

# Highlights of FY2009 Government Debt Management

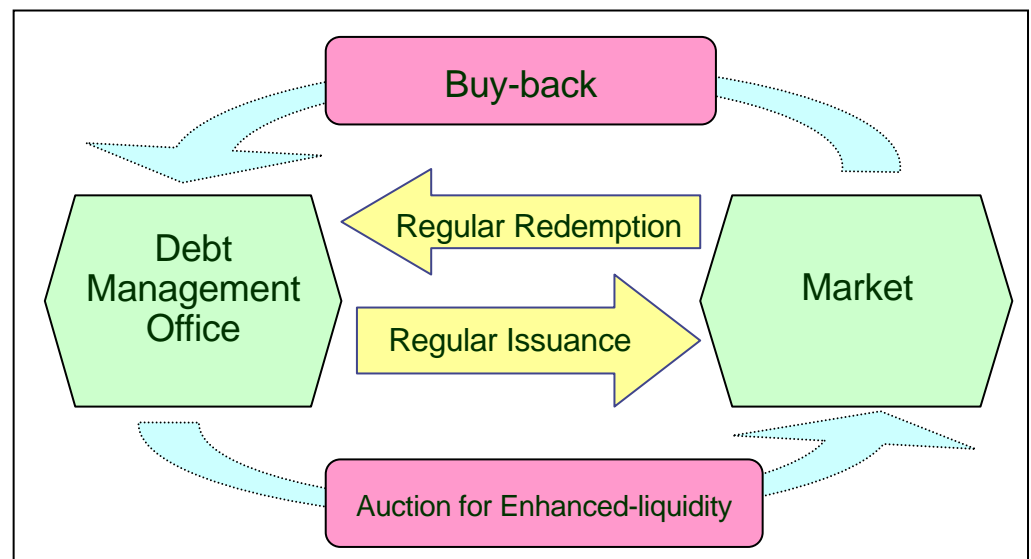
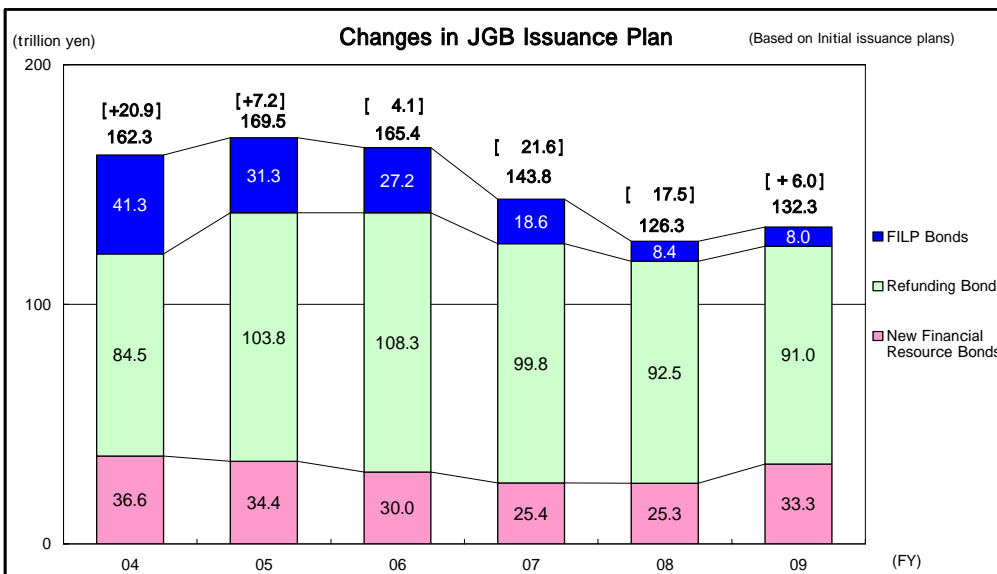
(Attachment 1-4)

## Issue amount considering market needs and trends

- JGB total issuance is 132.3 trillion yen, and the JGB market issuance (Calendar Base) is 113.3 trillion yen (6.0 trillion yen, and 8.2 trillion yen increase from the initial issuance plan for FY2008 respectively.) (Both amounts will be increased for the first time in 4 years.)
- Issuance is balanced from short to super-long maturity zones, considering the market needs and trends, from the viewpoint of minimizing the adverse market impacts.
  - Increase: Super Long-term bonds (20 ~ 40-year), medium to short term bonds (1 ~ 5-year)
  - Decrease largely (Calling off of issuance if needed, owing to market conditions): 10-year Inflation-Indexed Bonds, 15-year Floating-rate Bonds
- The average maturity of market issuance is 7 years and 4 months (remains unchanged from the previous year).

