

Highlights of FY2010 Government Debt Management

(Attachment 4)

○ Issue amount

- JGB total issuance for FY2010 is planned to be 162.4 trillion yen, and the JGB market issuance (Calendar Base) is planned to be 144.3 trillion yen. Both amounts will be increased for two consecutive years.

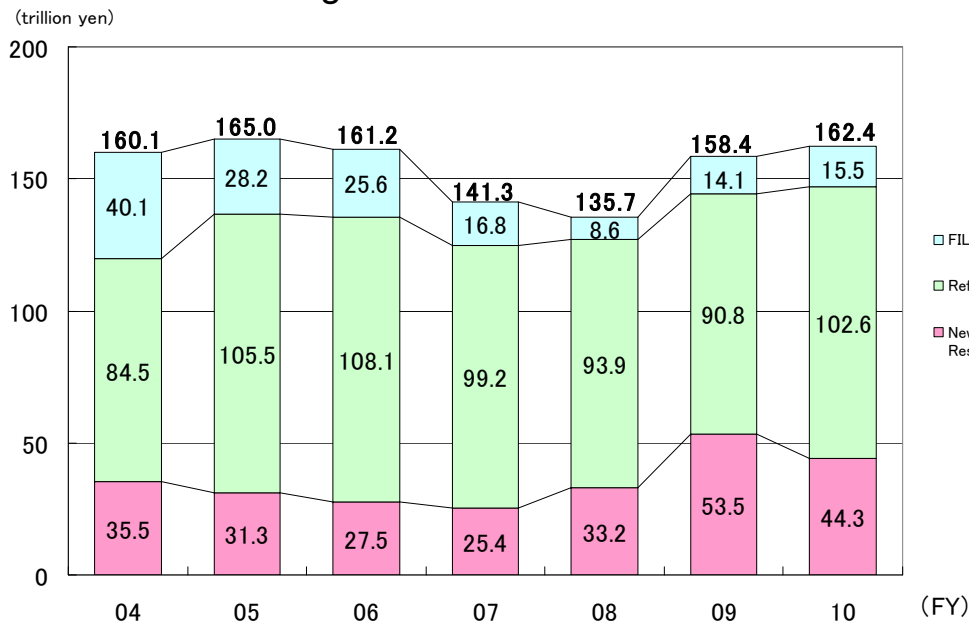
○ JGB Issuance Plan considering market trends and needs

- With the significant increase of the planned JGB issuance, for minimizing the adverse market impacts, JGB Issuance Plan has been formulated taking in the market trends and needs.
- The average maturity of new market issuance will be 7 years and 6 months (lengthened by 2 months from the previous year on initial budget basis).

○ Appropriate implementation of Debt Management Policy

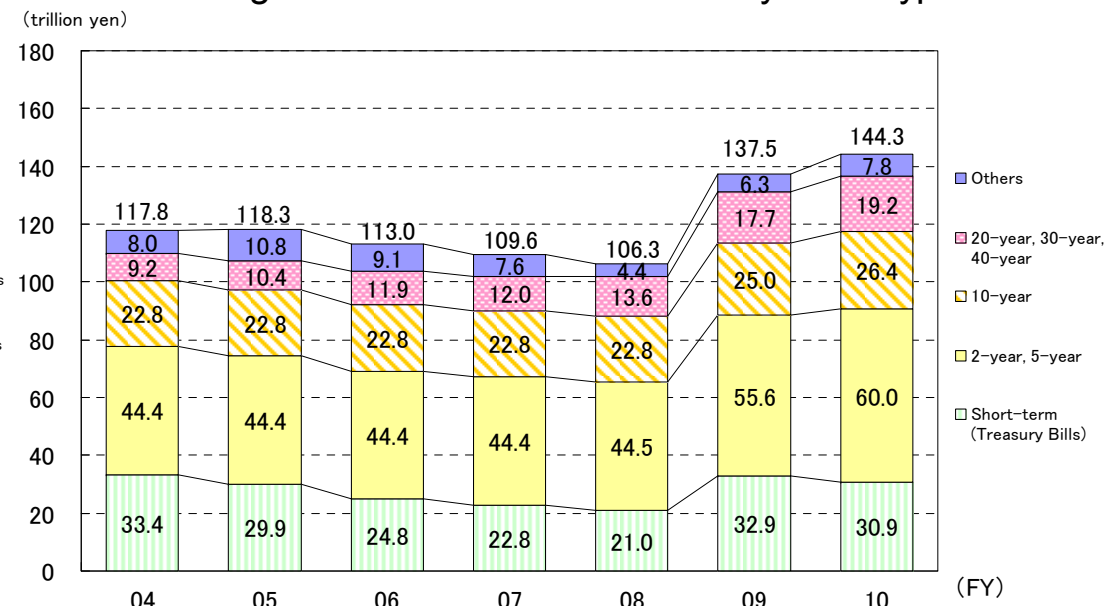
- The suggestions, raised in “Current Situation and Future Challenges of Debt Management Policy -Discussion Paper-” (Advisory Council on Government Debt Management December 16, 2009), will be appropriately reflected on the JGB Issuance Plan.

