

Highlights of FY2015 Government Debt Management

Issuance Size

- The total issuance of the JGB for FY2015 is to reduce significantly to 170.0 trillion yen (▲11.5 trillion yen against FY 2014 initial JGB Issuance Plan) mainly because of the decrease in the volume of newly issued National Government Bonds (i.e., Construction Bonds and Special Deficit-Financing Bonds) and Refunding Bonds.
- The market-issuance (Calendar-Base issuance) is also to reduce to 152.6 trillion yen. In order to maintain the liquidity of the JGB market, the amount of reduction is controlled (▲2.5 trillion yen against FY 2014 initial JGB Issuance Plan) by employing front-loading issuance of Refunding Bonds in FY2015.

Main Policies in FY2015

○ Extending the Average Maturity

- In order to lower a refinance risk and medium- to long-term financing costs, the average maturity of the market-issuance is extended by 6 months, reaching to 9 years for FY2015. Reflecting market voice, the extension is achieved by a well-balanced mixture of maturity terms from short to super long. (The average maturity of the outstanding JGBs is estimated to increase by 5 months to 8 years and 5 months at the end of FY2015).

○ Enhancing the Market Liquidity

- The amount of Auctions for Enhanced-Liquidity is to increase to 800 billion yen per month from 700 billion yen per month (+1.2 trillion yen per year) in order to maintain and enhance the liquidity of the JGB secondary market.
- In order to ensure stable issuance of JGBs, the maximum amount of bidding by each auction participant will be decreased to one-half of the planned issuance amount from the full amount while the responsibility to bid of Market Special Participants will be raised to 4% or more of the planned issuance amount from 3% or more of that .

○ Encouraging the Inflation-Indexed Bonds Market

- In view of the changing market conditions after breakaway from deflation and in order to diversify the product-designs of JGBs, the issuance of Inflation-Indexed Bonds is to increase to 500 billion yen from 400 billion yen per auction(+0.4 trillion yen per year). The volume of the issuance will be made flexibly, in response to the needs of a variety of entities and market conditions.
- Sales of Inflation-Indexed Bonds for retail investors by “New Over-The-Counter sales system” is planned to be started from the second half of FY2016.

