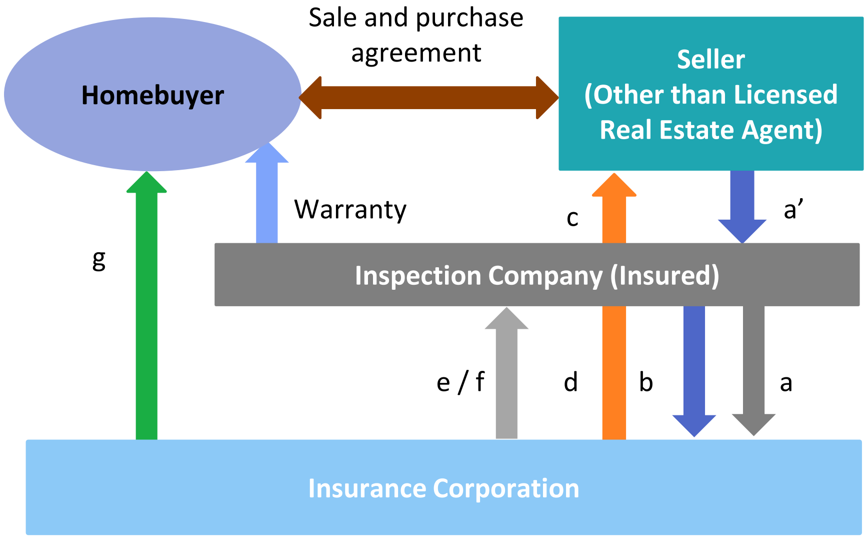


Diagram 4 Existing House Sale Warranty Insurance for transactions between individuals (Inspection Company type)



There are three types of Existing House Sale Warranty Insurance products are marketed:

- A Licensed Real Estate Agent (the seller) is the policy holder
- A Real Estate Broker becomes the policy holder due to trading between individuals
- The Inspection Company becomes the policy holder due to trading between individuals

a. Registration, a’. Request for inspection & warranty
b. Applying for insurance incl. inspection
c. Inspection
d. Inspection results
e. Insurance contract
f. Insurance payments
g. Direct payments in the event of bankruptcy of contractors
h. Maintenance work

Source: MLIT,10 years of implementation of Defect Liability Insurance (Japanese Only)

1-3. Major Defect Liability Insurance Products

Diagram 5 Remodeling Defect Liability Insurance

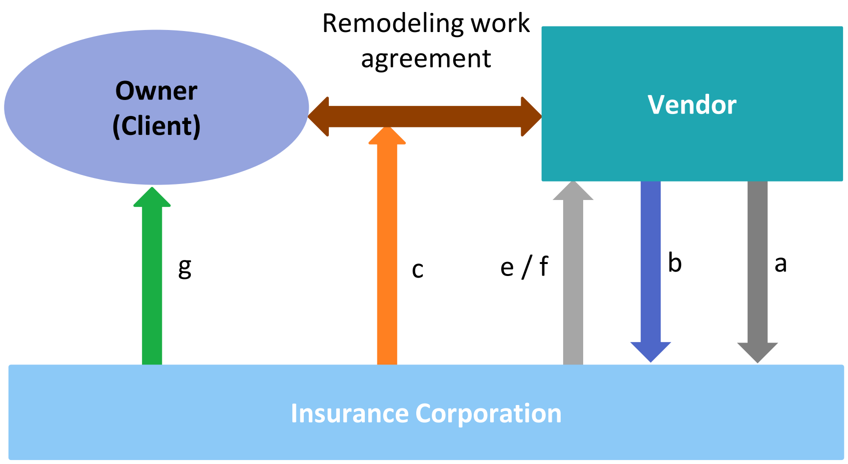
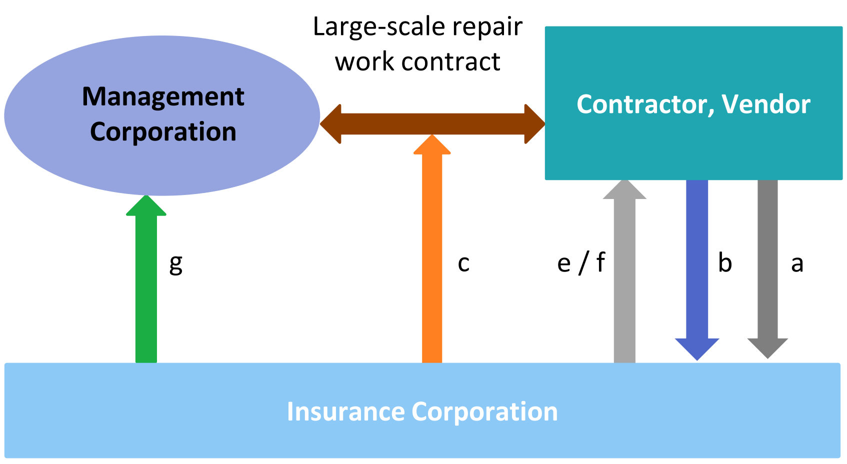