Changes in JGB Issuance Plan



(Note) FY2004~FY2008: Actual figures, FY2009: Figures based on the 2nd supplementary budget, FY2010: Figures based on the initial issuance plan

Changes in Market Issuance Plan by JGB Types



(Note) FY2004~FY2008: Actual figures, FY2009: Figures based on the 2nd supplementary budget, FY2010: Figures based on the initial issuance plan

Implementation of "Current Situation and Future Challenges of Debt Management Policy -Discussion Paper-"

Diversification of the JGB Products and Investor Base

○ Development of the super long-term bond market

- The total issuance amount of 30-year and 40-year bonds will be increased in response to the increasing demands for long term assets mainly from life insurance companies and pension funds, which would enhance the liquidity in super long-term bonds.

(FY2009 Initial) → (FY2010 Initial)

- 30-year bonds: 3.0 trillion yen (0.5 trillion yen six times a year)
→ 4.8 trillion yen (0.6 trillion yen eight times a year)
- 40-year bonds: 0.8 trillion yen (0.2 trillion yen four times a year)
→ 1.2 trillion yen (0.3 trillion yen four times a year)

○ Inflation-Indexed Bonds

- Seeking out an appropriate timing of the resumption of issuance. In addition, considering product redesign, including the introduction of product with principal guarantee (floor) on redemption.

○ Promotion of JGB holding by retail investors

- For promoting sales of JGBs for retail investors, introducing the 3-year fixed-rate bonds for retail investors in July 2010. (Offering will start in June.)
- Considering various options such as reviewing profiles of existing retail products and introducing new retail products, taking into account the sales condition of the new 3-year products.

○ Promotion of JGB holding by foreign investors

- In conducting new overseas IR, grasping the investors' needs more accurately by intensifying direct communication with investors in a one-on-one visit, while continuing provision of information through the network established through IR to date.

Liquidity Enhancing Measures in JGB Markets and others

○ Auctions for enhanced-liquidity

- The Auctions for enhanced-liquidity will be conducted at the current level (7.2 trillion yen per year in FY2010) based on the recognition that the auction should be a supplementary measure (details will be decided on a quarterly basis taking in the market conditions).

○ Buy-back program

- The total Buy-back amount from the market will be 3 trillion yen in FY2010, focusing on 10-year Inflation-Indexed bonds and 15-year Floating-rate bonds (details will be decided on a quarterly basis taking in the market conditions).

○ Provision of interest rate information

- Initiating provision of the interest rate information on a constant maturity basis (expected to start in March 2010).

Other Initiatives

○ Tax exemption scheme for non-residents

- Simplification and expansion of the tax exemption scheme concerning the interest on book-entry transfer JGB which non-residents receive (FY2010 Tax reform)
 - Reporting on the transactions of each non-resident and the preparation of individual records of beneficial owners will be no longer required.
 - The scope of qualified foreign securities investment trust will be widened.

○ Reinforcement of organization in Debt Management Office

- Creation of a new post in charge of overseas IR and other related policies.