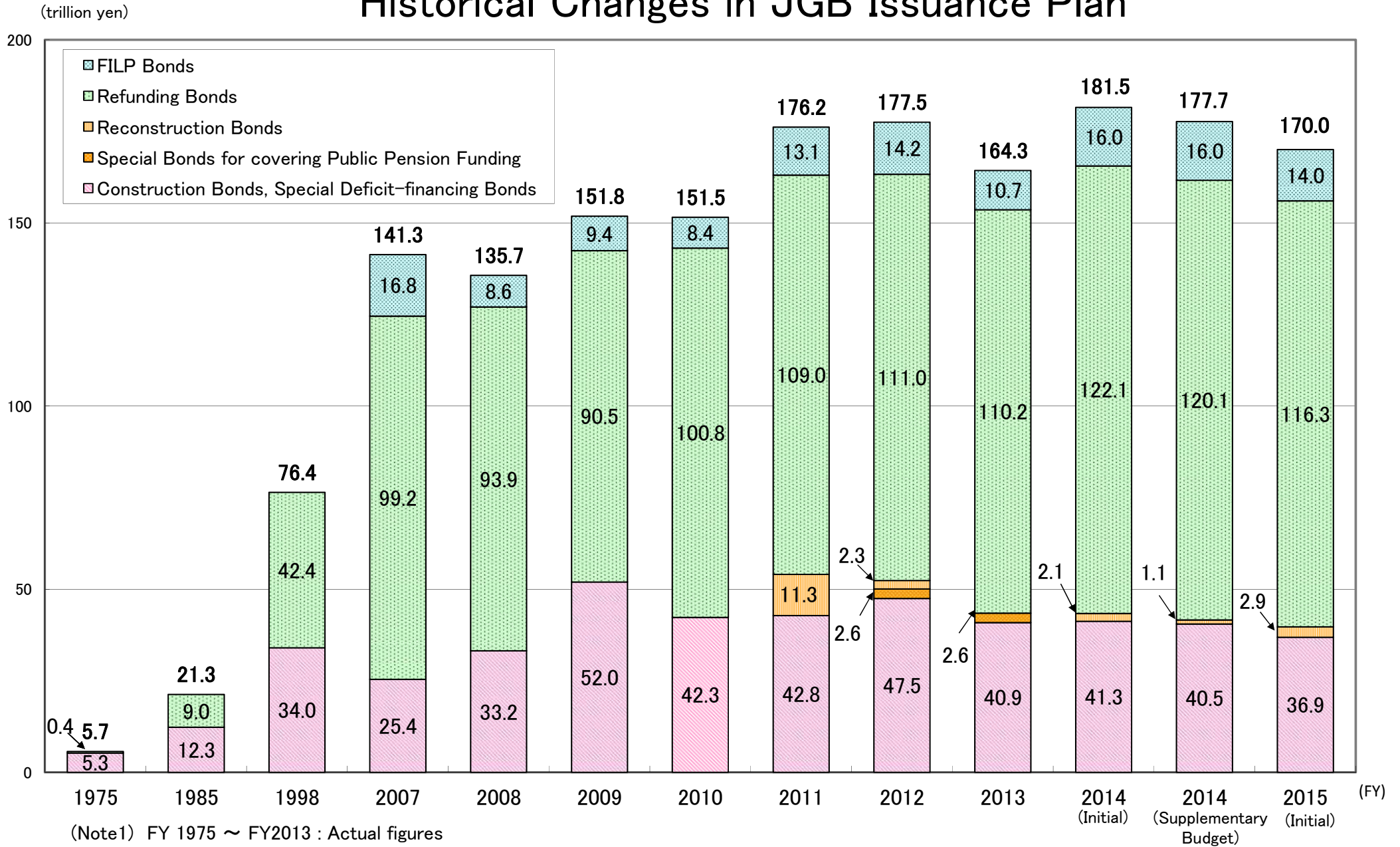
〈Breakdown by Legal Grounds〉 (trillion yen)

	FY2014 (Initial)	FY2014 (Supplementary Budget)	FY2015 (Initial)
Newly issued National Government Bonds (Construction Bonds and Special Deficit-Financing Bonds)	41.3	40.5	36.9
Reconstruction Bonds	2.1	1.1	2.9
FILP Bonds	16.0	16.0	14.0
Refunding Bonds	122.1	120.1	116.3
Total	181.5	177.7	170.0

〈Breakdown by Financing Methods〉 (trillion yen)

	FY2014 (Initial)	FY2014 (Supplementary Budget)	FY2015 (Initial)
Subtotal Financed in the Market	167.9	164.0	157.3
JGB Market Issuance (Calendar-Base issuance)	155.1	154.5	152.6
Subtotal for Households	2.5	2.6	2.3
BOJ Rollover	11.1	11.1	10.4
Total	181.5	177.7	170.0

