

3 Debt Management Systems

(1) Revenues and Expenditures for the Special Account for the GDCF (FY2018 Initial Budget)

Revenues

(Unit: million yen)

| | FY2017 (initial) (A) | FY2018 (initial) (B) | Changes (B) - (A) |
|--|-------------------------|-------------------------|----------------------|
| Grant from other accounts | 87,444,159 | 85,936,675 | ▲ 1,507,484 |
| Grant from the General Account | 23,527,504 | 23,300,979 | ▲ 226,525 |
| Grant from Special Accounts | 63,916,655 | 62,635,696 | ▲ 1,280,959 |
| Local allocation tax and local transfer tax | 32,670,887 | 32,583,925 | ▲ 86,962 |
| Forex fund | 490,969 | 492,384 | 1,415 |
| FILP | 14,612,150 | 13,768,167 | ▲ 843,983 |
| Energy projects | 14,133,633 | 13,783,332 | ▲ 350,302 |
| Pension | 1,485,140 | 1,475,635 | ▲ 9,504 |
| Stable food supply | 133,868 | 139,125 | 5,256 |
| Administration of national forestry management debt | 343,754 | 350,209 | 6,455 |
| Motor vehicles safety | 46,254 | 42,920 | ▲ 3,335 |
| Grant from the Special Account for Reconstruction from the Great East Japan Earthquake or other accounts | 81,681 | 98,291 | 16,611 |
| Grant from Special Accounts | 81,681 | 98,291 | 16,611 |
| Reconstruction from the Great East Japan Earthquake | 81,681 | 98,291 | 16,611 |
| Tax | 143,700 | 128,800 | ▲ 14,900 |
| Revenues from JGBs | 106,079,044 | 103,237,076 | ▲ 2,841,968 |
| Revenues from JGBs | 104,167,271 | 101,378,415 | ▲ 2,788,856 |
| Revenues from reconstruction-related refunding public bonds | 1,911,773 | 1,858,661 | ▲ 53,112 |
| Revenues from equity sale related to the reconstruction from the Great East Japan Earthquake | 1,573,003 | 1,493,412 | ▲ 79,590 |
| Dividend income related to the reconstruction from the Great East Japan Earthquake | 92,332 | 50,450 | ▲ 41,882 |
| Tokyo Metro | 7,448 | 8,069 | 621 |
| Japan Post | 84,884 | 42,381 | ▲ 42,503 |
| Investment income | 126,734 | 103,988 | ▲ 22,746 |
| Interest income | 126,730 | 103,983 | ▲ 22,747 |
| sales/redemption profit | 4 | 5 | 1 |
| Investment income related to the reconstruction from the Great East Japan Earthquake | 2,916 | 2,444 | ▲ 472 |
| Interest income | 2,916 | 2,444 | ▲ 472 |
| Miscellaneous income | 110,923 | 169,542 | 58,619 |
| Accrued interest receivable | 107,288 | 166,367 | 59,079 |
| Miscellaneous income | 3,635 | 3,175 | ▲ 460 |
| Miscellaneous income related to the reconstruction from the Great East Japan Earthquake | 12 | 17 | 4 |
| Accrued interest receivable | 12 | 17 | 4 |
| Carryover related to the reconstruction from the Great East Japan Earthquake from the previous fiscal year | 987,061 | — | ▲ 987,061 |
| Total | 196,641,565 | 191,220,694 | ▲ 5,420,871 |

Expenditures

(Unit: million yen)

| | FY2017 (initial) (A) | FY2018 (initial) (B) | Changes (B) - (A) |
|---|-------------------------|-------------------------|----------------------|
| Government debt consolidation expenditures | 191,992,787 | 187,717,420 | ▲ 4,275,367 |
| Certificate, etc., production cost | 80 | 2 | ▲ 78 |
| JGB handling fees | 28,941 | 30,946 | 2,005 |
| Compensations, redemptions, and refunds | 823 | 823 | — |
| Currency exchange gap compensations | 0 | 0 | 0 |
| Sales/redemption gap compensations | 126,000 | 103,000 | ▲ 23,000 |
| Debt redemption expenses | 180,924,350 | 176,826,926 | ▲ 4,097,424 |
| Public bonds, etc., redemption | 135,994,432 | 127,947,691 | ▲ 8,046,742 |
| Financed with the General Account | 117,807,951 | 115,052,171 | ▲ 2,755,780 |
| Financed with Special Accounts | 18,186,482 | 12,895,520 | ▲ 5,290,962 |
| Borrowings redemption | 41,866,548 | 42,805,586 | 939,038 |
| Financed with the General Account | 728,091 | 601,732 | ▲ 126,359 |
| Financed with Special Accounts | 41,138,457 | 42,203,854 | 1,065,397 |
| Financing Bills redemption | 3,063,370 | 6,073,650 | 3,010,280 |
| Interest and discount expenses | 10,912,593 | 10,755,723 | ▲ 156,870 |
| Interests on public bonds, etc. | 10,126,418 | 10,071,984 | ▲ 54,434 |
| Financed with the General Account | 9,212,710 | 9,218,682 | 5,972 |
| Financed with Special Accounts | 913,708 | 853,302 | ▲ 60,406 |
| Interests on borrowings | 216,110 | 115,340 | ▲ 100,770 |
| Financed with the General Account | 113,888 | 16,663 | ▲ 97,225 |
| Financed with Special Accounts | 102,222 | 98,677 | ▲ 3,545 |
| Interests on Financing Bills | 570,065 | 568,399 | ▲ 1,666 |
| Financed with the General Account | 60,000 | 60,000 | — |
| Financed with Special Accounts | 510,065 | 508,399 | ▲ 1,666 |
| Reconstruction Bonds consolidation expenditures | 4,648,778 | 3,503,275 | ▲ 1,145,504 |
| JGB handling fees | 315 | 340 | 25 |
| Equity sale fees | 26,988 | 25,626 | ▲ 1,362 |
| Sales/redemption gap compensations | 2,910 | 2,437 | ▲ 473 |
| Debt redemption expenses | 4,592,536 | 3,440,337 | ▲ 1,152,199 |
| Public bonds, etc., redemption | 4,592,536 | 3,440,337 | ▲ 1,152,199 |
| Financed with Special Accounts | 4,592,536 | 3,440,337 | ▲ 1,152,199 |
| Interest and discount expenses | 26,029 | 34,534 | 8,505 |
| Interests on public bonds, etc. | 24,029 | 33,034 | 9,005 |
| Financed with Special Accounts | 24,029 | 33,034 | 9,005 |
| Interests on borrowings | 2,000 | 1,500 | ▲ 500 |
| Financed with Special Accounts | 2,000 | 1,500 | ▲ 500 |
| Total | 196,641,565 | 191,220,694 | ▲ 5,420,871 |

Note 1: "Financed with the General Account" in "Government debt consolidation expenditures" and "Financed with Special Accounts" in "Reconstruction Bonds consolidation expenditures" include GDCF's original revenue.

