

Improvement in Product Designs of JGBs for Retail Investors (JGB-R)

1. Revisions of the Rate-Setting Formula for 10-year Floating-rate

a. Purpose: To provide better terms in low-interest rate environments.

b. Current Formula: interest rate = reference rate (see note) - 0.8%

c. Revised Formula: **interest rate = reference rate** (see note) **× 0.66**

* Revised formula is intended to prevent an excessive deterioration of the interest rate in low-interest rate environments of the market. The coefficient, 0.66, is the result of computation such that the interests which the investors will receive would, in mid to long term time horizon, be roughly the same as what they are entitled to receive under the current formula (see attachment). Current formula will be maintained for the outstanding bonds.

Ex.1 Low-interest rate environments: current formula: $1.00\% - 0.8\% = 0.20\%$, revised formula: $1.00\% \times 0.66 = 0.66\%$
Ex.2 Higher-interest rate environments: current formula: $3.00\% - 0.8\% = 2.20\%$, revised formula: $3.00\% \times 0.66 = 1.98\%$

d. Implementation: **From July 2011 issuance (to be offered in June 2011)** - The timing of implementation was determined taking into consideration the time it takes for the system adaptation of the financial intermediaries.

(note) Reference rate is the average interest rate of 10-year fixed-rate bond's auction held in the month prior to the commencement of the interest calculation period (Regarding the first payment, the last auction prior to the commencement of the offering period).

2. Unification of the Conditions for Redemption Before Maturity

a. Purpose: To unify the product designs.

b. Current Conditions

▪ Lock-Up Periods:

■ ONE(1) YEAR for 10-year floating-rate & 3-year fixed-rate bonds

■ TWO(2) YEARS for 5-year fixed-rate bonds

▪ Charges (to be deducted from the redeemed principles when redemptions are made after the above lock-up periods have elapsed):

Equivalent of;

■ TWO(2) interest payments for 10-year floating-rate bonds & 3-year fixed-rate bonds

■ FOUR(4) interest payments for 5-year fixed-rate bonds

c. Revised Conditions: **ONE(1) YEAR lock-up period and the charge equivalent of TWO(2) interest payments will be also applied to 5-year fixed-rate bonds.**

(note)The revised conditions will be also applied to the outstanding bonds.

d. Implementation: **From April 2012** - The timing of implementation was determined taking into consideration the time it takes for the system adaptation of the financial intermediaries.

Revisions of the Rate-Setting Formula for 10-year Floating-rate

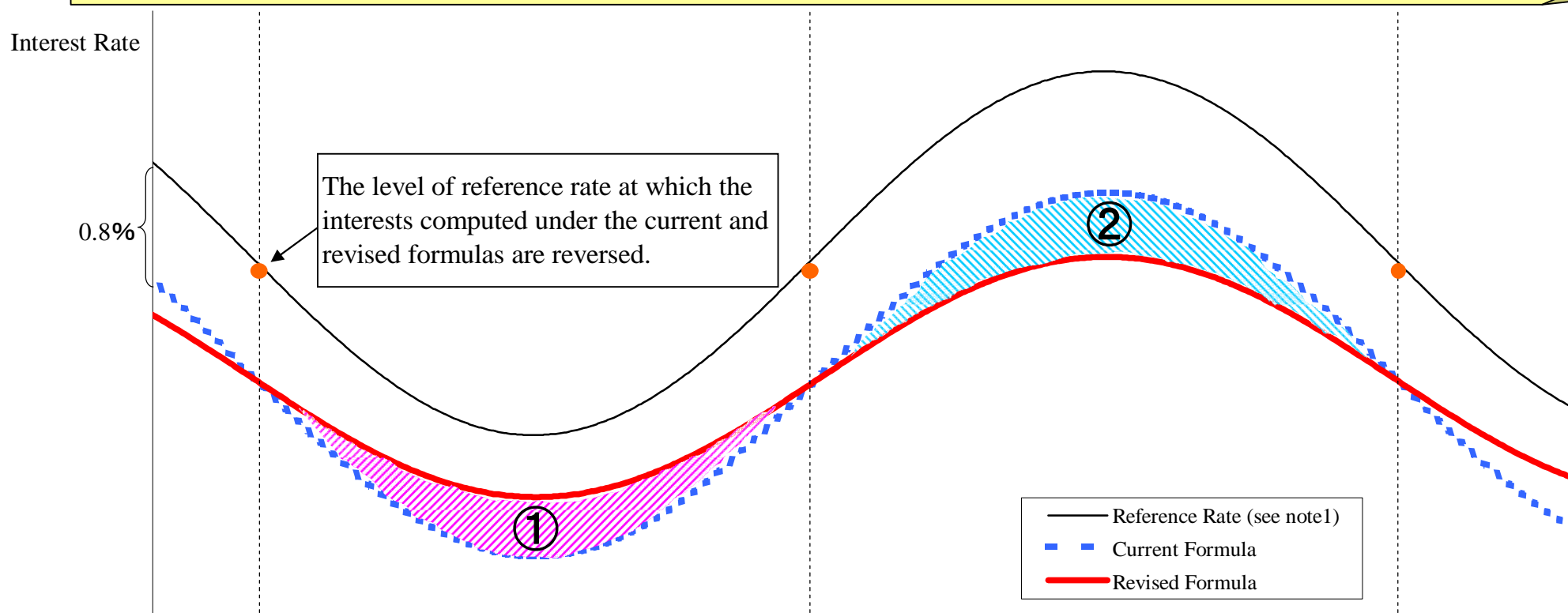
Current Formula: reference rate (see note1) - 0.8%