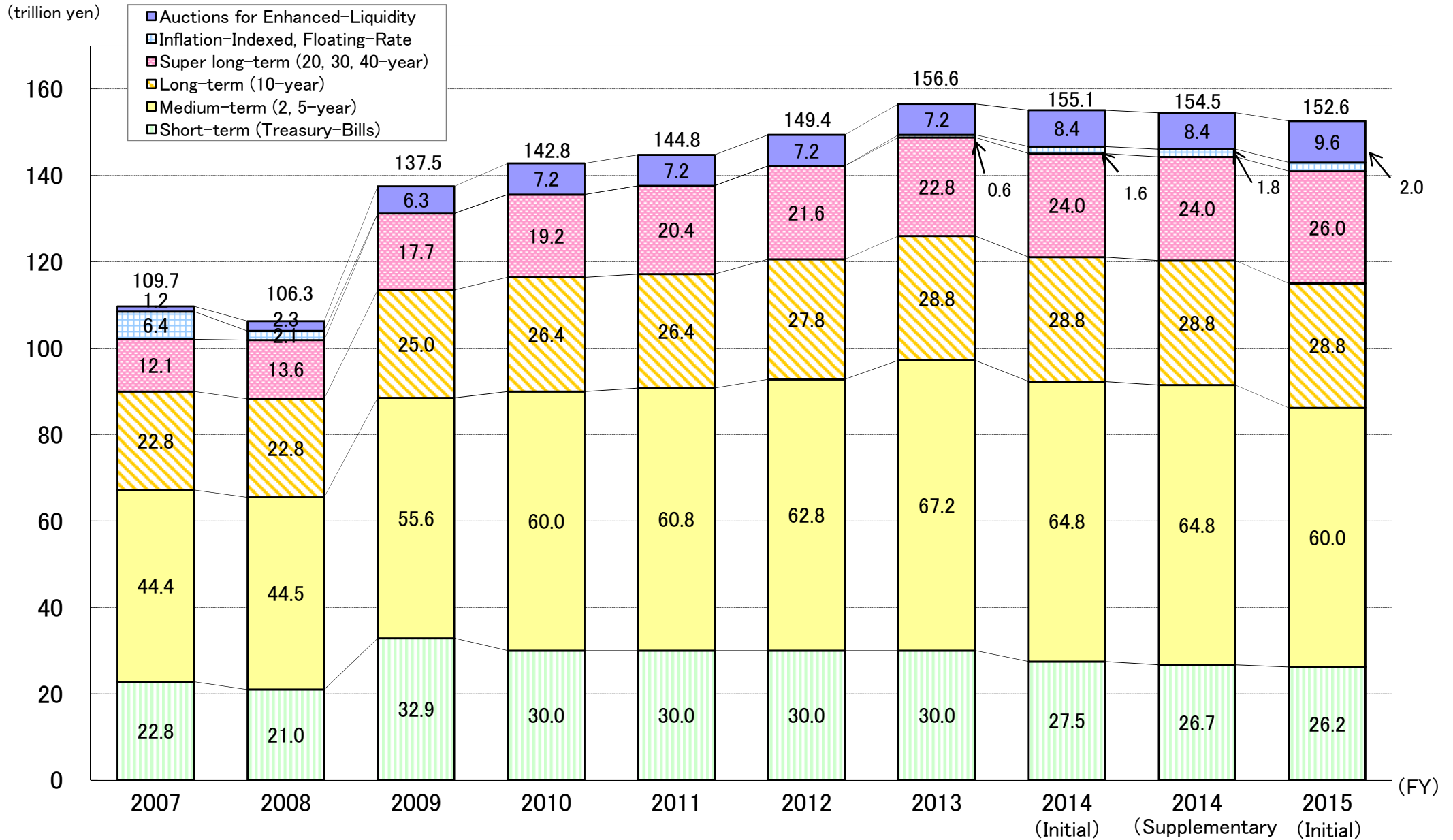
Historical Changes in JGB Issuance Plan



(Note1) FY 1975 ~ FY2013 : Actual figures

(Note2) Figures may not sum up to total because of rounding.