Note 2: Figures may not sum up to the total because of rounding.

(2) Payment status of debt redemption expenses and interest, discount expenses and so on of the each account (FY2018 Initial Budget, FY2016 Settlement of Accounts)

The GDCF Special Account centrally conducts accounting for redemption and interest payments for public bonds and borrowings, using fiscal transfers from the General Account and other special accounts.

A FY2018 Initial Budget

(Unit: million yen)

| | Debt redemption expenses | Interest and discount expenses | Others | Total | Remarks |
|--|--------------------------|--------------------------------|--------|------------|---|
| Grant from other accounts | 75,447,523 | 10,458,216 | 30,935 | 85,936,675 | |
| Grant from the General Account | 14,274,500 | 8,997,838 | 28,641 | 23,300,979 | The redemption and interest of public bonds and borrowings, Treasury Financing Bills discount expense, etc. |
| Grant from Special Accounts | 61,173,024 | 1,460,378 | 2,294 | 62,635,696 | |
| Local allocation tax and local transfer tax | 32,503,498 | 80,427 | — | 32,583,925 | The redemption and interest of borrowings, and the interest of temporary borrowings |
| Forex fund | — | 491,566 | 818 | 492,384 | The discount expense of Foreign Exchange Fund Financing Bills, etc. |
| FILP | 12,904,520 | 862,188 | 1,459 | 13,768,167 | The redemption and interest of FILP Bonds, the redemption and interest of borrowings, the discount expense of Fiscal Loan Fund Financing Bills, etc. |
| Energy projects | 13,772,023 | 11,293 | 16 | 13,783,332 | The redemption and interest of borrowings, the redemption and discount expense of Petroleum Financing Bills and Nuclear Damage Liability Facilitation Financing Bills, etc. |
| Pension | 1,469,772 | 5,863 | — | 1,475,635 | The redemption and interest of borrowings, and the interest of temporary borrowings |
| Stable food supply | 137,779 | 1,344 | 1 | 139,125 | The redemption and interest of borrowings, the redemption and discount expense of Food Financing Bills, etc. |
| Administration of national forestry management debt | 346,439 | 3,770 | — | 350,209 | The redemption and interest of borrowings, and the interest of temporary borrowings |
| Motor vehicles safety | 38,993 | 3,927 | — | 42,920 | The redemption and interest of borrowings, and the interest of temporary borrowings |
| Grant from the Special Account for Reconstruction from the Great East Japan Earthquake or other accounts | 63,440 | 34,511 | 340 | 98,291 | |
| Grant from Special Accounts | 63,440 | 34,511 | 340 | 98,291 | |
| Reconstruction from the Great East Japan Earthquake | 63,440 | 34,511 | 340 | 98,291 | The redemption and interest of reconstruction bonds, the interest of temporary borrowings, etc. |

Note: Figures may not sum up to the total because of rounding.

B FY2016 Settlement of Accounts

(Unit: million yen)

| | Debt redemption expenses | Interest and discount expenses | Others | Total | Remarks |
|--|--------------------------|--------------------------------|--------|------------|---|
| Grant from other accounts | 75,954,877 | 9,189,474 | 33,330 | 85,177,681 | |
| Grant from the General Account | 13,684,042 | 8,241,265 | 32,140 | 21,957,447 | The redemption and interest of public bonds and borrowings, etc. |
| Grant from Special Accounts | 62,270,835 | 948,209 | 1,190 | 63,220,234 | |
| Local allocation tax and local transfer tax | 32,817,295 | 11,147 | — | 32,828,442 | The redemption and interest of borrowings, and the interest of temporary borrowings |
| Forex fund | — | — | 407 | 407 | JGB handling fees |
| FILP | 19,463,488 | 919,655 | 771 | 20,383,914 | The redemption and interest of FILP Bonds, the interest of borrowings, etc. |
| Energy projects | 8,022,009 | 6,035 | 11 | 8,028,054 | The redemption of Government Bonds issued to Nuclear Damage Compensation and Decommissioning Facilitation Corporation, the redemption and interest of borrowings, the redemption of Petroleum Financing Bills, etc. |
| Pension | 1,479,228 | 932 | — | 1,480,160 | The redemption and interest of borrowings, and the interest of temporary borrowings |
| Stable food supply | 120,082 | 471 | 1 | 120,554 | The redemption and interest of borrowings, the redemption of Food Financing Bills, etc. |
| Administration of national forestry management debt | 324,664 | 4,465 | — | 329,129 | The redemption and interest of borrowings |
| Motor vehicles safety | 44,069 | 5,504 | — | 49,573 | The redemption and interest of borrowings |
| Grant from the Special Account for Reconstruction from the Great East Japan Earthquake or other accounts | 405,474 | 11,616 | 309 | 417,399 | |
| Grant from Special Accounts | 405,474 | 11,616 | 309 | 417,399 | |
| FILP | 278,272 | — | — | 278,272 | The redemption of Reconstruction Bonds |
| Reconstruction from the Great East Japan Earthquake | 127,203 | 11,616 | 309 | 139,128 | The redemption and interest of Reconstruction Bonds, etc. |

Note: Figures may not sum up to the total because of rounding.

(3) Transfer of Redemption Sources, Redemption Amount, Outstanding Amount and Refunding Amount of the GDCF (FY2018 Initial Budget)

(Unit: billion yen)

| | FY2016 (actual) | FY2017 (forecast) | FY2018 (forecast) |
|---|-----------------|-------------------|-------------------|
| <Transfer of financial resources for redemption> | | | |
| JGBs | 34,283.6 | 33,779.9 | 28,382.2 |
| (Financial resources for Reconstruction Bond redemption) | (519.0) | (1,541.4) | (1,581.7) |
| General Account | 13,158.4 | 14,051.0 | 13,904.0 |
| Special Accounts | 21,010.8 | 18,241.8 | 12,959.0 |
| (Financial resources for Reconstruction Bond redemption) | (405.5) | (55.4) | (63.4) |
| Revenue from the sales of shares | — | 1,398.5 | 1,467.8 |
| (Financial resources for Reconstruction Bond redemption) | (—) | (1,398.5) | (1,467.8) |
| Investment revenue, etc. | 114.5 | 88.6 | 51.4 |
| (Financial resources for Reconstruction Bond redemption) | (113.6) | (87.6) | (50.4) |
| Borrowings | 40,882.1 | 41,644.6 | 42,574.3 |
| General Account | 525.7 | 506.2 | 370.5 |
| Special Accounts | 40,356.4 | 41,138.5 | 42,203.9 |
| Total | 75,165.8 | 75,424.5 | 70,956.5 |
| <Redemption Amount> | | | |
| JGBs | 34,820.8 | 33,780.3 | 28,381.7 |
| General bonds | 12,924.8 | 13,704.9 | 13,638.8 |
| Subscription/ Contribution bonds | 1,375.3 | 4,847.5 | 265.7 |
| FILP bonds | 19,463.5 | 13,686.5 | 12,895.5 |
| Reconstruction Bond | 1,057.1 | 1,541.4 | 1,581.7 |
| Borrowings | 40,882.1 | 41,644.6 | 42,574.3 |
| Total | 75,702.9 | 75,424.9 | 70,956.0 |
| Outstanding balance of GDCF at the end of FY | 3,006.2 | 3,005.7 | 3,006.3 |
| (Financial resources for Reconstruction Bond redemption) | (—) | (—) | (—) |
| (Reference) | | | |
| Refunding bonds as stipulated in Article 47(1) of the Act on Special Accounts | 45,104.6 | 56,000.0 | 55,000.0 |
| Outstanding balance of GDCF at the end of FY incl.refunding bonds as stipulated in Article 47(1) of the Act on Special Accounts | 48,110.7 | 59,005.7 | 58,006.3 |
| Refunding amount of JGBs | 109,479.8 | 107,581.5 | 103,237.1 |
| (Refunding amount of Reconstruction Bonds) | (388.0) | (2,879.0) | (1,858.7) |