Revised Formula: reference rate (see note1) × 0.66

Comparison between the Current and Revised Formulas

<1> When the reference rate falls below a certain level, the revised formula will give higher interests, and when it rises above a certain level, the current formula will give higher interests.

<2> The revised formula is designed such that the two areas (① & ②) would be equal in mid to long term time horizon.



(note1) Reference rate is the average interest rate of 10-year fixed-rate bond's auction held in the month prior to the commencement of the interest calculation period (regarding the first payment, the last auction prior to the commencement of the offering period).

(note2) The revised formula will not be applied to outstanding bonds.

Overview of JGBs for Retail Investors (New)

(Attachment 2)

	Floating-rate(10-year)	Fixed-rate(5-year)	Fixed-rate(3-year)
Purchasers	Limited to retail investors (Offering price: 100 yen per 100 yen face value, Minimum face value unit: 10,000 yen)		
Maturity	10-year	5-year	3-year
Redemption price	100 yen per 100 yen face value (same for redemption before maturity)		
Coupon payment	Floating-rate coupon (semiannually variable) (Every six months)	Fixed-rate coupon (Every six months)	Fixed-rate coupon (Every six months)
Interest rate	Reference rate $\times 0.66$ ※ It is scheduled to be effective in July 2011.	Reference rate -0.05%	Reference rate -0.03%
	Reference rate is the average interest rate of 10-year fixed-rate bond's auction held in the month prior to the commencement of the interest calculation period (regarding the first payment, the last auction prior to the commencement of the offering period).	Reference rate is an assumed interest rate of 5-year fixed-rate bonds calculated based on actual market rate, which is determined on the 2 business days prior to the commencement of the offering period (auction date of the 10-year fixed-rate bonds).	Reference rate is an assumed interest rate of 3-year fixed-rate bonds calculated based on actual market rate, which is determined on the 2 business days prior to the commencement of the offering period (the first business day on each month in principle (see note)).
Guaranteed minimum coupon	0.05%		
Redemption before maturity	The bondholder is able to wholly or partially redeem the bond at any time after the second interest payment period (1 year following issue). ※ It is scheduled to be effective in April 2012.		
Exceptional redemption	Redemption before the above mentioned respective interest payment period is possible in the event of death or accident by natural catastrophe of the bondholder.		
Value for redemption before maturity	Face value + a proportionate amount of accrued interest - already paid interest to a value corresponding to the most recent 2 interest payments (before tax) $\times 0.8$ ※ It is scheduled to be effective in April 2012.		
Frequency of issuance	Quarterly (April, July, October and January)		Monthly

(note) As for bonds issued in April, July, October and January, the date for deciding reference rate is the 10-year fixed-rate bond's auction date.

Overview of JGBs for Retail Investors (Current)

(Attachment 3)