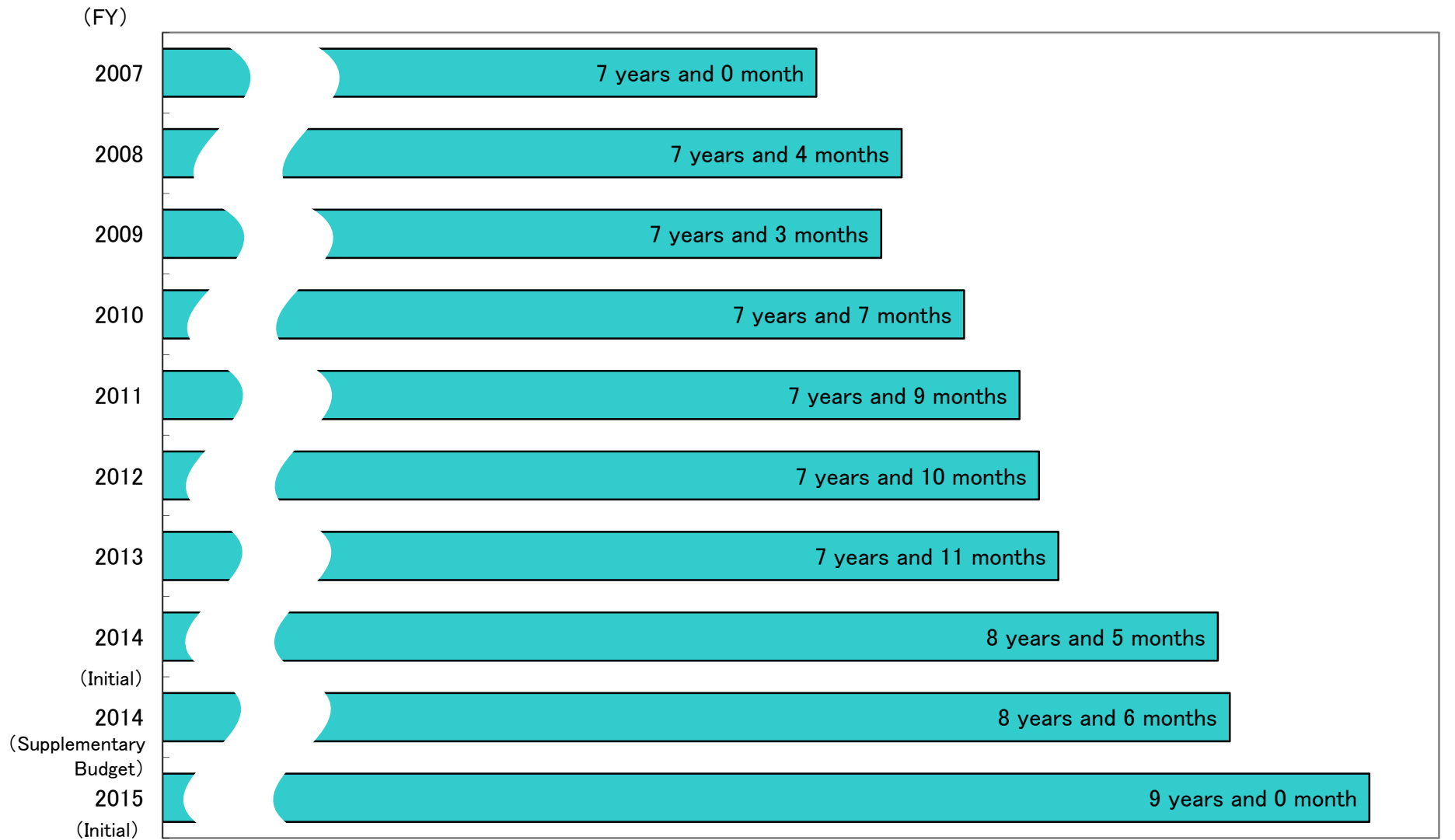
Historical Changes in Market Issuance Plan by JGB Types



(Note1) FY2007 ~ FY2013: Actual figures

(Note2) The short-term JGBs are discount bonds. The medium-, long-, and super long-term bonds are the bonds with fixed-rate coupons.