Note 1: Expenses associated with share sales have been deducted from the revenue from share sales.

Note 2: Investment revenue, etc. includes dividend revenue and carry-over from the previous year.

Note 3: Outstanding balance of GDCF at the end of FY does not include Refunding Bonds as stipulated in Article 47(1) of the Act on Special Accounts.

Note 4: Refunding Bonds as stipulated in Article 47(1) of the Act on Special Accounts for FY2017(forecast) and FY2018(forecast) are the limit of general provisions concerning the Budget.

Note 5: Figures may not sum up to the total because of rounding.

(4) GDCF Investment in JGBs

(Unit: trillion yen)

| Category | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Treasury Discount Bills | 13.2 | 10.7 | 22.9 | 12.0 | 12.8 | 17.2 | 17.1 | — | — | — |
| Gensaki, etc. | 2.8 | 8.7 | 7.4 | 9.3 | 9.3 | 8.9 | 14.4 | 0.1 | 0.3 | 0.3 |
| Total | 16.0 | 19.5 | 30.3 | 21.3 | 22.1 | 26.1 | 31.5 | 0.1 | 0.3 | 0.3 |

Note 1: For Treasury Discount Bills, the figure for FY2008 includes the Financing Bills before the unified issuance.

Note 2: Figures may not sum up to the total because of rounding.

(5) Budgetary Surplus of the Special Account of the GDCF

(Unit: billion yen)

| | Budgetary Surplus | |
|---------|-------------------|-----------------------------|
| | | Outstanding balance of GDCF |
| FY 2014 | 3,071.0 | 3,000.6 |
| FY 2015 | 3,618.8 | 3,543.3 |
| FY 2016 | 3,082.4 | 3,006.2 |
| FY 2017 | 3,005.7 | 3,005.7 |
| FY 2018 | 3,006.3 | 3,006.3 |

Note 1: Trends since FY2014 after the revision of the Act on Special Accounts

Note 2: Data for FY2017 and FY2018 are based on the initial budget for FY2018.

(6) Results of Liquidity Enhancement Auctions Bid Achievements in FY2017

| | 235th | 236th | 237th | 238th | 239th | 240th | 241st | 242nd | 243rd | 244th | 245th | 246th |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Auction Date | 4/6/17 | 4/25/17 | 5/2/17 | 5/23/17 | 6/20/17 | 6/22/17 | 7/19/17 | 7/21/17 | 8/24/17 | 8/29/17 | 9/20/17 | 9/22/17 |
| Amount of Competitive Bids (billion yen) | 1,400.8 | 1,874.6 | 907.6 | 1,942.9 | 1,395.7 | 1,575.5 | 1,384.4 | 2,032.3 | 2,040.7 | 967.5 | 1,212.9 | 1,544.7 |
| Amount of Bids Accepted (billion yen) | 499.1 | 548.3 | 199.5 | 546.8 | 498.9 | 547.9 | 298.9 | 546.7 | 549.0 | 398.2 | 299.2 | 547.6 |
| Average Accepted Spread (%) | 0.002 | ▲ 0.013 | ▲ 0.017 | ▲ 0.004 | ▲ 0.001 | ▲ 0.004 | ▲ 0.016 | ▲ 0.008 | ▲ 0.012 | ▲ 0.007 | ▲ 0.007 | ▲ 0.014 |
| Highest Accepted Spread (%) | 0.006 | ▲ 0.012 | ▲ 0.015 | ▲ 0.003 | 0.001 | ▲ 0.003 | ▲ 0.013 | ▲ 0.007 | ▲ 0.011 | ▲ 0.003 | ▲ 0.005 | ▲ 0.013 |

| | 247th | 248th | 249th | 250th | 251st | 252nd | 253rd | 254th | 255th | 256th | 257th | 258th |
|--|----------|----------|---------|----------|----------|----------|---------|---------|---------|---------|---------|---------|
| Auction Date | 10/13/17 | 10/24/17 | 11/7/17 | 11/21/17 | 12/19/17 | 12/22/17 | 1/5/18 | 1/22/18 | 2/16/18 | 2/20/18 | 3/8/18 | 3/20/18 |
| Amount of Competitive Bids (billion yen) | 1,990.9 | 1,252.7 | 1,979.4 | 1,824.4 | 1,122.7 | 1,722.5 | 1,350.5 | 1,830.4 | 1,114.8 | 2,087.4 | 1,472.8 | 1,948.9 |
| Amount of Bids Accepted (billion yen) | 546.6 | 397.4 | 299.7 | 548.4 | 398.7 | 549.5 | 299.8 | 548.7 | 398.2 | 548.9 | 300.0 | 549.4 |
| Average Accepted Spread (%) | 0.001 | ▲ 0.007 | ▲ 0.020 | ▲ 0.009 | ▲ 0.007 | ▲ 0.017 | ▲ 0.033 | ▲ 0.008 | ▲ 0.007 | ▲ 0.008 | ▲ 0.033 | ▲ 0.002 |
| Highest Accepted Spread (%) | 0.002 | ▲ 0.006 | ▲ 0.018 | ▲ 0.007 | ▲ 0.006 | ▲ 0.015 | ▲ 0.031 | ▲ 0.005 | ▲ 0.006 | 0.001 | ▲ 0.023 | 0.001 |