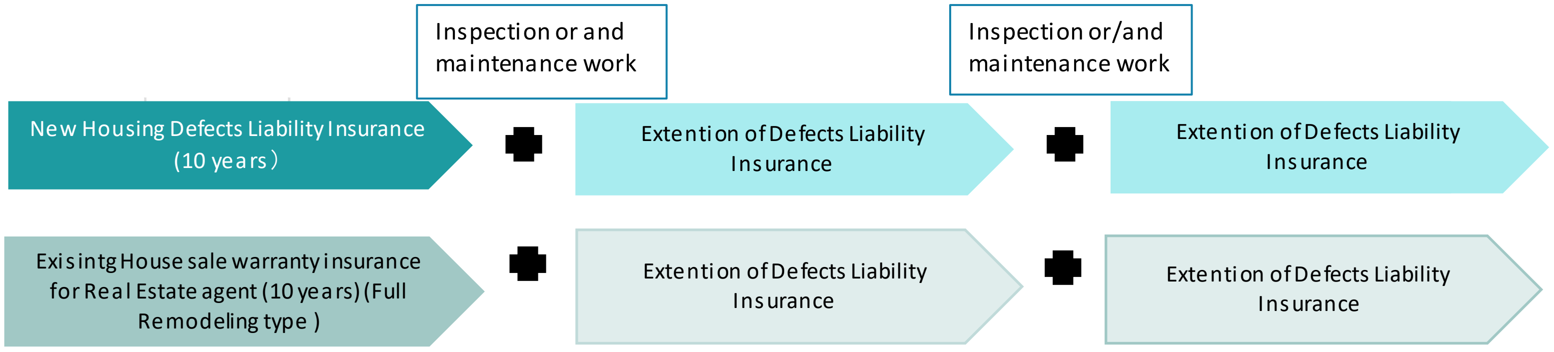
Diagram 6 Large-scale Repair Work Liability Insurance



Source: MLIT,10 years of implementation of Defect Liability Insurance (Japanese Only)

- In 2015, Insurance Corporations started marketing the Extension of New House Defect Liability Insurance.