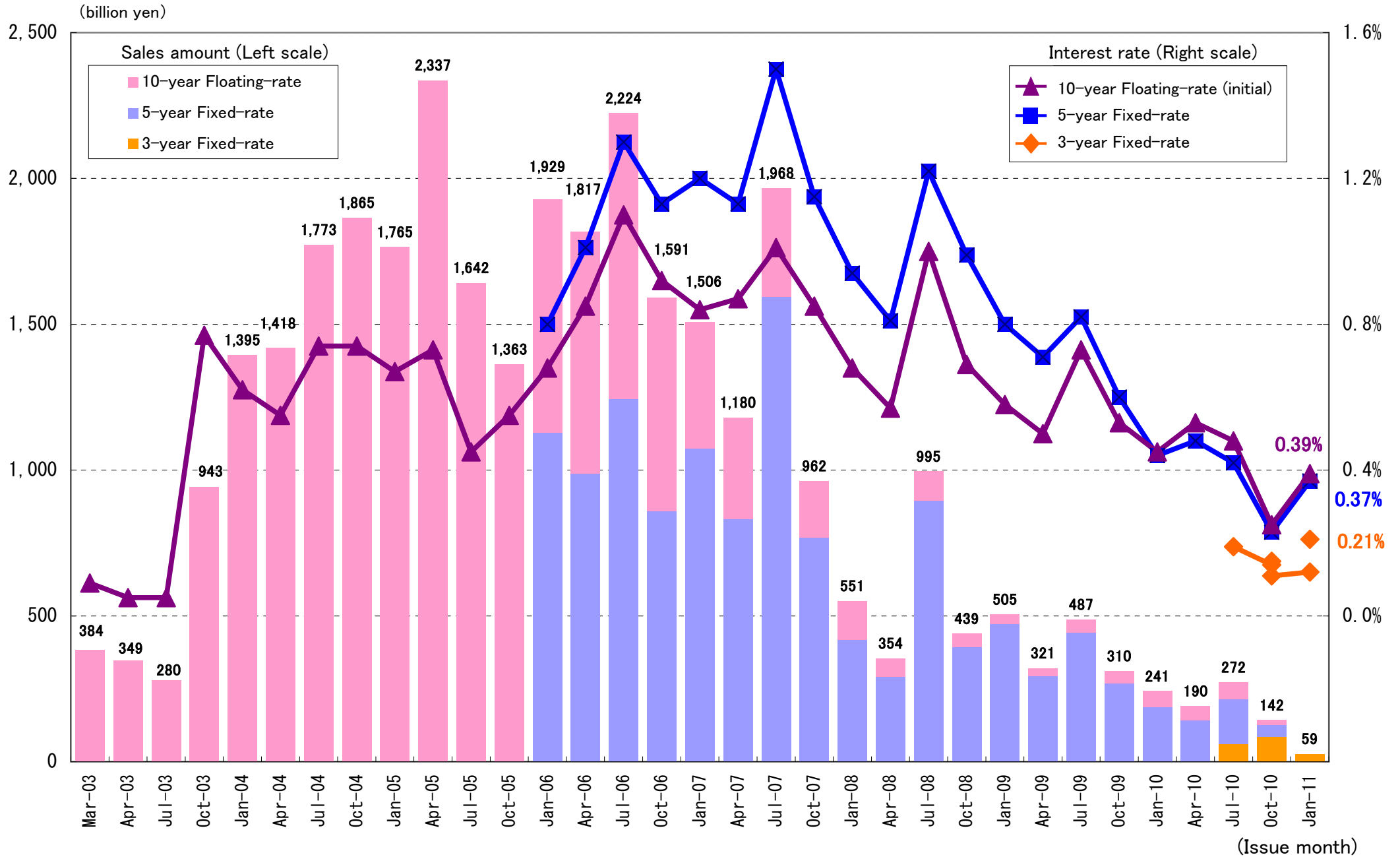
	Floating-rate(10-year)	Fixed-rate(5-year)	Fixed-rate(3-year)
Purchasers	Limited to retail investors (Offering price: 100 yen per 100 yen face value, Minimum face value unit: 10,000 yen)		
Maturity	10-year	5-year	3-year
Redemption price	100 yen per 100 yen face value (same for redemption before maturity)		
Coupon payment	Floating-rate coupon (semiannually variable) (Every six months)	Fixed-rate coupon (Every six months)	Fixed-rate coupon (Every six months)
Interest rate	Reference rate—0.80%	Reference rate—0.05%	Reference rate—0.03%
	Reference rate is the average interest rate of 10-year fixed-rate bond's auction held in the month prior to the commencement of the interest calculation period (regarding the first payment, the last auction prior to the commencement of the offering period).	Reference rate is an assumed interest rate of 5-year fixed-rate bonds calculated based on actual market rate, which is determined on the 2 business days prior to the commencement of the offering period (auction date of the 10-year fixed-rate bonds).	Reference rate is an assumed interest rate of 3-year fixed-rate bonds calculated based on actual market rate, which is determined on the 2 business days prior to the commencement of the offering period (the first business day on each month in principle (see note1)).
Guaranteed minimum coupon	0.05%		
Redemption before maturity	The bondholder is able to wholly or partially redeem the bond at any time after the second interest payment period (1 year following issue).	The bondholder is able to wholly or partially redeem the bond at any time after the fourth interest payment period (2 years following issue).	The bondholder is able to wholly or partially redeem the bond at any time after the second interest payment period (1 year following issue).
Exceptional redemption	Redemption before the above mentioned respective interest payment period is possible in the event of death or accident by natural catastrophe of the bondholder.		
Value for redemption before maturity	Face value + a proportionate amount of accrued interest – already paid interest to a value corresponding to the most recent 2 interest payments (before tax) × 0.8	Face value + a proportionate amount of accrued interest – already paid interest to a value corresponding to 4 interest payments (before tax) × 0.8	Face value + a proportionate amount of accrued interest – already paid interest to a value corresponding to 2 interest payments (before tax) × 0.8
Frequency of issuance	Quarterly (April, July, October and January)		Monthly

(note1) As for bonds issued in April, July, October and January, the date for deciding reference rate is the 10-year fixed-rate bond's auction date.

