

Highlights of FY2011 Government Debt Management

(Document 1)

Issue Amounts

- JGB total issuance for FY2011 is planned to be 169.6 trillion yen, and the JGB market issuance (Calendar Base) is planned to be 144.9 trillion yen. Both amounts show an increase from the level of the previous year for three consecutive years.

Main Policies in FY2011

○ Development of Super Long-Term Bond Market

- In order to enhance the liquidity in super-long term bonds, the total issuance amounts of 30-year and 40-year bonds are increased in response to the greater needs for long-term investments arising mainly from life insurance companies and pension funds.
- The average maturity of new market issuance is 7 years and 9 months (extended by 3 months from the issuance plan of the previous year on initial budget basis).

○ Promotion of JGB Holding by Retail Investors

- Improvement in product designs of JGBs for retail investors.
 - Revisions of the rate-setting formula for 10-year floating-rate intending to prevent an excessive deterioration of the interest rate in a low interest rate environment of the market (reference rate $- 0.8\% \Rightarrow$ reference rate $\times 0.66$).
 - Unification of the conditions for redemption before maturity across the different products of JGBs for retail investors by shortening the lock-up period for the 5-year fixed-rate bonds (2 years \Rightarrow 1 year).

○ Buy-back by Partial Liquidation of Government Debt Consolidation Fund (GDCF)

- The total Buy-back amount from the market is approximately 3 trillion yen in FY2011. From an administrative standpoint, part of the Buy-back operation will be funded by liquidating the GDCF, which is in line with the outcome of the recent public budget screening initiative carried out on special accounts of national budget.

(note1) Such Buy-back operation based on a partial liquidation of the GDCF is also carried out in FY2010, amounting up to approximately 0.8 trillion yen.

(note2) Part of the Buy-back operation in FY2011 is intended to improve ALM in Fiscal Loan Fund Special Account.

JGB Issuance Plan for FY2011

<Breakdown by Fiscal Needs>

(unit: trillion yen)

	FY2010 (initial)	FY2011 (initial)	Increase and decrease
New Financial Resource Bonds	44.3	44.3	▲ 0.0
Refunding Bonds	102.6	111.3	+8.7
FILP Bonds	15.5	14.0	▲ 1.5
Total	162.4	169.6	+7.2

<Breakdown by Financing Methods>

(unit: trillion yen)

	FY2010 (initial)	FY2011 (initial)	Increase and decrease
JGB Market Issuance (Calendar Base)	144.3	144.9	+0.6
40-year	1.2	1.6	+0.4
30-year	4.8	5.6	+0.8
JGBs for Retail Investors	2.0	2.0	—
Adjustment by Depleting Front-loaded Issuance	0.0	6.4	+6.4
Others	16.1	16.3	+0.2
Total	162.4	169.6	+7.2

(Reference)

Outcome of the “Screening Initiative” by the Government Revitalization Unit, 28th October 2010

<Suggestions on the GDCF>

- Management of reserve fund: Liquidation (downsizing) of the fund shall be considered for advanced redemptions of the outstanding debts etc., to enhance confidence of JGBs while taking into consideration the potential operational risks.