Minutes of the Meeting of JGB Investors
(90th Round)

1. Date: Friday, December 2, 2022, 10:30 a.m.- 11:25 a.m.
2. Place: Special Conference Room 3 at the Ministry of Finance
3. Contents: Current status and issues for the formulation of the JGB Issuance Plan for FY2023

▶ The Financial Bureau gave the following explanation about the current status and issues for the formulation of the JGB Issuance Plan for FY2023.

・ First, we will explain the current status of the Debt Management Policy in terms of the revision of the JGB Issuance Plan for the Second Supplementary Budget for FY2022. While Newly-Issued bonds increased by about 22.9 trillion yen, total JGB issuance increased by about 9.7 trillion yen to about 227.5 trillion yen as a result of such factors as an 8.5 trillion yen reduction in FILP bonds due to adjustments based on the investment results of the Fiscal Loan Fund in the previous fiscal year.

JGB Market Issuance (Calendar Base) will be increased mainly in short-term maturities in light of market conditions, with 2-year bonds worth 300 billion yen and 6-month T-Bills worth 4.2 trillion yen, for a total increase of 4.5 trillion yen.

・ Looking at JGB Market Issuance (Calendar Base) by issue, the percentage of short-term bonds issued was less than 20% in FY2019, but increased to about 40% after the Third Supplementary Budget for FY2020 due to increased issuance of JGBs during the COVID-19 pandemic. However, it has recently declined to about 30%. For the Second Supplementary Budget for FY2022, we increased the issuance mainly of short-term bonds, but the general trend is that the percentage of short-term bonds issued has been shrinking.

・ As for the outstanding amount of JGBs, the estimated amount of outstanding General Bonds at the end of FY2022 is 1,042.4 trillion yen, which is expected to exceed 1,000 trillion yen for the first time at the end of FY2022.

・ Looking at it on a flow base, the average maturity of JGBs is estimated 7 years and 7 months after the Second Supplementary Budget, slightly shorter than the 7 years and 9 months which was estimated after the First Supplementary Budget, but still longer than the 7 years and 3 months for FY2021. The situation is similar on a stock base, remaining in the 9-year range.

・ The basic approach of the Debt Management Policy is (1) to ensure smooth fundraising through issuance, and (2) to minimize medium- to long-term fundraising costs. Therefore, we are in the process of carefully conducting a dialogue with the market. These basic approaches will be maintained going forward.

・ Based on the Cabinet Office's Economic and Fiscal Projections for Medium to Long Term Analysis, and assuming that the maturities breakdown ratio in the JGB Issuance Plan for the Second Supplementary Budget for FY2022 is maintained from FY2023 onward, we estimated the future size of JGB issuance, excluding FILP bonds and reconstruction bonds. It should be noted that the Cabinet Office's Economic and Fiscal Projections for Medium to Long Term Analysis are based on figures as of July this year. According to the estimates, the size of JGB issuance is expected to gradually decline through FY2024 and then remain relatively stable.

・ Looking at current interest rate trends, overseas interest rates are rising against the backdrop of monetary policies in various countries and other factors.

・ The JGBs market is also following, with interest rates rising mainly in the ultra-long-term zone, and the situation requires continued close monitoring.

・ Looking at the yield curve, we can see that the curve is steepening.

・ It is also important to keep in mind the impact of the Bank of Japan (BOJ)'s approach to monetary policy and the Outright Purchase of JGBs on the JGBs market and interest rates. The BOJ purchases JGBs mainly with maturities of more than 1 year and 10 years or less, and in some cases, the ratio of JGB purchases exceeds 100% of the total size of issuance.

・ While the BOJ has been increasing its share of JGB holdings, banks ,etc. have been decreasing their share of JGB holdings in recent years. The fact that the share of JGB holdings of banks, etc. have been on the rise since FY2020 is likely due to increased demand for collateral, but changes accompanying the termination of the BOJ's Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus should be kept in mind.

・ Life insurance companies continue to purchase JGBs in the ultra-long term zone in order to reduce the duration gap between assets and liabilities. Their JGB holdings are on the rise, and by maturity, holdings of JGBs with more than 10 years remaining to maturity are increasing. We believe that there will continue to be a certain level of demand for JGBs in the ultra-long-term zone, but we believe that the progress of duration reduction by each company should be kept in mind.

・ JGB holdings of regional banks have been on a downward trend, but have generally bottomed out, and JGB holdings with maturities of more than 10 years have been increasing.