(note2) The points to be changed are in the thick-frame.

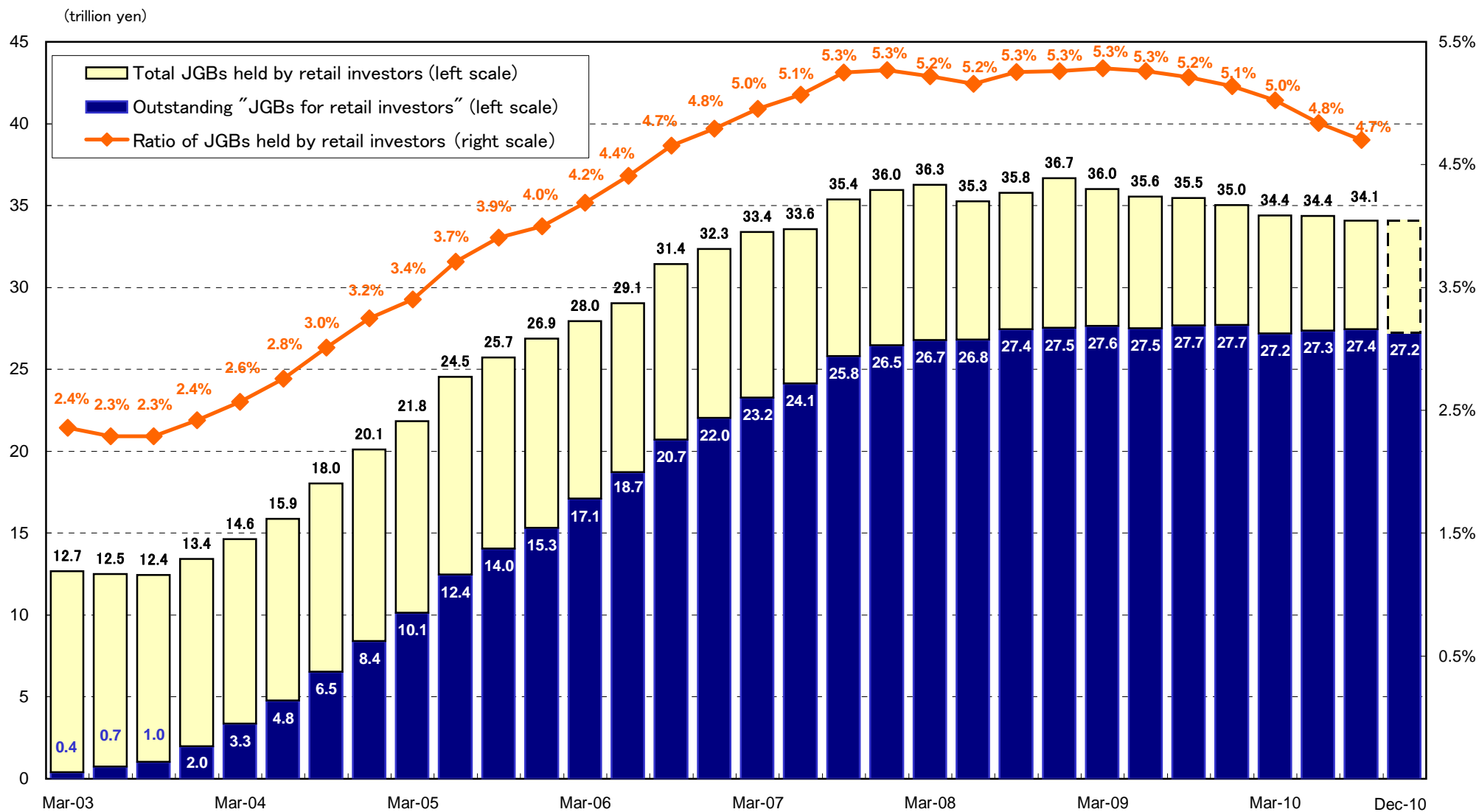
Sales amount of JGBs for Retail Investors

(Reference 1)



JGB Holding by Retail Investors

(Reference 2)



(note1) Outstanding "JGBs for retail investors" at Dec -15 is calculated to [aggregate issues of ¥33.6 trillion]-[redemption before maturity of ¥6.3 trillion].

(note2) Figures may not sum up to the total because of rounding.

(Source) Ministry of Finance, Bank of Japan