(7) Buy-back Results in FY2017

Inflation-Indexed Bonds

| Auction Date | Amount of Bids Received (billion yen) | Amount of Bids Accepted (billion yen) | Average Accepted Spread (yen) | Highest Accepted Spread (yen) |
|--------------|---------------------------------------|---------------------------------------|-------------------------------|-------------------------------|
| 4/17/17 | 132.1 | 20.3 | ▲ 0.149 | ▲ 0.11 |
| 6/15/17 | 121.0 | 20.1 | ▲ 0.284 | ▲ 0.27 |
| 8/18/17 | 126.7 | 20.0 | ▲ 0.111 | ▲ 0.08 |
| 10/20/17 | 90.2 | 20.0 | ▲ 0.182 | ▲ 0.09 |
| 12/11/17 | 102.5 | 20.0 | ▲ 0.004 | 0.05 |
| 2/13/18 | 115.4 | 20.0 | ▲ 0.211 | ▲ 0.17 |

(8) Buy-back Results

(On nominal basis, billion yen)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 (Maximum limits) |
|-----------------------|---------|---------|---------|---------|---------|---------|--------|--------|--------|-------------------------|
| From the Market | 3,918.2 | 2,505.4 | 3,011.1 | 2,712.4 | 2,825.2 | 2,512.6 | 741.4 | 120.2 | 120.4 | 1,000.0 |
| From Fiscal Loan Fund | — | — | — | — | — | — | — | — | — | — |
| From Bank of Japan | — | — | 410.2 | 350.4 | 200.0 | 200.0 | — | — | — | — |
| Total | 3,918.2 | 2,505.4 | 3,421.3 | 3,062.8 | 3,025.2 | 2,712.6 | 741.4 | 120.2 | 120.4 | 1,000.0 |

Note: Figures may not sum up to the total because of rounding.

(9) Various councils

A. The Advisory Council on Government Debt Management

<Members>

| | |
|----------------------------|--|
| Hajime Takata | Senior Managing Executive Officer and Chief Economist, Mizuho Research Institute Ltd. |
| Hidenori Suezawa | Assistant General Manager, Financial Market and Fiscal analyst Financial Market & Economic Research SMBC Nikko Securities Inc. |
| Junko Koeda | Associate Professor, School of Political Science and Economics, Waseda University |
| Junko Nishioka | Chief Economist, Sumitomo Mitsui Banking Corporation |
| Kazuto Uchida | Member of the Board, Managing Executive Officer Chief Executive, Global Markets Unit, MUFG Bank, Ltd. |
| Keito Simbu | Senior Managing Executive Officer, Head of Global Investments, The Norinchukin Bank |
| Koji Shimamoto | President and Representative Director, Societe Generale Securities Japan Limited |
| Main Kohda | Author |
| Masahito Fujito | Senior Managing Executive Officer, Sumitomo Life Insurance Co. |
| (Chairperson) Naoki Tanaka | President of Center for International Public Policy Studies |
| Naoyuki Yoshino | Dean of Asian Development Bank Institute, Professor Emeritus, Keio University |
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| Tadao Sakashima | Senior Executive Managing Director, Daiwa Securities Co., Ltd. |
| Toshiki Tomita | Guest Scholar, Nomura Institute of Capital Markets Research |
| Yoko Takeda | General Manager, Chief Economist, Research Center for Policy and Economy, Mitsubishi Research Institute, Inc. |
| Yosuke Inaida | Senior Managing Director, Joint Head of Global Markets Japan, Nomura Securities Co., Ltd. |
| Yuri Okina | Chairperson, The Japan Research Institute, Limited. |

(17 members)

(Alphabetical order)

(As of April 1, 2018)

<Actual Achievement>

| Date | Content |
|-----------------------------------|---|
| Oct 17, 2016 (43rd Round) | <ul style="list-style-type: none"> • Current states of the Bank of Japan’s monetary policy (“Quantitative and Qualitative Monetary Easing with Yield Curve Control” and “Comprehensive Assessment”) • Current trends in the JGB market and its future outlook in response to “Quantitative and Qualitative Monetary Easing with Yield Curve Control” and “Comprehensive Assessment of Monetary Easing” • Current states of Debt Management Policy (the Financial Bureau) |
| May 31, 2017 (44th Round) | <ul style="list-style-type: none"> • JGB Issuance Plan for FY2018 (report) • Overseas IR activities(report) • Revision of the JGB Market Special Participants scheme(report) • Future trends of JGB markets and debt management policy |
| October 18, 2017 (45th Round) | <ul style="list-style-type: none"> • Current Debt Management Policy • Shortening JGB Settlement Cycles (report) |
| February 28, 2018 (46th Round) | <ul style="list-style-type: none"> • JGB issuance plan for FY2018 (report) • Current status and future trends of the JGB market <ol style="list-style-type: none"> (1) Financial and money market trends for 2018 (2) Consideration of the impact of Bank of Japan policy shifts as well as the JGB market consensus seen in survey results |
| June 15, 2018 (47th Round) | <ul style="list-style-type: none"> • Future trends of JGB markets and debt management policy, etc. |

B The Meeting of JGB Market Special Participants

<Members>

Barclays Securities Japan Limited
 BNP Paribas Securities (Japan) Limited
 Citigroup Global Markets Japan Inc.
 Credit Agricole Securities Asia B.V.
 Credit Suisse Securities (Japan) Limited
 Daiwa Securities Co. Ltd.
 Deutsche Securities Inc.
 Goldman Sachs Japan Co., Ltd.
 JPMorgan Securities Japan Co., Ltd.
 Merrill Lynch Japan Securities Co., Ltd.
 Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
 Mizuho Bank, Ltd.
 Mizuho Securities Co., Ltd.
 Morgan Stanley MUFG securities Co., Ltd.
 Nomura Securities Co., Ltd.
 Okasan Securities Co., Ltd.
 SMBC Nikko Securities Inc.
 Societe Generale Securities Japan Limited
 Sumitomo Mitsui Banking Corporation
 Tokai Tokyo Securities Co., Ltd.
 UBS Securities Japan Co., Ltd.

(21 companies)
 (Alphabetical order)
 (As of July 15, 2016)

<Actual Achievement>

| Date | Content |
|------------------------------------|--|
| June 28, 2017 (71st Round) | <ul style="list-style-type: none"> • Amount of issuance of Inflation-Indexed Bonds in the July-September 2017 quarter • Liquidity Enhancement Auction in the July-September 2017 quarter • Shortening the Settlement Cycle Related to the Monthly Issuance of 2-Year Bonds and Massive Redemption Month Bonds (5 – 30 Year Bonds) • Latest JGB market situation and its future outlook |
| September 22, 2017 (72nd Round) | <ul style="list-style-type: none"> • Amount of issuance of Inflation-Indexed Bonds in the October-December 2017 quarter • Liquidity Enhancement Auction in the October-December 2017 quarter • Latest JGB market situation and its future outlook |
| November 22, 2017 (73rd Round) | <ul style="list-style-type: none"> • JGB Issuance Plan for FY2018 • Latest JGB market situation and its future outlook |
| December 14, 2017 (74th Round) | <ul style="list-style-type: none"> • Termination of the review of the regulatory treatment of sovereign exposures (explanation by the FSA) • Amount of issuance of Inflation-Indexed Bonds in the January-March 2018 quarter • Liquidity Enhancement Auction for the January-March 2018 quarter • FY2018 JGB Issuance Plan • Latest JGB market situation and its future outlook |
| March 22, 2018 (75th Round) | <ul style="list-style-type: none"> • Amount of issuance of the Inflation-Indexed Bonds in the April-June 2018 quarter • Liquidity Enhancement Auction for the April-June 2018 quarter • Methods of Reopening • Latest JGB market situation and its future outlook • Explanation from Financial Bureau - operation about base yield/price of Liquidity Enhancement Auction and Buy-back Auction |