・ Looking at trends in JGB holdings of households, households' holdings as a percentage of the outstanding amount of JGBs have been around 1% in recent years. The level was higher when interest rates were high, but it has not grown to that level now.

・ The JGB issuance plan for FY2023 will be discussed in light of these market conditions and investor trends, and the basic approach of the debt management office at this time is as follows.

Although, we will continue to monitor various economic conditions, if it becomes possible to reduce the total size of JGB issuance, the debt management office is considering reducing JGB Market Issuance (Calendar Base), mainly of short-term bonds, to correct the financing structure that relies on short-term bonds while keeping the total size of coupon-bearing bond issuance at the current level.

・ We would like to start our considerations with the premise that there has been no major change in the current situation. If there has been a major change in market conditions, we do not rule out a flexible re-examination of our stance.

・ We will be considering the issuance plan based on the feedback we receive from all of you, and we hope that you will engage in lively discussions today.

▶ Summarized below are the views and opinions expressed by the attendees:

・ Deposits (the source of our investments) have generally remained stable, increasing or decreasing by about 1%. In this context, we believe that our demand for JGBs will continue to be mainly on 20-year bonds at present, given the current nominal yields and durations. The current environment is still highly uncertain, including trends in foreign interest rates. Actual investments are being made with a slightly cautious stance.
・ From now through next year, in addition to domestic inflation trends in Japan, we expect that overseas interest rates, especially in the US, and speculation about changes in the BOJ's monetary policy will likely continue to be driving factors. We believe that these developments will continue, with no stabilization in sight. There is no change in our basic perception that JGBs are easy to invest in due to their relatively low volatility compared to US and other foreign government bonds. We will continue to compare market conditions and carefully consider investments.
・ Regarding the FY2023 JGB Issuance Plan, we would like to endorse the direction to reduce the amount of short-term bonds increased in response to the Covid-19 pandemic, based on market conditions, from the standpoint of our demand as an investor.
・ Regarding the GX Economy Transition Bonds (tentative name), in general terms, interest in ESG-related investments on the part of investors has grown considerably in recent years. In the context of sustainable finance, we are aware that many financial institutions may set quantitative targets for their investments and loans, whether or not they announce them to the outside world. We recognize that each financial institution has its own criteria for what requirements are used to assess whether an investment or loan is ESG-related, and that they differ between institutions. Assuming profitability and liquidity are ensured, we would be grateful if the bonds were issued in their own issues that could be identified as GX Economy Transition Bonds (tentative name). Moreover, we recognize that investor demand may increase if external certification is granted.

・ With respect to our investment stance on JGBs, the balance of JGB holdings itself has been trending upwards. Rather than actively investing funds in JGBs, we are selling foreign bonds because of unrealized losses on foreign bonds due to the recent rise in foreign interest rates, and since we cannot invest in stocks that provide dividend income we are positioning JGBs as a safe haven for proceeds. Therefore, there is little willingness to take on significant interest rate risk with JGBs, and funds are currently being allocated to the latter half of the medium-term zone, with a remaining maturity of around 5-7 years.
・ In general, while deposit balances are increasing, loans are not increasing as quickly,

resulting in a surplus of funds. If we were to use the term "investing surplus funds" in this sense, there is demand for investing excess cash. The question is whether to take duration risk in such cases. Although duration is a risk in some aspects of risk management for financial institutions, there is an understanding that duration risk can be taken for JGBs in the medium-term zone. Meanwhile, the current situation is that it is necessary to look at the benchmark ratio used to calculate the macro add-on balance of the current account at the BOJ to determine the extent of investment demand for surplus funds.

・ As market volatility has increased over the past year, we recognize that the amount of risk has increased, especially with an observation period of one year instead of three or five years. Although it depends in part on multipliers and budget calculations, the current situation is such that even if the asset balance does not increase, the measured amount of risk increases. Therefore, we are not inclined to invest in high-risk items, specifically in the long-term and ultra-long-term zones, as a destination for allocating funds.

・ With respect to GX Economy Transition Bonds (tentative name), we remain at the stage of studying green and SDGs investments. Some believe that as a regional financial institution, we should begin by making loans and investments that are visible to local customers.

・ As for our current situation, we continue to invest in bonds amid a continued surplus in our funding gap. Although interest rate trends are a bit unstable at the moment, we would like to consider purchasing some JGBs with a remaining maturity of over 10 years in order to secure a certain level of interest income. From the ALM perspective of a depository institution, while recognizing that our main investments should be in the medium-term zone, we are still buying some long ones for current interest income. In the future, when the interest rate environment changes, we would like to consider investing in a bond term that matches the duration of the debt from the perspective of ALM.

