

# Highlights of FY2008 JGB Issuance Plan

## Large Issuance Reduction for Two Consecutive Years

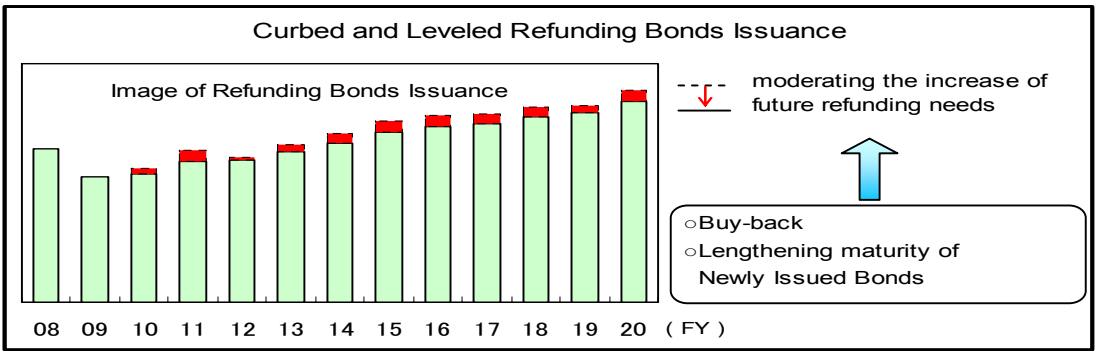
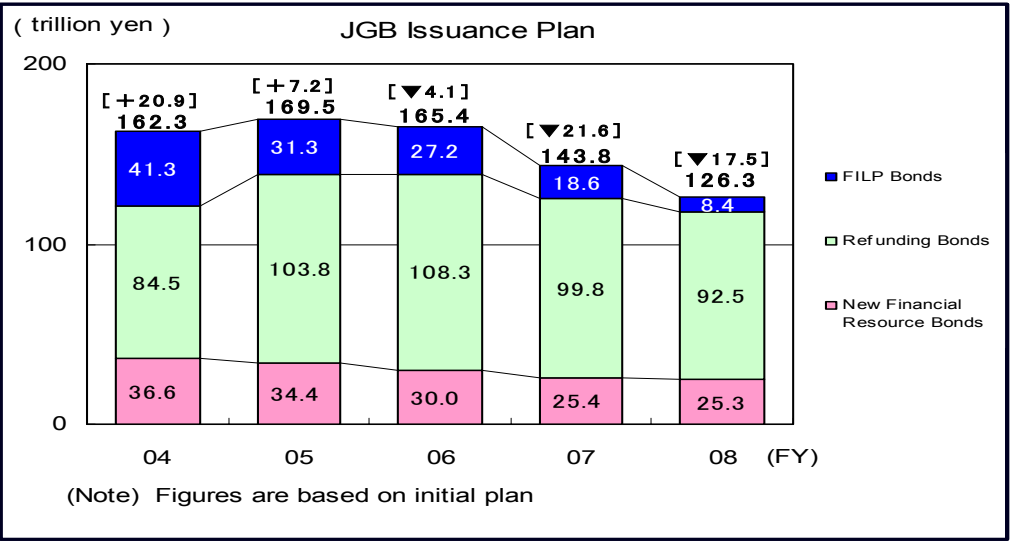
- JGB total issuance is drastically reduced for two consecutive years to ¥126.3 trillion for FY2008--¥17.5 trillion reduction from FY2007 level.
  - Below ¥130 trillion issuance; first time in eight years after FY2000  
(for the first time since the introduction of Fiscal Investment and Loan Program (FILP) bonds in FY2001)
  - Issuance of refunding bonds falls by ¥7.3 trillion to ¥92.5 trillion (Reduction for two consecutive years).
  - JGB Market Issuance (Calendar Base) falls by ¥4.5 trillion to ¥105.1 trillion (Reduction for three consecutive years).

## Well-balanced Issuance from Short- to Long-term Maturity Zones Responding to Market Needs and Trends

- Regular issuance of 40-year bonds (¥0.4 trillion per year)
- Reduced issuance of 15-year floating-rate bonds, 5-year bonds and TBs (6-month)

