

February 3, 2009

Bank of Japan

The Bank of Japan to Resume Stock Purchases Held by Financial Institutions

At a regular meeting held today, the Policy Board of the Bank of Japan decided, as in the attachment, to amend Stock Purchase Guidelines. The Bank of Japan subsequently applied to the Minister of Finance and the Commissioner of the Financial Services Agency for official approval to bring the amended guidelines into effect, in accordance with the Bank of Japan Law. Upon approval, the Bank will resume purchasing operations when the necessary preparations are complete.

Global financial and capital markets remain under severe strain, with massive losses recorded by financial institutions in the United States and Europe and various rescue measures implemented by the governments. Against such a backdrop, Japan's stock market has also been unstable. While Japan's financial system has maintained stability as a whole, the persistent strains in the global financial and capital markets have induced a plunge in stock prices and a rise in credit costs, thereby having substantial adverse effects both in terms of credit intermediation and management of financial institutions. In particular, while Japanese financial institutions have reduced their stockholdings compared with those in the beginning of 2000s, their latest third quarter financial statements have reported massive realized and unrealized losses, suggesting that coping with market risk associated with stockholdings remains their critical business challenge.

Under such circumstances, the Bank of Japan has decided to resume its purchases of stocks held by financial institutions at this time when the end of the fiscal year is approaching, to support financial institutions' future endeavors to reduce market risk associated with stockholdings, and through which to ensure the stability of the financial system.

The Bank of Japan expects eligible financial institutions to submit their plans to reduce market risk associated with stockholdings in the medium to long terms, and monitor the institutions' future specific approaches.

Outline of the Stock Purchasing Plan

Total Amount	One trillion yen
Period	Until end-April 2010, upon government approval and after the necessary preparations are complete
Eligible Stocks	Listed stocks with a rating of BBB- and above; such stocks need to be actually traded for 200 days or more per year on a stock exchange, and have an annual turnover of 20 billion yen or more on a stock exchange. The Bank of Japan will set a purchase limit per issuer to ensure the diversification of its purchased stocks.
Price	Market price
Eligible Banks	Of the banks that hold a current account with the Bank of Japan, i) a bank whose stockholdings exceed 50 percent of its Tier I capital, or ii) a bank whose total stockholdings exceed 500 billion yen, or iii) a bank who adopts the capital adequacy ratio based on international standards.
Limit per Banks	250 billion yen
After Purchase	The Bank of Japan will not sell purchased stocks on a stock exchange until end-March 2012. Subsequently, the Bank will complete the disposal of stocks by end-September 2017. Also applicable to the stocks currently held by the Bank.

【Previous Stock Purchasing】

- Period: November 2002 to end-September 2004, being extended from the initial schedule of end-September 2003.
- Total Amount Purchased: 2018.0 billion yen. The limit was 3 trillion yen, being increased from the initial limit of 2 trillion yen.
- Eligible Banks: A bank whose stockholdings exceed its Tier I capital.
- Stock Disposal on Stock Exchange: From October 2007, while suspended in October 2008.
- Stocks held by the Bank of Japan: 1273.5 billion yen on a book value basis as of end-September 2008.