・ With respect to the GX Economy Transition Bonds (tentative name), we are setting targets for sustainable finance and would be willing to invest in these JGBs if they are comparable to existing JGBs, taking into account profitability and liquidity.

・ The economy as a whole is currently experiencing a growing sense of yen cash surplus, and short-term interest rates are trending lower. In particular, there is a growing surplus of funds related to fiduciary services, which are flowing into the market.

However, at current interest rate levels, it will not be easy to substantially increase investment in JGBs. There is also uncertainty about future trends in inflation and the appointment of the BOJ's governor next year. Although we are considering ALM matching in roughly 5 to 10 years, we are fundamentally taking a cautious stance at present. Therefore, if the current issuance of coupon-bearing bonds is to be maintained at the current level, we would be inclined to support it, because it is consistent with our investment stance.

・ With respect to the GX Economy Transition Bonds (tentative name), sustainable finance goals have been set to some extent, but we have not yet decided on investments. For example, in the case of issuance in individual issues, it’s beneficial that the issue is likely to be subject to the Outright Purchase of JGBs by BOJ, but a drawback is that the size of issuance is limited and there are concerns about liquidity. In addition, there are some points of contention such as the possibility of green premium and how external certification will be handled. If these points are resolved, we believe it is possible to issue the bonds in their own new issues, but if these points are difficult to resolve, we still believe it would be better to issue the bonds in issues integrated with JGBs issued on other legal grounds.

・ There have been no particular changes in the deposit and loan situation. As for major balance sheet changes, following the termination of the BOJ’s Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), we decreased our balance of operations on the liability side while at the same time reducing the amount of short-term JGBs held as collateral to be pledged to the BOJ. Looking ahead, we manage our bond holdings to match our ownership patterns and our targets, while keeping a close eye on changes in Japanese monetary policy outlook, US monetary policy, and inflation trends.

・ With respect to the FY2023 JGB Issuance Plan, even assuming that the current monetary policy is maintained, we believe there is no problem with a policy of reducing issuance, mainly of short-term bonds.

・ We must make sure that what happened in the UK does not happen in Japan. Our biggest concern with JGB issuance is that there will be doubts about the stable absorption of JGBs and that JGBs will be downgraded (which includes being put on negative watch). We hope that the Japanese Government will work to maintain the rating of JGBs.

・ With respect to the GX Economy Transition Bonds (tentative name), there are arguments for integrated issuance and issuance in their own issues, but we believe that, if it is possible, issuance in their own issues would have more future potential. While integrated issuance would be a simple way to raise funds, if issued in their own issues, premiums (i.e., lower yields than regular JGBs) may arise in the future. Although there are various technical problems, we believe that it is necessary to foster a market where premiums are visible on the yield curve, as observed in European countries. Furthermore, the BOJ is currently conducting Funds-Supplying Operations to Support Financing for Climate Change Responses, and if it were possible to meet the collateral requirements of these operations in the future, financial institutions would benefit from holding these funds. We believe that the system should be considered as a whole.

・ In the current market environment, when considering interest rate levels, the termination of US interest rate hikes is now in sight, making it easier to consider what level of interest rate ceiling should be considered. We believe that makes it easier to make plans when formulating investment policies. In doing so, there is fundamentally no change in our stance with respect to JGBs, and our stance is to purchase a certain amount of JGBs to the point where they are somewhat commensurate with the debt risk. As long as the current monetary policy remains in place, the yield curve is inevitably steepening, and duration is adjusted, including investing in the ultra-long-term zone, where the expectation of monetary policy changes is reflected to some extent. Conversely, if the yield curve control is lifted, we believe that a certain amount of funds will be shifted to in the medium- to long-term zone.

・ With respect to the JGB Issuance Plan for FY2023, there is no particular problem, although there are some technical issues in reducing the issuance, mainly of short-term bonds. The only concern is that we believe a future change in the BOJ's monetary policy could cause a rather large shock in the market. We would like to request the Ministry of Finance, the largest stakeholder and debt management office, to engage in active dialogue with the BOJ to the extent possible.