Diagram 7 Image of Extension of Housing Warranty Insurance



Source : Websites of Insurance Corporations

1-4. Major Major Defect Liability Insurance Products

Table 2 Housing Defect Liability Insurance Products 1

	New Housing Defect Liability Insurance (Compulsory) "Type I"	New Housing Defect Liability Insurance "Type II"	Extension of New Housing Defects Warranty Insurance	Remodeling Defects Liability Insurance
Year approved by MLIT	Oct-09	Oct-09	Apr-15	Mar-10
Mandatory (Y/N)	Mandatory	Voluntary	Voluntary	Voluntary
Policyholder / Insured entities	Licensed Contractors, Suppliers, Licensed Real Estate Agents	Contractor who does not require license, individual who sells newly built house	Houseowners	Remodeling Contractors
Contract insured	Construction Contract, Sale and Purchase Agreement	Construction Contract, Sale and Purchase Agreement	Houses insured by New Housing Defect Liability Insurance which is beyond 10 years	Remodeling contracts
Type of building	Newly build residence	Newly build residence	Existing residence	Existing residence
Registration to Insurance Corporations	Required	Required	Required	Required
Covered area	Major Structural Elements & Parts Preventing Water Ingress	Major Structural Elements & Parts Preventing Water Ingress	Major Structural Elements & Parts Preventing Water Ingress Note1	Major Structural Elements & Parts Preventing Water Ingress Note1
Site Inspection	Required	Required	Required Note 2	Required
Duration	10 years ~20years (Note 5)	10 years	5 years, 10 years	1year-10years (Note 5)
Compensation ratio	80% of insurance amount per one contract (Note 4)	80% of insurance amount per one contract (Note 4)	80% of insurance amount per one contract (Note 4)	80% of insurance amount per one contract (Note 4)
Max amount insured	Regulatory limit: Yen 20 million or Note 5	Regulatory limit: Yen 20 million or Note 5	Yen 1 million, 10 million, 20 million	Yen 1 million to 20 million (Note 5)
Deductible	Yen 100,000	Yen 100,000	Yen 100,000	Yen 100,000

Source: Websites of Insurance Corporations

1-5. Defect Liability Insurance Products

Table 2 Housing Defect Liability Insurance Products 2

	Existing Housing Sale Warranty Insurance			Large-scale repair work liability insurance
	For real estate agent (Seller of the house is real estate broker)	For transactions between individuals (Real Estate BrokerageType)	For transactions between individuals (Inspection Company Type)	
	Dec-09	Apr-16	Jun-10	Dec-09
Mandatory (Y/N)	Voluntary	Voluntary	Voluntary	Voluntary
Policyholder / Insured entities	Licensed Real Estate Agent	Real Estate Broker	Inspection Company	Vendor or Contractor
Contract insured	Sale and Purchase Agreement (existing housing, seller is a licensed Real Estate Agent)	Sale and Purchase Agreement between individuals	Sale and Purchase Agreement between individuals	Repair Contract of common area of apartments
Newly build residence or existing building?	Existing residence	Existing residence	Existing residence	Exsisting (apartments only)
Registration to Insurance Corporations	Required	Required	Required	Required
Covered Area	Major Structural Elements & Parts Preventing Water Ingress Note1	Major Structural Elements & Parts Preventing Water Ingress Note1	Major Structural Elements & Parts Preventing Water Ingress Note1	Major Structural Elements & Parts Preventing Water Ingress Note1
Site Inspection	Required	Required	Required	Required
Duration	2years - 5 years (Note 5)	2years - 5 years (Note 5)	2years - 5 years (Note 5)	1year - 10years (Note 5)
Compensation ratio	80% of insurance amount per one contract (Note 4)	100%	100%	80% of insurance amount per one contract (Note 4)
Max amount insured	Yen 5 million or 10 million per house or housing unit (Note 5)	Yen 5 million or 10 million per house or housing unit (Note 5)	Yen 5 million or 10 million per house or housing unit (Note 5)	Yen 10 million to 500 million (Note 5)
Deductible	Yen 100,000	Yen 50,000	Yen 50,000	Yen 100,000

- Insurance coverage: Repair cost, compensation for damage, Investigation fee, Legal expense, Temporary accommodation and moving cost, etc.
- Insurance premium: Varies depending on insurance corporation

Source: Websites of Insurance Corporations

1-6. Major Defect Liability Insurance Products

Note of Table 2 :
Note 1 Coverage can be extended to facilities depending on contract
Note 2 Implementation of inspection and specified maintenance work requested by insurance corporations
Note 3 Varies depending on insurance corporation
Note 4 if contracts, venders and sellers fall bankruptcy, compensation ratio is 100%
Note 5 Depending on conditions or insurance corporations

Special clause for New Housing Defect Liability Insurance (Type I):

1) Transferability of contract - In the even the deed of transfer is attached to the New Housing Defect Liability Insurance(Type I), when the house owner sells the house, the buyer of the house can succeed the insurance policy from the seller.
2) Uneven subsidence - In case occurrence of uneven subsidence, house owner can receive additional insurance payments. Uneven subsidence means where the amount of subsidence differs depending on the foundation, causing the building to tilt or sink unevenly.
3) Compensation for water supply and drainage pipes – In the case defects of water supply and drainage pipes occurred, insurance payment can cover by paying additional premium.

