

Key Points of FY2005 JGB Issuance

Goals for Debt Management Policies

- 1) To ensure smooth and stable financing
- 2) To minimize medium- to long-term financing costs

Issuance plan meeting both market and issuer's needs

- In FY2005, the total JGB issue will be ¥170 trillion (up from ¥162 trillion in FY2004). This total includes market issues amounting to ¥119 trillion (slightly up from ¥118 trillion in FY2004).
- The plan seeks to achieve optimum composition of bond types, meeting both market's needs and the Government's financing needs.
 - 20-year bonds, 15-year floating-rate bonds and Inflation-Indexed bonds will be increased to meet strong demands in the market.
 - The average maturity will be lengthened to 6 years and 10 months, 8 months longer than in FY2004.

Diversification of JGB instruments and of JGB holders

- A new type of JGBs for individual investors (fixed-rate) will be introduced in the second half of FY2005. JGBs for individual investors are expected to raise ¥3.6 trillion in FY2005, a sharp increase from ¥1.6 trillion in FY2004.
- Foreign corporations and investment funds will become eligible to purchase Inflation-Indexed bonds. The frequency of Inflation-Indexed bond issue will be doubled to four times a year, ¥500 billion per each issue.
- The required procedures and documentation relating to tax exemption for foreign investors will be simplified.
- MOF will hold JGB investor relations seminar on the Japanese economy and JGB, for the first in decades, in London and New York in January 2005.

Efficient management of outstanding debt

- Interest rate swap transactions will be introduced as means of better management of outstanding JGB stock. The first transaction is scheduled in the second half of FY2005 (Upper limit for FY2005: ¥300 billion).
- The buy-back program will be increased to ¥2.2 trillion in FY2005.

Stable financing and improvement of JGB market liquidity

- The JGB Market Special Participants scheme will be further enhanced.
 - Introducing Non-price Competitive Auction I and going online with Non-price Competitive Auction II (April 2005)

Dialogue with market participants

- MOF seeks advise from the market experts and academics on the Advisory Council on Government Debt Management, founded in November 2004.
- Dialogue with the market continues in the Meetings of JGB Market Special Participants and the Meetings of JGB Investors.
- Extensive data is disclosed annually in an easy-to-comprehend format in the Debt Management Report, first published in July 2004.

Improvement of market efficiency

- The percentage of 10-year JGB underwritten at fixed share by syndicate will be further reduced from 15% to 10%, with a view to near future abolishment of the syndicate.