・ With respect to the GX Economy Transition Bonds (tentative name), if they are issued in integrated issues, we believe the BOJ eventually purchases most of the bonds, even though they are called GX Economy Transition Bonds (tentative name). If such a situation were to arise, it would be extremely disconcerting. Therefore, we should consider whether there is anything we could devise in terms of the system. On the other hand, when issued in their own issues, a transition bond form is better, and acquisition of third-party certification is useful for disclosure. Furthermore, if they meet the collateral requirements of the BOJ's Funds-Supplying Operations to Support Financing for Climate Change Responses, there will be a corresponding premium, which may account for the banking sector investing in it. One concern is that the schedule is tight, and when issuing in their own issues, it is difficult to consider diversifying maturities. By the way, no special response of our system is required when the bond is issued in their own issues.

・ Our investment stance is based on the cash flow from insurance contracts on the liability side, and we continuously purchases bonds in the ultra-long-term zone. The main focus are 30-year and 40-year bonds, and the main investment behavior is to purchase these bonds on a regular basis even if market trends change slightly.

・ With respect to our request regarding the JGB Issuance Plan for FY2023, we agree with the reduction of the issuance of short-term bonds, but we believe that monthly issuance is preferable to bi-monthly issuance in order to increase the liquidity of the 40-year bond and promote the 40-year bond market, and we would like to request the debt management office continue to consider about this issue.

・ With respect to GX Economy Transition Bonds (tentative name), we would like to issue them in their own issues, if possible, because some investors would like to manage the results of their ESG investments. In addition, we would appreciate if the debt management office will issue them in the longer maturity because the investments of new funds are primarily in the ultra-long-term zone.

・ As for our current view of the market, while overseas interest rates have stabilized to some extent, Japan's consumer price index has exhibited its largest growth rate in 40 years, which is raising expectations of a change in the BOJ's monetary policy. Japan's fiscal discipline continues to be a hot topic. we recognize this situation that yen interest rates have basically remained unchanged, in contradiction to the recent downward trend in foreign interest rates. Under these circumstances, with respect to the investment policy for JGBs, In the life insurance industry, there continues to be a need to match liabilities, particularly in the super-long-term zone. Additionally, due to factors such as the impact of currency hedging costs, we believe that investment needs for JGBs are increasing relative to those of overseas bonds.

・ Under these investment conditions, we agree that the JGB issuance in FY2023 should be reduced, especially in the short-term zone. If the total issuance of coupon-bearing bonds is maintained at the current level, we believe that an increase in issuance in the ultra-long-term zone may be possible if there is an adjustment in the size of issuance with other maturities.

・ Regarding GX Economy Transition Bonds (tentative name) if the government decides to support GX by issuing them in a new form, then we would agree with this. On the other hand, when making actual investment decisions we would decide whether or not to invest after comprehensively considering factors such as liquidity, profitability, and whether the issue maturity is suitable for our investment.

・ With respect to the current market, there is a growing view that the US inflation rate has peaked, the US terminal rate is showing signs of peaking, and interest rates in the ultra-long-term zone of JGBs have stopped rising for a while and are now declining slightly. However, there is a considerable risk that US inflation will remain high, and to be honest, it remains to be determined whether there will be another swing back up in interest rates, or whether last month was the peak of the rate hikes.

・ With respect to the JGB Issuance Plan for FY2023, we are still dealing with interest rate risk on long-term insurance liabilities in the second half of the current fiscal year, and there will continue to be a certain level of demand for ultra-long-term JGBs. With respect to the ultra-long-term zone, we request the debt management office to maintain the size of issuance at least at the current level. Furthermore, as far as the disclosed information of companies is concerned, progress is being made at a steady speed on the response to the year 2025, and we believe that there is no sign of the process being rushed. Therefore, if interest rates in the ultra-long-term zone of JGBs decline further, the demand will probably decrease. On the other hand, if interest rates in the ultra-long-term zone of JGBs were to rise further, we believe that a shift of life insurance companies' investments from hedged foreign bonds to the ultra-long-term zone of JGBs would occur on a fairly large scale because hedged foreign bonds have become negative carry assets after the rise in currency hedging costs. The assumed interest rates of life insurance companies are around 1.5% to 2% based on public information, and although they vary from company to company, if interest rates in the ultra-long-term zone of JGBs rise to a level commensurate with the average cost of debt, we believe there will be a considerable amount of strong buying. In this context, an increase in the size of issuance is conceivable.