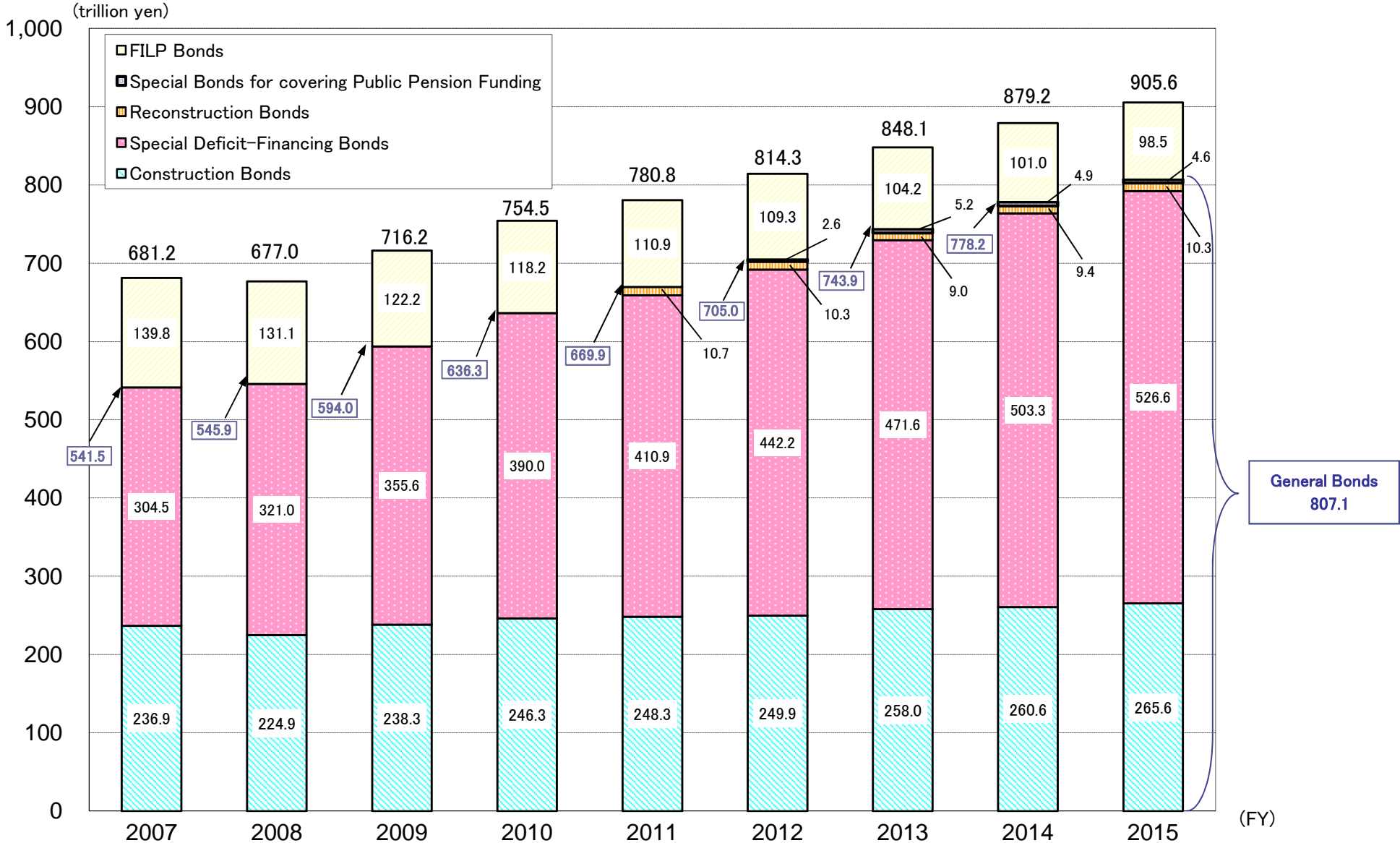
The Average Maturity of JGB Market Issuance



