

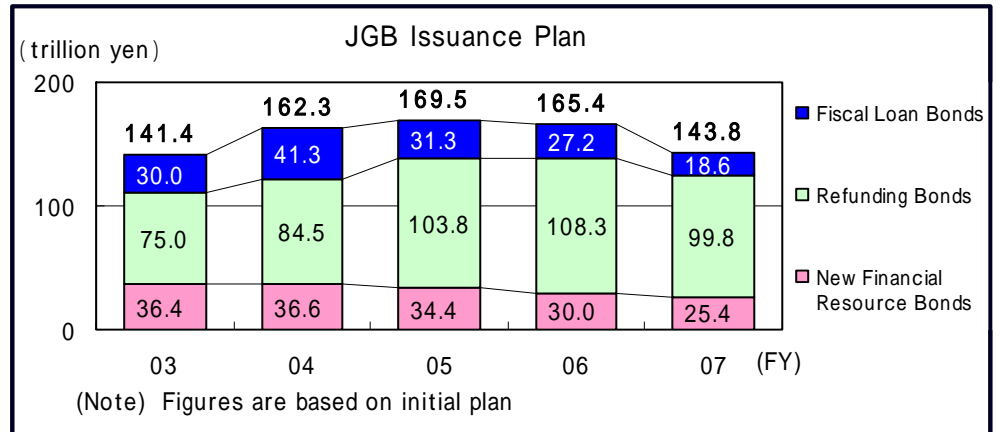
Highlights of JGB Issuance Plan 2007

The Largest Issuance Reduction Ever

- **FY2007 new financial resource bond issuance is cut by ¥4.5 trillion from FY2006 level. This reduction is the largest-ever.**
- **JGB total issuance --including refunding and fiscal loan bonds-- falls by ¥21.6 trillion to ¥143.8 trillion, which is also the largest-ever reduction.**
 - FY2007 JGB total issuance will be the lowest in the last 4 years since FY2003.
 - JGB Market Issuance (Calendar Base) is reduced by ¥8.4 trillion from FY2006 initial plan to ¥109.6 trillion.

Meeting the Market Needs

- **Product-by-product distribution** is determined on the basis of market needs and trends.
 - **15-year floating-rate bonds and TBs(6-month)* are reduced.**
 - * TBs(6-month) are to be replaced with FBs(6-month), thereby reducing FBs(3-month).
 - **30-year bonds and 10-year inflation-indexed bonds are increased** reflecting the change of the JGB Issuance Plan during FY2006.
- To cater to market demands better:
 - **40-year ultra-long JGBs** and other new maturity bonds may be issued on market demands with terms that the MOF considers fair.
 - **JGB market issuance may be revised from time to time** in response to changes in market conditions.



Progress in Debt Management

- **Future refinancing needs** are now distributed more evenly by diversifying and lengthening JGB maturities.
 - The average maturity of JGB market issuance 2007 (Calendar Base) is lengthened to 7.0 years, which is 2 months longer than that of FY2006.
- **All of the FY2005 surplus, ¥900.9 billion, is used for the JGB buy-back to curb the increase of outstanding debt.**
- **Cash management of the National Treasury** is to be enhanced by diversifying FBs' maturities.
- **Risk management capabilities** are to be improved further with the introduction of new tools including swaptions.
- **Risks are to be handled more properly with the increased limit for the interest rate swap transactions;** from ¥1.2 trillion per year to ¥1.8 trillion per year (on notional principal basis).

Enhanced Market Liquidity

- **Auctions for Enhanced-Liquidity (¥100 billion/month)* and Buy-Backs (¥150 billion/month)** will be continued to help enhance market liquidity.
 - * The auctions for enhanced-liquidity are tentatively planned for the first half of FY2007.
- **Reopening of 30-year bonds and 10-year JGBi is to become a general rule,** which would enhance the market liquidity for these products further.

Dialogue with the Market

- **The auction result announcements** have been brought forward since December 2006.
- **The MOF Website** will be renewed for easier access, and the MOF direct data feeding to information vendors expected to start soon.
- Membership to the Meetings of JGB Investors and the Advisory Council on Government Debt Management enlarged to welcome more non-Japanese input.

Broadening JGB Investor Base

- In order to make JGBs more accessible for households, **JGB Over-The-Counter Sales system** will be overhauled and expanded to become available for all domestic financial institutions.
- **3 major JGB IR Tours** are planned for 2007: **Europe**--February-March; **North America**--June; and **Asia Pacific**--October. Additional investor visits may also be planned.

Others

- **Commissions on JGBs are completely overhauled and to be cut drastically but in a phased manner.** Commissions are to be cut by more than ¥10 billion in FY2007 and more than ¥60 billion by FY2009.
- Internship program for local government officials in charge of municipal bond issuance is to be introduced with a view to overall bond market development.