・ With respect to the GX Economy Transition Bonds (tentative name), in general terms, institutional investors including us are focusing on ESG investments, and there is a desire to accumulate investment balances if the bonds are issued in their own issues. However, ESG is only a net investment, and if there is a noticeable premium in price, investment decisions will be mixed. For life insurance companies in particular, the approach is different from that of the banking sector, because the cost of debt financing is constant. We recognize that the maturity of the bonds is up to 2050, and we believe that life insurance investments are also possible if 20-year bonds, which is in the ultra-long-term zone, are issued. Certification by an external rating agency is not a must, although it is obviously better to have certification. Even if there is no certification and though we are in a position to be evaluated by an ESG rating agency, if we will invest in the bonds which are issued in their own new issues, we can also get publicity for having invested, and in a sense if everyone accepts it, it can be considered as green investment or transition investment.

・ With respect to the JGB Issuance Plan for FY2023, we agree that reducing short-term bonds is desirable as debt management policy.

・ With respect to GX Economy Transition Bonds (tentative name), we do not have an investment limit, but we are committed to sustainable finance. Under the same conditions, we are currently investing in bonds that contribute to sustainability as much as possible, and we request the debt management office to issue them in their own issues if possible. Certification may not be necessary, but while we of course trust the issuer with respect to the use of funds, as investors we must be sure that these funds are being used for green investments. If the bonds could be issued in their own new issues with a mechanism to verify allocation, we could consider replacing our funds from existing JGBs in some cases.

・ As for the current market situation, global inflation may have peaked, and while the market may remain unstable for some time to come, it is likely to gradually stabilize. Pension benefits continue to be high, making it difficult to shift to new investments in JGBs. Considering the current risk premium of ultra-long-term bonds, it is likely that some JGBs will be sold in a phase of declining interest rates, especially in the 10-year or less zone. The current policy is to maintain the current weighting of foreign bonds, since there is a possibility that interest rate hikes will peak in the next fiscal year and lead to policy interest rate cuts.

・ With respect to the JGB Issuance Plan for FY2023, we agree with the reduction of the short-term bonds issuance.

・ We have no view on GX Economy Transition Bonds (tentative name).

・ As for the current situation, as an asset management company, we work to encourage our clients to invest, but our impression is that the focus of our clients' attention is on overseas credit. With respect to currency hedging, the most orthodox style of investment in foreign suboptimal credit investments has been to fully hedge, including their duration. However, since non-hedging investment was by far more profitable in the past year, more and more clients are flexibly reassessing their hedging ratios whether full hedging is really the way to go.

・ We have no objection to the policy of reducing the JGB issuance mainly on short-term bonds, because we recognize that there has been no major change in the balance between the supply and demand for JGBs. Meanwhile, the market is primarily interested in when the BOJ will lift its current monetary policy. There is a possibility that the BOJ will not end the yield curve control policy, and even if it does, it appears that the BOJ will be able to respond sufficiently by increasing its Outright Purchase of JGBs by BOJ. However, just to be safe, in some cases, it would be very desirable if the debt management office could operate flexibly, for example, by reviewing the issuance size and the issuance maturity during the fiscal year, especially for the remaining maturity of 10 years or less, which would be significantly impacted by the termination of the yield curve control policy.

・ With respect to GX Economy Transition Bonds (tentative name), from an investor's perspective, we would definitely like the debt management office to try to issue the bonds in their own new issues, i.e., issue in the green bond issues. We believe that expanding the investor base for JGBs is a major mission, including us Japanese investors. If the bonds are issued in the green bond issues, we recognize that the size of issuance will be quite large, and we have the impression that they will be a presence that cannot be ignored, including by foreign passive investors. We hope this will be an opportunity to expand the investor base, especially in Europe.

・ The current investment policy is to continue to be wary of duration risk. It is difficult to determine whether inflation overseas has peaked, whether we are going back to the traditional world of “friendly” central banks again with a recession and an approach to cutting policy interest rates, or whether inflation remains too high to cut policy interest rates. We are watching this situation with caution. In addition, with respect to the state of prices in Japan, We believe that the BOJ's key inflation indicator had traditionally been regarded as a symbol of immovable prices, as its weighted median inflation rate does not rise easily, but we were surprised to see that the October figure released on November 22 rose from 0.5% to 1.1%. Without any observations for a while, we cannot determine whether this is the underlying trend or not, but if wage negotiations result in more pricing power and positive corporate conditions, and inflation is anchored between 1 and 1.5%, the possibility of lifting of the BOJ's yield curve control will emerge. We will not be able to make a decision until about June 2023. We will take a cautious stance in our decisions.