C The Meeting of JGB Investors

<Members>

1. Investors

- Capula Investment Management LLP
- Japan Post Bank Co., Ltd.
- Japan Post Insurance Co., Ltd.
- Mizuho Bank, Ltd.
- National Mutual Insurance Federation of Agricultural Cooperatives
- Nomura Asset Management Co., Ltd.
- Pension Fund Association
- PIMCO Japan Ltd
- Shinkin Central Bank
- Sumitomo Mitsui Trust Bank, Ltd
- The Chiba Bank, Ltd.
- The Dai-ichi Life Insurance Company, Ltd.
- The Norinchukin Bank
- The Tochigi Bank, Ltd.
- Tokio Marine & Nichido Fire Insurance Co., Ltd.

(15 companies)
(Alphabetical order)

2. Academics

- Minoru Nakazato Professor of Law, Graduate School of Law and Politics, University of Tokyo
- (Chairperson) Naoyuki Yoshino Dean of Asian Development Bank Institute, Professor Emeritus, Keio University
- Toshiki Tomita Guest Scholar, Nomura Institute of Capital Markets Research

(3 members)
(Alphabetical order)
(As of April 4, 2018)

<Actual Achievement>

| Date | Content |
|------------------------------------|--|
| June 29, 2017 (70th Round) | <ul style="list-style-type: none"> • Amount of issuance of Inflation-Indexed Bonds in July-September 2017 quarter • Liquidity Enhancement Auction in the July-September 2017 quarter • Shortening the Settlement Cycle Related to the Monthly Issuance of 2-Year Bonds and Massive Redemption Month Bonds (5 – 30 Year Bonds) • Latest JGB market situation and investment outlook |
| September 25, 2017 (71st Round) | <ul style="list-style-type: none"> • Amount of issuance of Inflation-Indexed Bonds in the October-December 2017 quarter • Liquidity Enhancement Auction in the October-December 2017 quarter • Latest JGB market situation and investment outlook |
| November 24, 2017 (72nd Round) | <ul style="list-style-type: none"> • JGB Issuance Plan for FY2018 • Latest JGB market situation and investment outlook |
| December 15, 2017 (73rd Round) | <ul style="list-style-type: none"> • Amount of issuance of Inflation-Indexed Bonds in the January-March 2018 quarter • Liquidity Enhancement Auction in the January-March 2018 quarter • JGB Issuance Plan for FY2018 • Latest JGB market situation and investments outlook |
| March 23, 2018 (74th Round) | <ul style="list-style-type: none"> • Amount of issuance of the Inflation-Indexed Bonds in the April-June 2018 quarter • Liquidity Enhancement Auction for the April-June 2018 quarter • Methods of Reopening • Latest JGB market situation and investments outlook |

D The Meeting of JGB Top Retailers

<Members>

| | |
|-----------------------------|-------------------------------------|
| Chuo Labour Bank | SMBC Nikko Securities Inc. |
| Daiwa Securities Co. Ltd. | Sumitomo Mitsui Banking Corporation |
| JA Ceresia Kawasaki | Sumitomo Mitsui Trust Bank, Limited |
| Japan Post Bank Co., Ltd. | The Chugoku Bank, Ltd. |
| Mizuho Bank, Ltd. | The Hiroshima Bank, Ltd. |
| Mizuho Securities Co., Ltd. | The Hokkaido Bank, Ltd. |
| Nomura Securities Co., Ltd. | The Joyo Bank, Ltd. |
| North Pacific Bank, Ltd. | The Keiyo Bank, Ltd. |
| Obihiro Shinkin Bank | The Saitamaken Shinkin Bank |

(18 companies)

(Alphabetical order)

(As of February 19, 2018)

<Actual Achievement>

| Date | Content |
|-----------------------------------|--|
| March 25, 2014 (13th Round) | <ul style="list-style-type: none"> Explanation from the Financial Bureau regarding trends vis-à-vis the sale of JGBs for Retail Investors after monthly issuance (10-Year Floating-Rate and 5-Year Fixed-Rate) and promotions of JGB holdings by retail investors Exchange of opinions with regard to each contents |
| October 31, 2014 (14th Round) | <ul style="list-style-type: none"> Explanation from the Financial Bureau regarding trends vis-à-vis the sale of JGBs for Retail Investors after monthly issuance (10-Year Floating-Rate and 5-Year Fixed-Rate) and sales expansion of Inflation-Indexed JGBs to retail investors Exchange of opinions with regard to each contents |
| November 13, 2015 (15th Round) | <ul style="list-style-type: none"> Explanation from the Financial Bureau regarding trends vis-à-vis the sale of JGBs for Retail Investors, methods of public offering for newly introduced new over the counter sales systems of Inflation-Indexed JGBs, and changes in the system of new over the counter sales systems Exchange of opinions with regard to each contents |
| November 9, 2016 (16th Round) | <ul style="list-style-type: none"> Explanation from the Financial Bureau regarding trends vis-à-vis the sale of JGBs for Retail Investors, advertisement of JGBs for Retail Investors, and the treatment of Inflation-Indexed JGBs under the new over the counter sales systems Exchange of opinions with regard to each contents |
| February 19, 2018 (17th Round) | <ul style="list-style-type: none"> Explanation from the Financial Bureau regarding trends vis-à-vis the sale of JGBs for Retail Investors, recent investment behavior of retail investors, and advertisement of JGBs for Retail Investors Exchange of opinions with regard to each contents |