(Note) 2007 ~ 2013; Actual

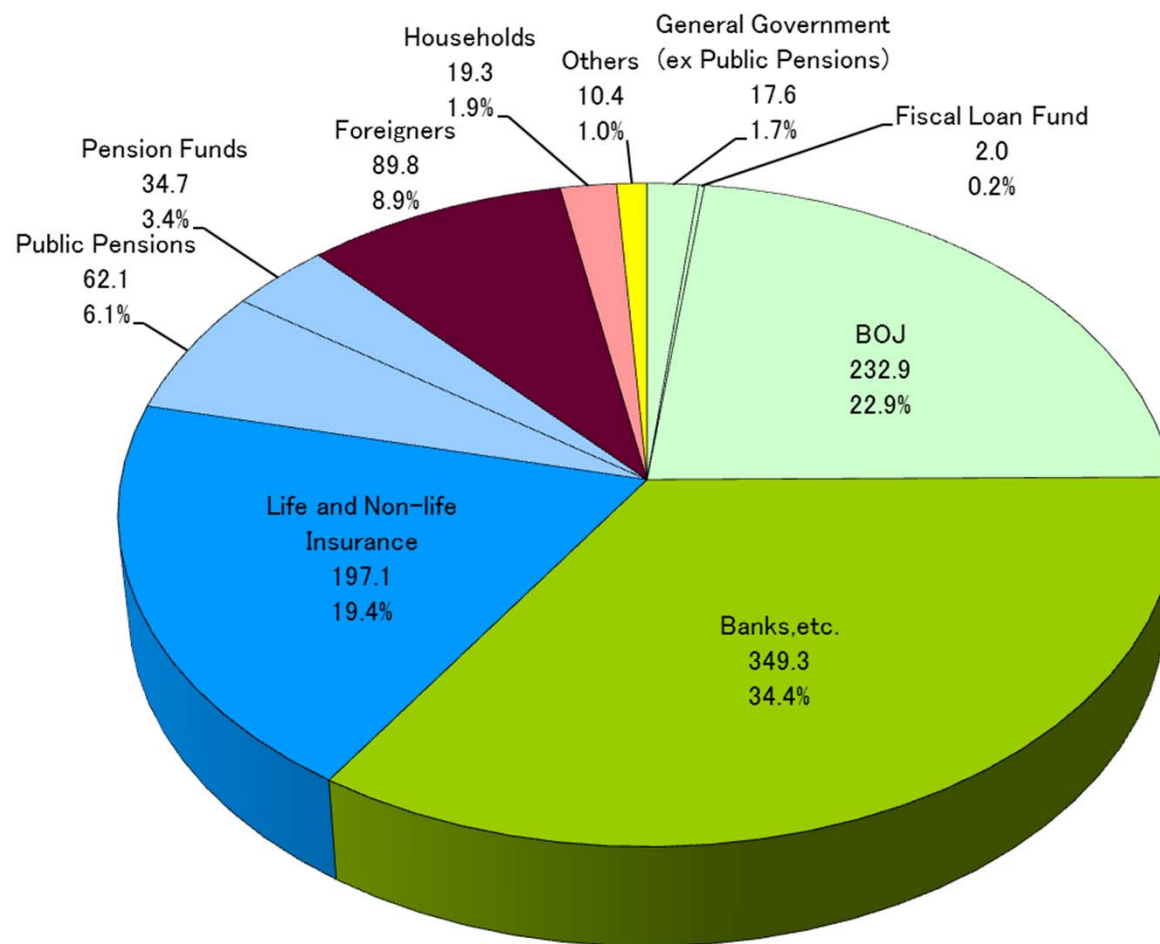
(year)

Historical Changes in Outstanding Amount of JGBs



(Note1) Figures may not sum up to total because of rounding.
 (Note2) FY2007 ~ FY2013: Actual figures, FY2014 ~ FY2015: Estimates
 (Note3) Special Deficit-financing Bonds include Refunding Bonds which were issued resulting from the takeover of debts transferred.

Breakdown by JGB Holders (September 2014, QE)



Total 1,015.1 trillion yen

(Unit: trillion yen)

Note1 : "JGB" includes FILP Bonds and T-Bills.

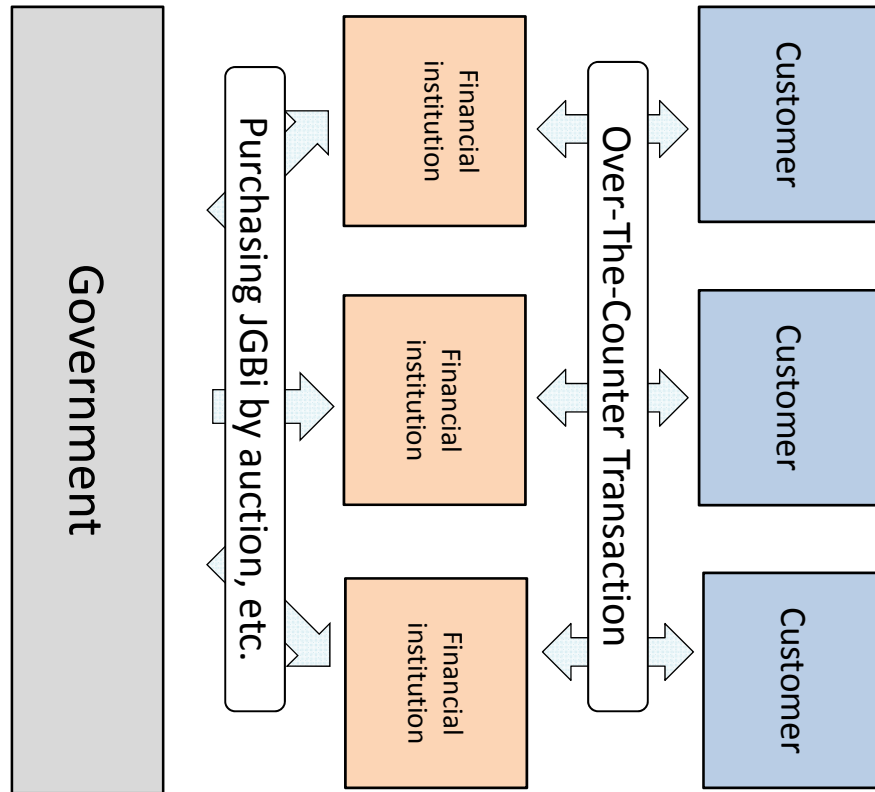
Note2 : "Banks, etc" includes Japan Post Bank, "Securities investment trust " and "Securities Companies."