## Measures in the government bond market responding to the global financial market turmoil 1

- Conducting the policies as below in response to the decrease of liquidity in the Government Bond market.
  - The total Buy-back amount from the market will be increased to 4 trillion yen, focusing on 10-year Inflation-Indexed Bonds and 15-year Floating-rate Bonds (actual amount will be decided on a quarterly basis taking in the market conditions).
  - The total amount of Auction for Enhanced-liquidity will be largely increased to 3.6 trillion yen (150 billion yen twice every month), from 1.2 trillion yen (100 billion yen every month). Also, consider adding zones near current issues to the target issues.
  - Raising the purchasing limit in the Non-price Competitive Auction from 10% to 15% of each Primary Dealer's total successful biddings, from the viewpoint of ensuring the liquidity of issues which have large needs in the market. (Starting from the Jan. 2009)



## Measures in the government bond market responding to the global financial market turmoil 2

- Liquidity-enhancing measures as follows will be taken for the 10-year Inflation-Indexed Bonds and the 15-year Floating-rate Bonds whose prices have gone down, as the supply-demand condition in the market worsened.
  - New Issuance: Issuance amount will be largely decreased (0.3 trillion yen issuance of each, once in the latter half of the FY2009) taking in the market trends and investor needs. Issuance may be called off owing to market conditions.
  - Buy-back from the market: Total amount will be increased to 4 trillion yen, focusing on 10-year Inflation-Indexed Bonds and 15-year Floating-rate Bonds (Listed above).
  - Considering how investment by domestic investors of 10-year Inflation-Indexed Bonds could be promoted. In doing so, considering how the product characteristic could be reviewed, including the guarantee of the face value on redemption, noting how the already issued bonds should be dealt with.
- Prior to the above mentioned policies, additional policies as follows will be conducted in FY2008.
  - Calling off the issuance in February 2009 (10-year Inflation-Indexed Bonds: 0.5 trillion yen, 15-year Floating-rate Bonds: 0.6 trillion yen).
  - Revising the Buy-back program for Jan. ~ Mar. 2009 as below.
    - 10-year Inflation-Indexed Bonds: Increasing the total Buy-back amount by 240 billion yen (120 billion yen every month 200 billion yen every month).
    - 15-year Floating-rate Bonds: Increasing the frequency of the Buy-back.(200 billion yen each in Jan. and Mar., not taking place in Feb. 130 billion yen each in Jan. and Feb., 140 billion yen in Mar.).

Total Buy-back amount from the market in FY2008: Initial plan 3 trillion yen October revision 3.31 trillion yen December revision 3.55 trillion yen.

## Diversification of the JGB investor base

- The Super Long-term bonds market will be developed further in response to the increasing demands for long-term assets mainly from life insurance companies and pension funds.
  - Increasing the total issuance amount and frequency of the 30-year and 40-year bonds, considering liquidity of super-long term bonds.

	(FY2008 Initial)	(FY2009 Initial)
· 30-year bonds:	2.4 trillion yen	(0.6 trillion yen four times a year)
	3.0 trillion yen	(0.5 trillion yen six times a year).
· 40-year bonds:	0.4 trillion yen	(0.2 trillion yen twice a year)
	0.8 trillion yen	(0.2 trillion yen four times a year).
- Strengthening measures to promote JGB holdings by households.
  - Making necessary arrangements for new short-term bonds for retail investors (3-year fixed-rate) to be introduced in the second half of FY2009 or later, from the view point of promoting sales of JGB for retail investors (present products: 5-year fixed-rate and 10-year floating-rate)
- Continuing overseas IR Tours to promote JGB holdings by foreign investors.
  - Conducting IR Tours even more effectively by selecting target countries and investors, taking in the market needs and trends.
  - Grasping the investor's needs accurately by focusing on direct communication with investors in a one-on-one basis visit.

## Other initiatives

- Offering interest rate information.
  - Consider offering interest rate information (market interest rate by constant maturity) from the viewpoint of further activating the Government Bond market, with the prospect of making such information public during FY2009
- Grasping the quantitative risk by the use of Cost-at-Risk analysis.