(10) History of Postwar Debt Management Policy

| FY | Debt Management Policy | Fiscal Policy etc. |
|------------|--|--|
| 47 ~ 64 | | |
| 65 | 66.1 Launching of Underwriting Syndicate (7-year) 66.3 Launching of underwriting by Trust Funds Bureau | The issuance of Revenue-Financing Bonds in the supplementary budget (Start of issuance of bonds) |
| 66 | | Introduction of Construction Bonds |
| 67 | | |
| 68 | 68.4 Introduction of "Tokubetsu-Maruyuu" tax free saving schemes 68.5 Formation of Redemption system | Background of tax revenue given by high-growth, Embarkation of reduction of dependence on bonds |
| 69 | | |
| 70 | | |
| 71 | 72.1 Extension of term-to-maturity of JGBs (7 years → 10 years) | 71.8 Nixon Shock |
| 72 | | |
| 73 | | First year of the welfare era 1973 energy crisis |
| 74 | | A tax reduction by 2 trillion yen |
| 75 | | 75.12 Launching of the issuance of Special Deficit-Financing Bonds |
| 76 | 77.1 Launching of auction for discount bonds (5-year) | Background of the current account surplus, proactive fiscal management Setting the goal (fiscal year 1980) of grow out of dependence on Special Deficit-Financing Bonds |
| 77 | 77.4 Launching of securitization of JGBs which financial institutions acquired. | |
| 78 | 78.6 Launching of auction for medium-term bonds (3-year) | For 7% growth that promised in Bonn summit proactive fiscal management |
| 79 | 79.6 Launching of auction for medium-term bonds (2-year) 80.1 Launching of sales of Fund of medium-term JGB 80.2 Creation of a Book-Entry Transfer System | 1979 energy crisis Locomotive theory |
| 80 | 80.6 Launching of auction for medium-term bonds (4-year) | The first step toward fiscal reconstruction Setting the goal (fiscal year 1984) of grow out of dependence on Special Deficit-Financing Bonds |
| 81 | 81.9 Direct issuance of 6-Year bonds | The global depression |
| 82 | 83.2 Direct issuance of 15-Year Floating-Rate JGB | Setting of "Zero-Ceiling" |
| 83 | 83.4 Launching of handling of offering of JGBs by financial institutions 83.9 Direct issuance of 20-Year bonds | Setting of "Minus-Ceiling" 83.9 Proclamation of the state of fiscal emergency Setting the goal (fiscal year 1990) of grow out of dependence on Special Deficit-Financing Bonds |
| 84 | 84.6 Launching of dealing of JGBs by financial institutions | Promotion of fiscal reconstruction |
| 85 | 85.6 Amendment of the law for the Act on GDCF Special Account ① Launching of issuance of short-term bonds, of Refunding Bonds (front-loading) ② Reversion of former NTT stocks etc. to the Account 85.10 Launching of transactions of JGB futures 86.2 Launching of auction for short-term bonds | |
| 86 | 86.10 Launching of Underwriting Syndicate (20-year) | |
| 87 | 87.9 Launching of auction for Fixed-rate bonds (20-year) 87.11 Introduction of system of underwriting auction for 10-Year Bonds | |
| 88 | 88.4 Launching of handling offering of JGBs in post offices | Practical use of proceeds of the sale of NTT stocks |
| 89 | 89.4 Introduction of partial auction system for 10-Year Bonds by Syndicate | Introduction of consumption tax |
| 90 | 90.10 Extension of the ratio of bids by Syndicate (10-Year Bonds; 40% → 60%) | Grow out of dependence on Special Deficit-Financing Bonds Issuance of Ad-hoc Deficit-Financing Bonds |
| 91 | 91.4 Same-day-announcement of auction results of 10-Year Bonds | |
| 92 | 92.4 Tax exemption of profit from redemption for TB and FB owned by foreign corporations | |
| 93 | 94.1 Extension of targets of "Maruyuu" tax free saving schemes (350 million yen) 94.2 Launching of auction for fixed-rate bonds (6-year) | |
| 94 | | 6 trillion yen of tax reduction mainly on personal income tax Issuance of tax reduction-related Special Deficit-Financing Bonds Issuance of Special Deficit-Financing Bonds for Earthquake |
| 95 | | Re-issuance of Special Deficit-Financing Bonds |
| 96 | 96.4 Introduction of auction for 20-Year Bonds in every quarter of year 96.4 Launching of Japanese version of cash-secured bond lending transactions | Setting the goal of fiscal consolidation (Grow out of dependence on Special Deficit-Financing Bonds by fiscal year 2005) |
| 97 | | Approval of the special treatment law regarding the promotion of fiscal reconstruction |
| 98 | 98.4 Launching of non-competitive auction for medium-term JGB 99.1 Abolishment of the article pre-maturity redemption 99.3 Launching of prior announce of auction schedule and amount of issuance | Issuance of refunding bonds followed by the inheritance of long debt for "Kokutetsu" and of cumulative debt for National Forest Service Approval of the stop-law for special treatment law regarding the promotion of fiscal reconstruction |
| 99 | 99.4 Launching of auction for T-Bill (1-year) 99.9 Launching of auction for fixed-rate bonds (30-year) 00.2 Introduction of fixed-rate bonds (5-year) | Over 6 trillion yen of permanent tax reduction for national and local government |
| 00 | 00.6 Launching of auction for 15-Year Floating-Rate Bonds 00.9 Launching of holdings of Meeting of JGB Market 00.11 Launching of auction for discount bonds (3-year) 01.3 Introduction of the immediate reopening rule | |
| 01 | 01.4 Introduction of new Gensaki transactions 01.10 Alteration of announcement of auction calendar (announce next 3 months) | Formation of the Koizumi Cabinet Launching of issuance of FILP Bonds |
| 02 | 02.4 Launching of holdings of The Meeting of JGB Investors 02.5 Raising of the ratio of auction for Underwriting Syndicate (From 60% to 75%; applied since May, 2002) 02.5 Reduction of the fee of Underwriting Syndicate (From .63 yen to .39 yen; applied since May, 2002) 03.1 Introduction of a new Book-Entry Transfer System 03.1 Introduction of STRIPS 03.2 Launching of the auction for Buy-Back 03.3 Introduction of JGBs for Retail Investors | |