・ As for the JGB Issuance Plan for FY2023, we believe that demand exists to some extent for bonds with a remaining maturity of over 30 years. The 30-year - 40-year yield spread has not widened very much, and while the spread has widened for the No.14 and No.15 issues of 40 year-bonds due to the difference in coupons, we realize that the earlier issues have barely moved at all. Therefore, we deduce that there is strong demand from investors for the 40-year zone. Therefore, we would like to request that the 40-year bonds be issued at 400 billion yen per month, with a slightly increased the issuance size over the year.

・ Assuming that the current policy of the BOJ continues, for example, we have a situation where most of the 10-year bonds issued in the yesterday's auction went straight to the BOJ as soon as they were issued. the current successful bids amount in the fixed-rate purchase operations would result in over-absorption. Therefore, in terms of maintaining the liquidity of bonds with a remaining maturity of 5 to 10 years, we request that the debt management office consider measures such as shifting the emphasis of liquidity enhancement auctions from bonds with a remaining maturity of 5 to 15.5 year to bonds with a remaining maturity of 5 to 10 years, though there may be cases where JGB Market Special Participants bid aggressively for the winning successful bids ranking, and they sell the bonds they bid on to the BOJ.

・ With respect to GX Economy Transition Bonds (tentative name), investments have been made in Europe, and the situation is such that investments are possible without the need for any special preparations. However, liquidity is still important, and if liquidity can be guaranteed by issuing a certain limited number of issues, it will make it easier to invest.

・ First of all, with respect to the outlook for JGB issuance in the next fiscal year, we recognize that the impact of US monetary policy will continue to be significant. However, while uncertainties remain regarding US monetary policy, the peak of the policy interest rate in this rate hike cycle is just about in sight, and market attention is likely to gradually shift to the timing and range of policy interest rate cuts. While we do not believe that the current decline in US interest rates will become a trend, we believe that the outlook for the next fiscal year will probably be to look for room for interest rate declines rather than re-searching for room for interest rate increases. In this environment, demand for JGBs has been unstable across the yield curve, especially in the ultra-long-term zone, a situation that is unique to Japan. In other words, it may continue until the appointment of Governor and Deputy Governors of the BOJ is finalized and the direction of its monetary policy is clarified. However, regardless of whether the BOJ changes its monetary policy, we believe that demand for JGBs is likely to recover accordingly once the direction of monetary policy is clarified and major foreign central banks are observed to have ended their interest rate hike cycles or otherwise reduced uncertainty. Therefore, with respect to JGB Issuance Plan for FY2023, based on the assumption that the total issuance amount will be reduced, the reduction will mainly be for short-term bonds and there is no need to consider a reduction in coupon bearing bonds.

・ With respect to GX Economy Transition Bonds (tentative name), we believe that issuing in their own new issues such as issuing as green bonds would be very meaningful in terms of showing commitment to carbon neutrality, both domestically and internationally. However, investment managers faithfully adhere to the investment objectives and guidelines of their individual mandates. For example, in the case of a fund whose objective is to earn more than its benchmark, if there are two bonds with the same issuer and the same maturity, the investment manager will probably choose the bond with the higher yield.

・ Investors are probably most interested in what is going on in the US and what will happen to the BOJ's monetary policy looking ahead. What is important in relation to the JGB Issuance Plan is that the debt management office will have to operate in a situation where BOJ's monetary policy is not well understood until domestic inflation trends and the direction of the new Governor are determined. If the yield curve control is eased or lifted until FY2023 and moves toward normalization, it could have a significant impact on the financial markets. In doing so, we believe it is important in terms of increasing the intensity of dialogue with the market that this meeting as necessary, in order to conduct dialogue with the market as needed and in a flexible manner. On the other hand, if the yield curve control has to be continued due to some circumstances or reasons, we have to consider the fact that the percentage of JGBs held by retail investors is low. In the case of retail investors, it depends on the percentage of bonds held to maturity, but if the yield curve control is to continue and the government wants to increase the percentage of JGBs held by retail investors, it would be necessary to devise a way to launch inflation-indexed bonds for retail investors, as was previously considered.

・ With respect to GX Economy Transition Bonds (tentative name), from the perspective of increasing the momentum for GX Economy Transition Bonds (tentative name) either by the government or the market as a whole, we believe that it is important to develop the JGB market so that the liquidity of the bonds can be successfully increased while issuing in their own new issues, although there are problems of liquidity and profitability.

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