Special clause for Extension of New Housing Defect Warranty Insurance:

1. Transferability of contract - In the even the deed of transfer is attached to the Extension of New Housing Defect Warranty Insurance, when the house owner sells the house, the buyer of the house can succeed the insurance policy from the seller.
2. Compensation for defects arising from Remodeling - When the homeowner take out the Extension of New Housing Defect Warranty Insurance, if the house does not comply with the required building criterion because of defects caused by remodeling work, insurance payment can cover these type of defects by paying additional premium.
3. Compensation for water supply and drainage pipes – In the case defects of water supply and drainage pipes occurred, insurance payment can cover by paying additional premium.

2. Other Insurance Products

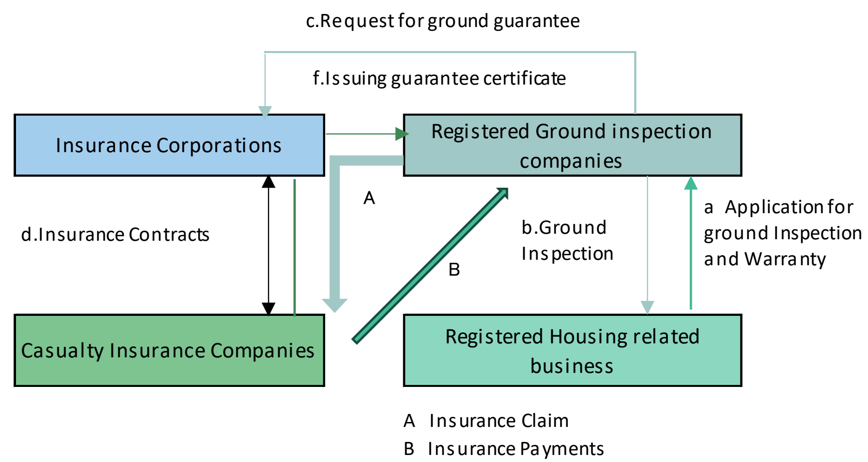
Completion Warranty Program:

- Voluntary
- Three Insurance Corporations provide this Program.
- Insured area and warranty amounts vary depending on the insurance corporation.
- Warranty Limits:
  1)Advance payment : up to 30% of the contract amount or amount specified by the insurance corporation
  2) Additional cost: up to 10% of the contract amount or amount specified by the insurance corporation

Ground Guarantee

A product providing ground guarantee issued by ground investigation companies registered with insurance corporations.
Ground inspection companies enters into an insurance contract (product liability insurance regarding ground-related matters) with the underwriting insurance corporation. At the time when the house suffers differential settlement due to defects in ground or ground reinforcement work, the insurance corporation make payments to the ground investigation company as repair costs.

Diagram 8 Ground Warranty scheme



Source: Websites of Insurance Corporations

Warranty for Non-residential buildings

Some insurance corporations provide defects liability insurance for non-residential buildings.
Type of building : Retail premises, tenant buildings, offices, clinics, welfare facilities such as care homes, warehouses, logistics centers, etc.
Covered function: fundamental structural components and waterproofing performance
Warranty period :10 years
Inspections: Three inspections are required.

3. Source

Diagram	Name	Sources
Table 1	List of Insurance corporations	Websites of Insurance Corporations
Diagram 1	Newly built Housing Warranty Insurance	MLIT, 10 years of implementation of Defects Liability Insurance (Japanese Only)
Diagram 2	Existing Housing Sale Warranty Insurance for real estate agents	MLIT, 10 years of implementation of Defects Liability Insurance (Japanese Only)
Diagram 3	Existing Housing Sale Warranty Insurance for transactions between individuals (Real estate brokerage type)	MLIT, 10 years of implementation of Defects Liability Insurance (Japanese Only)
Diagram 4	Existing Housing Sale Warranty Insurance for transactions between individuals (Inspection Company type)	MLIT, 10 years of implementation of Defects Liability Insurance (Japanese Only)
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