| FY | Debt Management Policy | Fiscal Policy etc. |
|----|---|---|
| 03 | 03.5 Raising of the ratio of competition auction in Syndicate (From 75% to 80%; applied since May, 2003) 03.12 Announcement of "Forthcoming Development of Debt Management Policy" 04.2 Launching of WI transactions 04.3 Introduction of 10-Year Inflation-Index Bonds | |
| 04 | 04.5 Raising of the ratio of competition auction in Syndicate (From 80% to 85%; applied since May, 2004) 04.5 Reduction of the fee of Underwriting Syndicate (From .39 yen to .23 yen; applied since May, 2004) 04.7 Reinforcement of Debt Management System (Establishment of Senior Director and Market Analyst Separation of the Debt Management Division into two Appointment of non-government persons etc.) 04.10 Introduction of JGB Market Special Participants Scheme (Designation of Special Participants Launching of Meeting of Special Participants Launching of the Non-Price Competitive Auction II) 04.11 Launching of holdings of Advisory Council on Government Debt Management 05.1 Launching of overseas IRs | |
| 05 | 05.4 Launching of the Non-Price Competitive Auction I 05.4 Raising of the ratio of competition auction in Syndicate (From 85% to 90%; applied since April, 2005) 05.7 Revision of rules related to auctions (Introduction of bid limitation for auction of bonds and FB Alteration of auction system for 15-Year Floating-Rate Bonds (conventional method)) 06.1 Introduction of new type of JGBs for Retail Investors (fixed-rate) 06.1 Extension of targets of Auction for Buy-Back. (for all brands) 06.3 Abolishment of the government bond for Underwriting Syndicate | |
| 06 | 06.4 Launching of Liquidity Enhancement Auctions 06.12 Re-opening issuance in principle of 10-Year Inflation-Indexed Bonds and 30-Year bonds 07.1 Introduction of FB (6-Month) (transferred from TB (6-Month)) | Transference by 12 trillion yen, from FILP Special Account to GDCF Special Account Formation of the Abe Cabinet |
| 07 | 07.4 Execution of law regarding Special Accounts (legislation of rules of swaption transaction, etc.) 07.4 Alteration of auction system for 30-Year bonds (conventional method) 07.6 Launching of Meeting of JGB Top Retailers 07.9 Announcement of re-opening issuance in principle of 15-Year Floating-Rate Bonds 07.10 Introduction of New Over-The-Counter (OTC) Sales System 07.11 Launching of auction for fixed-rate bonds (40-year) 08.3 Introduction of Special Liquidity Enhancement Auctions | Formation of the <i>Fukuda</i> Cabinet Reduction of New Financial Resource Bonds in amount of 4.5 trillion yen, the largest reduction ever |
| 08 | 08.4 Setting the issuance date of coupon-bearing bonds as T (auction date) + 3, in principle 08.4 Extension of targets of Liquidity Enhancement Auctions (Coupon-bearing bonds from 6-year to 29-year except for 10-Year Inflation-Indexed Bonds and 15-Year Floating-Rate Bonds) 08.6 Launching of Buy-Back of STRIPS 08.8 Reduction of planned issuance amount of 15-Year Floating-Rate Bonds four times per year → twice per year 08.9,10 Reduction of planned issuance amount of 10-Year Inflation-Indexed Bonds (Suspension of issuance) 08.12 Reduction of planned issuance amount of 10-Year Inflation-Indexed Bonds and 15-Year Floating-Rate Bonds (Suspension of issuance; Feb, 2009)etc. 09.2 Launching of the issuance of T-Bills by the integration of TB and FB | Formation of the <i>Aso</i> Cabinet Transference by 7.2 trillion yen, from FILP Special Account to GDCF Special Account |
| 09 | 09.4 Extension of total amount of Buy-Back from the market (3 → 4 trillion yen) (Centering on 10-Year Inflation-Indexed Bonds and 15-Year Floating-Rate Bonds) 09.7 Extension of targets of Liquidity Enhancement Auctions (Coupon-bearing bonds from 5-year to 29-year) 10.1 Reduction of amount of Buy-Back of 10-Year Inflation-Indexed Bonds and 15-Year Floating-Rate Bonds (In terms of change from responding to the financial crisis to ordinary support) 10.3 Announcement of real interest rate (constant maturity basis) based on the daily JGB prices in the secondary market on the MOF website | Formation of the <i>Hatoyama</i> Cabinet |
| 10 | 10.7 Issuance of JGBs for Retail Investors (3-year) since July (offered in June),2010 10.12 Execution of Buy-Back whose resources are reduced from GDCF | Formation of the <i>Kan</i> Cabinet |
| 11 | 11.7 Revisions of Rate-Setting Formula for JGBs for Retail Investors (10-Year Floating Rate) 12.1 Issuance of Reconstruction Bonds for Retail Investors since January, 2012 (offered in December, 2011) | Formation of the <i>Noda</i> Cabinet Issuance of Reconstruction Bonds |
| 12 | 12.4 Issuance of Reconstruction Supporters' Bonds for Retail Investors since April, 2012 (offered in March, 2012) Setting the issuance date of JGB and T-Bill as T (auction date) + 2, in principle 13.1 Announcement of Reduction of the Issuance of Refunding Bonds by using the Government Debt Consolidation Fund(GDCF) | Formation of the <i>Abe</i> Cabinet Issuance of Special Bonds for covering Public Pension Funding |
| 13 | 13.7 Extension of targets of Liquidity Enhancement Auctions (Coupon-bearing bonds from 5- to 39-year bonds) 13.10 Resumption of the issuance of inflation-indexed bonds 13.12 Launching the monthly offering and issuance of JGBs for retail investors (10-Year Floating Rate and 5-Year Fixed Rate) Announcement of re-opening issuance in principle of 20-year bonds | |
| 14 | 14.5 Announcement of allowing Retail Investors to hold JGBi from January 2015 15.1 Launching of the purchase of JGBi by Retail Investors through direct negotiation | Consumption tax hike from 5% to 8% |
| 15 | 15.4 Reduction of the bidding upper limit for auction participants from "planned issuance amount" to "half of planned issuance amount" 15.4 Raising of the bidding responsibility for JGB market Special Participants from 3% or more of planned issuance amount to 4% or more | Achievement of the interim target of halving the primary deficit |
| 16 | 16.4 Extension of targets of Liquidity Enhancement Auctions (Coupon-bearing bonds from 1- to 39-year bonds) | |
| 17 | 17.7 Raising of the upper issue limit for Non-Price Competitive Auction I from "10% of the planned issue amount" to "20%" 17.7 Raising of the minimum bidding responsibility amount for JGB market Special Participants from 4% of the planned issue amount to 5% | |
| 18 | 18.5 Setting the issuance date of JGB, etc. as T (auction date) + 1, in principle | |

(11) Government Bond-related Legal Systems

A Legal basis of issuance

All JGBs are issued in accordance with applicable laws. Depending on legal grounds, JGBs are categorized into JGBs (Construction Bonds, Special Deficit-Financing Bonds, Reconstructions Bonds, Refunding Bonds and Fiscal Investment and Loan Program (FILP) Bonds), Financing Bills for financing temporary cash shortage of the national treasury, and Subsidy Bonds granted in place of cash payments.

According to Article 85 of the Japanese Constitution, Diet approval is necessary when the central government intends to assume new liabilities.

a Public Finance Act, Art. 4(1), Proviso (Construction Bonds)

Proviso to Art. 4(1) of the Public Finance Act permits as an exception the ability to issue bonds and take out loans within amounts that correspond to public works expenditure, capital subscriptions, and lending. These expenditures, which are not consumptive, contribute to the asset formation of the state, normally with long-term benefits. Therefore, with regard to this type of expenditure, financial resource can be procured through public debt issuance or borrowing, and the understanding is that future generations can be required to share in the burden of debt service.

In other words, Art. 4 of the Public Finance Act rests on the concept of an equitable sharing of the financial burden across the generations, and is interpreted to stipulate a principle of sound fiscal policy such that public debt issuance and/or borrowing are permitted, limited to public works expenditure, etc.

However, debt and loan amounts must be within the scope allowed for by Diet approval, with the issuance ceiling amount recognized in the general provisions of the general account budget.

