Calculation method of interest rate (Outline)

1. Grids Setting

Grids are set up at intervals of one year from 1 year to 40 years.

2. Selection of JGBs for the calculation at each grid

Selection of JGBs are set up as follows.

Grid year	Fixed income JGBs classes
1、2 year	2-year
3～5 year	5-year
6～10 year	10-year
11～20 year	20-year
21～30 year	30-year
31～40 year	40-year

3. Selection of specific securities

(1) The on-the-run securities which have the largest issue number in the same class of JGBs are selected.

(2) Besides (1), securities whose remaining maturity is the nearest to grid year are selected in both side of each grid.※

> ※In case there are plural securities whose remaining maturity is the same, the security with the largest coupon is selected. Furthermore, in case there are plural securities with the same coupon rates, the security with the largest issue number is selected.

4. Formation of the yield curve

The yield curve is formed by interpolating through a cubic spline function, utilizing the prevailing market yields of securities selected in **3** as contact points.

5. Calculation of interest rates

From the yield curve of **4**, the interest rates on a constant maturity basis are calculated.

<Image of yield curve>