## Progress in Debt Management

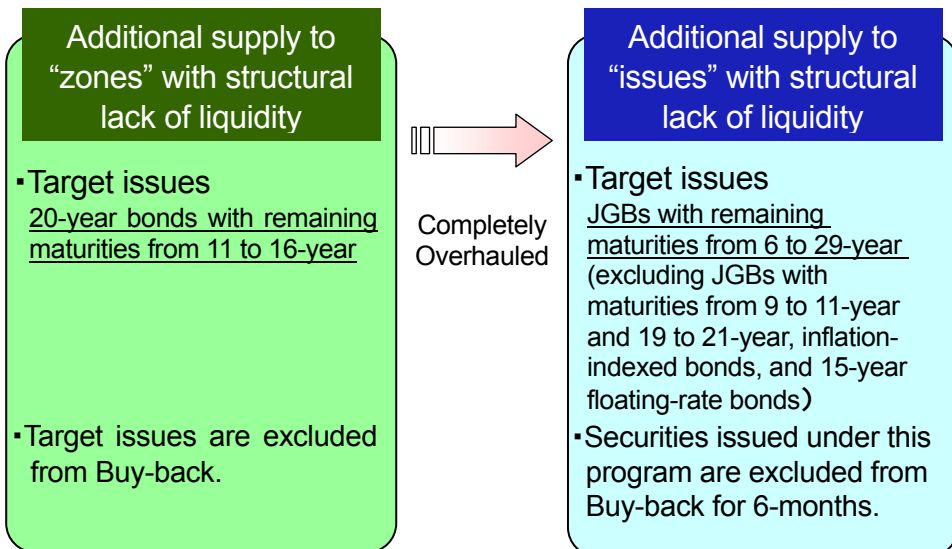
- Buy-back of outstanding JGBs with ¥9.8 trillion transferred fund from Special Account for the Fiscal Investment and Loan Program
  - Buy-back curtails interest payments by reducing outstanding amount of General Bonds and helps to curb and level future funding needs.
  - About ¥3.0, ¥3.4 and ¥3.4 trillion are planned to be bought-back from the market, Fiscal Loan Fund and Bank of Japan, respectively.
- The average maturity of market issuance is lengthened further.
  - The average maturity of JGBs issued regularly in the market: 7 years and 4 months (lengthened by 4 months from that of FY2007)
- TBs and FBs are expected to be issued as the unified bill starting within FY2008.
- Extending simulation period of Cost-at-Risk analysis to more than 30 years from 10 years
  - Enabling quantitative debt management more suitable for our debt structure
- Along with continuing interest rate swap transactions, enhancing risk management methods such as increasing frequencies of margin calls.
  - The maximum amount of the notional principal of the swap transactions for FY2008: ¥1.8 trillion (the same as that of FY2007)



## Enhanced Market Liquidity

- The total Buy-back amount will be expanded to about ¥3.0 trillion from ¥1.8 trillion, focusing on 15-year floating-rate bonds.
  - Annual Buy-back amount of 15-year floating-rate bonds in FY2008: ¥1.2 trillion (¥0.48 trillion in FY2007)
- Introducing new Buy-back program for coupon STRIPS as a temporary measure (¥40 billion per year).
- Expanding target issues of Auction for Enhanced-liquidity (see below)
- Establishing a scheme of Special Auction for Enhanced-liquidity in FY2008 in order to respond to such temporal lack of market liquidity as seen in the squeezes
- Reopening of 15-year floating-rate bonds is to be a general rule from Feb. 2008.
- Periods between auction dates and issuance dates will be shortened (auction date +3 days in general).

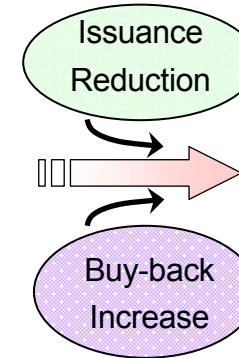
### Expanded Auction for Enhanced-liquidity



## Liquidity Enhancement of 15-year Floating-Rate Bonds

### Current Situation

- Liquidity shortage of outstanding issues
- Issuance at undervalued prices as compared with theoretical prices



### Improved Situation

- Enhanced liquidity
- Reduced funding cost

## Broadening JGB Investor Base

- The Super long-term bonds market will be developed further in response to the increasing demands for long-term assets mainly from life insurance companies and pension funds.
  - Regular issuance of 40-year bonds (¥0.4 trillion per year)
  - Introducing new Buy-back program for coupon STRIPS as a temporary measure (¥40 billion per year).
- Promoting JGB holdings by households will be strengthened further.
  - Early redemption penalty of non-marketable JGBs for retail investors will be reduced by 20% from Apr. 2008.
  - Efforts to expand financial institutions which join New OTC Sales system for marketable bonds
- Continuing overseas IR Tours to promote JGB holdings by foreign investors.
- Dialogues with foreign Debt Management Offices will be strengthened by such efforts as sponsoring Government Borrowers Forum in Tokyo in May 2008.