Note3 : "Life and Nonlife insurance" includes Japan Post Insurance.

Source: Bank of Japan

Expanding sales of JGBi for retail investors

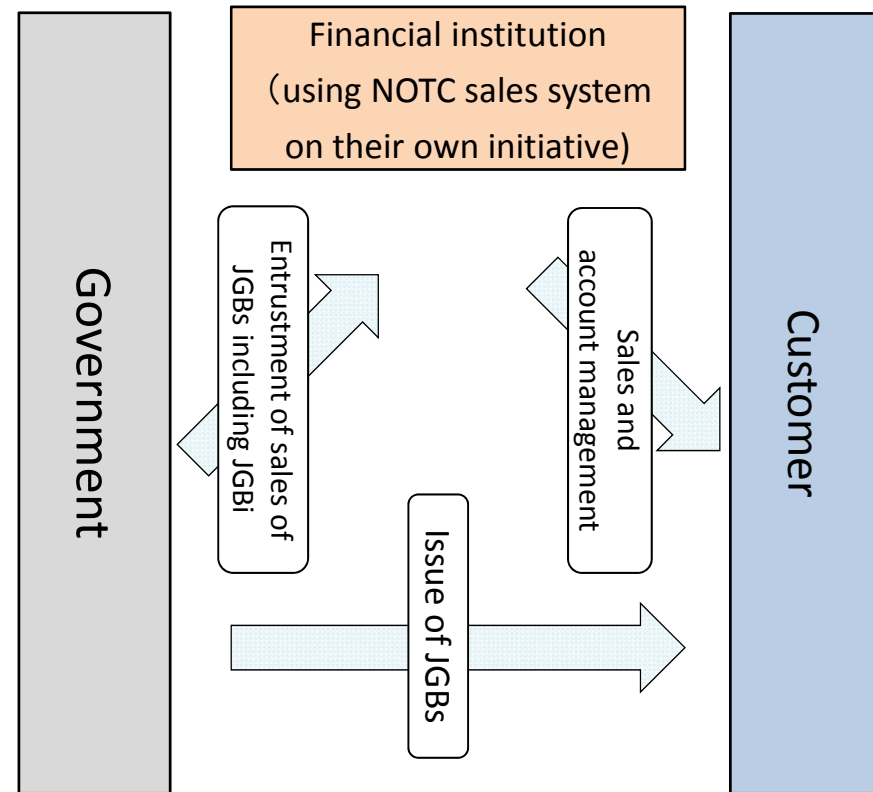
【Sales by Over-The-Counter Transaction*
(from January 2015)】



- Major securities companies that currently offer JGBi to corporate customers by an Over-The-Counter Transaction can start to sell to retail investors from January 2015. In such case, they are expected to prepare their sales system in a short period by adjusting their existing sales system.

*Their redemption date must come after January 2016.

【Sales by “New Over-The-Counter sales system”
(planned from the second half of FY2016)】



- Financial institutions using the “New Over-The-Counter sales system” could start to sell JGBi through that system from the second half of FY2016. In such case, it takes time to develop a new sales and management system and to train staff as well as to adjust the existing financial and taxation system .