Furthermore, Art. 4(2) provides that when this ceiling amount is put to a parliamentary vote, the government is obliged to submit to the Diet a redemption plan that shows the redemption amount for each fiscal year, the redemption method and the redemption periods.

b Special Law for Special Deficit-Financing Bonds (Special Deficit-Financing Bonds)

A special law for Special Deficit-Financing Bonds legislated in each fiscal year and the Act on Special Provisions concerning Issuance of Government Bonds to Secure Revenue Resources Necessary for Fiscal Management provide for “issuance in addition to the public debt issued pursuant to the proviso of Art. 4(1) of the Public Finance Act.” The purpose of this provision is to limit the issuance of Special Deficit-Financing Bonds to cases where, despite the issuance of Construction Bonds, a revenue shortfall is expected to arise.

These laws provide merely the authority to issue Special Deficit-Financing Bonds, but leave it to the general provisions of the general account budget to stipulate a specific issuance ceiling. The reason for this structure is that the applicable ceilings for the issuance of public debt each fiscal year are decided within the balance of total income and expenditure for the fiscal year in question. In this sense, since the ceiling amount for JGBs is inseparably linked to budgeted income and expenditure, it is considered most appropriate to have these matters stipulated in the general provisions of the general account budget and to hold a parliamentary debate and obtain a decision as part of wider income and expenditure considerations.

Moreover, as with Construction Bonds, when the issuance ceiling for Special Deficit-Financing Bonds requires Diet approval, a redemption plan must be submitted to the Diet for reference during the deliberations.

Issuance of Special Deficit-Financing Bonds is an exceptional measure. Actual issuance must be within the scope allowed for by Diet approval, must be made with consideration for the state of income sources such as tax revenues, and must be kept as low as possible. In this context, it is allowed to issue Special Deficit-Financing Bonds even during the accounting adjustment term. Specifically, the government is allowed to issue Special Deficit-Financing Bonds until the end of June in the next fiscal year, in order to adjust the issue amount of Special Deficit-Financing Bonds until the end of May in the next fiscal year: the deadline for collecting the tax revenue for the fiscal year.

In addition, the government must strive to expeditiously reduce Special Deficit-Financing Bonds.

c Act on Special Measures concerning the securing of financial resources to execute measures necessary for recovery from the Great East Japan Earthquake, Art 69(1) and (4) (Reconstruction Bonds)

Reconstruction Bonds are JGBs issued for raising necessary financial resources to cover reconstruction from the Great East Japan Earthquake from FY2011 to FY2020 in accordance with Paragraphs 1 and 4, Article 69 of the “Act on Special Measures concerning the securing of financial resources to execute measures necessary for recovery from the Great East Japan Earthquake.” Reconstruction Bonds were issued as a general account item in FY2011, but the government issued these bonds from FY2012 onward under the Special Account for Reconstruction from the Great East Japan Earthquake.

As with Construction Bonds and Special Deficit-Financing Bonds, Reconstruction Bonds may be issued within the upper limit as approved by the Diet and the ceiling amount is provided under the general provisions of the general account budget with regard to FY2011 and under the general provisions of the special account budget with regard to FY2012 and beyond. In addition, as with Special Deficit-financing Bonds, the accounting adjustment term issuance system is provided.

Reconstruction Bonds, including their Refunding Bonds, will be redeemed in FY2037 at the latest. Redemption of these bonds will be financed with revenues generated from the Special Taxes for Reconstruction, etc. from FY2012 to FY2037.

d Act on Special Accounts, Art. 46(1) and Art. 47(1) (Refunding Bonds)

Art. 46(1) of the Act on Special Accounts allows the government to issue Refunding Bonds up to the amount necessary for JGB adjustment or redemption without Diet approval of the issuance ceiling or submission of a redemption plan. The reason is that unlike new financial resource bonds such as Construction Bonds and Special Deficit-Financing Bonds, the issuance of Refunding Bonds does not entail an increase in the outstanding debt balance. Besides, since circumstances will require that the issuance of Refunding Bonds must occur promptly and flexibly in accordance with financial market conditions, the time constraints associated with the issuance of Refunding Bond do not allow for procedures such as the advance submission of redemption plan or advance Diet approval of the issuance ceiling.

In addition, in order to enable flexible issuance in response to financial conditions, Art. 47(1) allows front-loaded issuance of Refunding Bonds. However, this front-loading is restricted to the ceiling amount stipulated in the general provisions of the special account budget approved in advance by the Diet.

e Act on Special Accounts, Art. 62(1) (FILP Bonds)

Along with the 2001 reform of the FILP, Art. 62(1) of the Act on Special Accounts permits the issuance of Fiscal Investment and Loan Program Bonds (so-called FILP Bonds), which is charged to the Fiscal Loan Fund account, in order to finance the Fiscal Loan Fund operations. According to Paragraph 2 of the same Article of the said Act, as the central government issues FILP Bonds backed by its credibility, an approval from the Diet is necessary on the bond issuance upper limit in a similar manner to other JGBs. Art. 62(3) stipulates that the expenditure schedule must be accompanied by a redemption plan.

In addition, Financing Bills are issued in accordance with Article 7 of the Public Finance Act or the “Act on Special Accounts”, etc. Subsidy Bonds are issued in line with their respective condolence money allowance legislations, and specific legislations, such as the Act on Nuclear Damage Compensation and Decommissioning Facilitation Corporation.

B Other laws

a Act on National Government Bonds (Basic matters of JGB)

The Act on National Government Bonds defines basic matters of JGBs. The Act on National Government Bonds stipulates, among others, the following matters:

- Matters related to bond issuance such as the conditions of JGB issuance and necessary matters concerning debt

service, securities certificates and registration are determined by the Minister of Finance

- Clerical tasks concerning JGBs are performed by the Bank of Japan
- Matters concerning the registration of JGBs
- Matters concerning restrictions on the transfer of JGBs
- Remedies in cases of the destruction or loss of JGB certificates
- Matters concerning the extinctive prescription of JGBs

In relation to matters not stipulated in this law, the Civil Code and the Commercial Code, as well as general rules such as transaction conventions, are applicable.

Specific procedures for the issuance and redemption of JGBs are stipulated in the Rules Concerning National Government Bonds; the Ordinance of the Ministry of Finance on Issuance, etc. of National Government Bonds; the Rules for the Handling of National Government Bonds in the Bank of Japan; and the Ordinance of the Ministry of Finance Concerning Special Handling Procedures of the Bank of Japan for the Payment, etc., of Principal and Interest of National Government Bonds, among others.

b Act on Special Accounts, Art. 38 through 49 (Redemption of JGBs, etc.)

The redemption of JGBs (payment of principal) and the payment of interest occur through the GDCF established by the Act on Special Accounts.

With regard to the GDCF, this act stipulates the following, among other matters.

- Matters concerning the establishment of the GDCF for the redemption of JGBs including borrowings
- Matters concerning redemption resource and transfer methods
- Matters concerning the issuance of JGBs (Refunding Bonds) for JGB consolidation and/or redemption
- Matters concerning the successive carry-over of debt redemption cost.