Minutes of the Meeting of JGB Investors
(88th Round)

1. Date: Tuesday, March 22, 2022
2. Place: Held in writing
3. Gist of Proceedings:

1. Reopening rule of nominal interest-bearing bonds in FY2022

▶ The Financial Bureau presented the following explanation on the reopening rule of nominal interest-bearing bonds in FY2022:

・ The reopening rule for nominal interest-bearing bonds for the following fiscal year is discussed in March of every year at this round-table conference, and a decision is based on the opinions of the participants. Today, we would like to hear your opinions on the proposal of the Financial Bureau regarding the reopening rule of nominal interest-bearing bonds in FY2022.

・ Since FY2015, we have kept the reopening rule for 10-Year Bonds in each case where bonds having the same redemption dates are issued and the difference between the coupon rate of its new issue and its market yield on the auction date is less than around 30 bps.

We listened to the opinions of each participant on this point in advance, and it was found that most of you support the current method.

Since we are of the opinion that bond market liquidity can be enhanced by reopening the bonds in normal times while leaving room to stimulate demand of investors as a new issue bond in the event of a large market fluctuation, we are considering maintaining the current method in FY2022 as well.

・ Regarding the reopening rule of 20-Year Bonds, 30-Year Bonds, and 40-Year Bonds, we reopened four issues of 20-Year Bonds and 30-Year Bonds, and one issue of 40-Year Bonds in FY2021.

We listened to the opinions of each participant on this point in advance, and it was found that most of you support the current method.

Therefore, we are considering maintaining the current method also in FY2022 from the perspective of enhancing bond market liquidity.

・ The reopening rule of nominal interest-bearing bonds in FY2022 will be comprehensively reviewed based on the discussions in the meeting, and we will listen to your opinions on the matter again.

▶ Summarized below are the views and opinions submitted by the participants:

・ We hope to maintain the current status. We consider bond reopening to be desirable not only for ensuring the amount of outstanding government bonds per one issue, but also for improving liquidity. From the perspective of stable JGB issuance, we consider it appropriate to stimulate investment demand by newly issuing 10-Year Bonds when interest rates fluctuate significantly.

・ Regarding 10-Year Bonds, we support the proposal to maintain the current status since they are under yield curve control and the interest rate level is stable.

As for 20-Year Bonds, 30-Year Bonds, and 40-Year Bonds, although the environment where interest rates are likely to rise compared to 10-Year Bonds is expected to continue due to the trend of rising global interest rates, stable issuance by insurance companies is expected. Therefore, we support the proposal to maintain the current status. Regarding 40-year bonds, as the investor base slowly widens, there are cases where one issue per year is insufficient and the price at the time of issuance is well over ¥100. Therefore, we feel that two issues per year should be considered.

・ We recognize that the current liquidity level of current 10-Year Bonds does not hinder transactions. Since long-term interest rates are expected to remain within a narrow range of around 0.1% as the current monetary policy (YCC) continues, we expect triple issuing to continue even if the “the difference between the coupon rate of its new issue and its market yield on the auction date” is reduced, which is a guideline for the reopening rule. Therefore, in the future, when the Bank of Japan (BOJ) excludes long-term interest rates from direct control, it will be good to consider reducing or eliminating deviation so that new bonds will be issued at the same level as the market in a timely manner.

To ensure constant liquidity, we believe it is desirable to reopen ultra-long-term bonds in the same manner as 10-Year Bonds as long as the difference between the coupon rate of current bonds and the market yield on the auction date is within a certain limit.

We believe that book value yields are also important since the current accounting system will continue. Because it is based on level investment, averaged new bonds are incorporated in the portfolio even when there is significant fluctuation with interest rates. We are endeavoring to have flexible yet precise maintenance (sale/replacement) of the book value yield for the whole portfolio, and the current method will cause this opportunity to be lost. We believe such problems could be averted if new bonds are issued in a timely manner at the same level as market conditions.

Regarding 40-Year Bonds, we would like to see multiple issuing in a year in order to use precise cash flow matching for debt and for dealing with financing problems caused by imbalance in months for redemption (it is extremely difficult for JGB investors whose fiscal year ends at the end of March when there is a concentration of redemption money to distribute dates for reinvestment). Ultimately, we would like to request the debt management office to consider dividing redemption months into four times a year in the same manner as with other ultra-long-term bonds.

・ Based on the scale of the BOJ's purchasing of government bonds, it seems appropriate to maintain the current issuing method in order to maintain market liquidity.

・ Principally, we hope that 10-Year Bonds are reopened. However, under the BOJ's current YCC policy, maintaining the current situation would not present a problem.

・ We see that the current reopening rule has not caused any specific market problems, and believe that maintaining the current rule will also help improve liquidity in FY2022.

・ Based on the current interest rate level and issuance size, there is no problem with market liquidity. Therefore, it is sufficient to maintain the current situation.

・ We support the proposal. Considering the scale of purchase by the BOJ, we consider it appropriate to maintain the current method also from the perspective of maintaining the liquidity of the secondary market and repo market.

・ Clear opinions have been made about ultra-long-term 40-Year Bonds. The ultra-long-term zone market is also currently expanding. Therefore, we would like you to gradually proceed with the examination of bonds while keeping an eye on the needs of the market.

・ It is important to improve market liquidity.

2. Issuance size of Inflation-Indexed Bonds in the April-June 2022 quarter

▶ The Financial Bureau gave the following explanation about the issuance size of Inflation-Indexed Bonds in the April-June 2022 quarter:

・ As shown on page 5, according to the JGB Issuance Plan for FY2022, it is stipulated that there will be issuance of Inflation-Indexed Bonds four times a year at a size of ¥200 billion each time in the same manner as with the JGB Issuance plan for FY2021 after the supplementary budget while it is stated that "the size of issuance may be adjusted in a flexible manner in response to market circumstances and demands of investors which will be determined based on discussions with market participants." In addition, as shown on page 6, it is stipulated about Buy-back Auctions that "Buy-back Auctions in FY2022 is planned to be implemented based on market conditions and through discussions with market participants." Today, we would like to hear your opinions about the size of issuance in the April-June quarter.

・ In the January-March quarter, as shown on page 7, while we conducted an auction of issuance at a size of ¥200 billion in February, we decided to change size of Buy-back Auctions from ¥50 billion every month to ¥20 billion every month based on market conditions and through discussions with market participants. The results of the auction of issuance and of Buy-back Auctions are shown in pages 8 and 9, respectively.

・ The situation of the secondary market is shown on pages 10 and 11. Based on changes over the last six months, BEI has risen despite fluctuations, and at this moment in particular, it has risen further due to the impact of soaring crude oil prices amid increasing geopolitical risks related to the situation in Ukraine. Based on bond movement, although there continues to be wide variation, BEI is rising for all bonds.

・ Under such circumstances, we asked for participant's opinions in advance. In the Inflation-Indexed Bonds market over the past few months, although the impact of interest rate hikes by central banks outside Japan needs to be confirmed, inflation expectations are rising based on the impact of crude oil prices, and there is balance between the current issuance size and Buy-back Auction size. Most participants would prefer that both the size of issuance and the size of Buy-back Auctions for the April-June quarter remain unchanged.

・ On the other hand, a few participants would prefer that the size of issuance be increased while keeping Buy-back Auctions the same since the supply and demand of the Inflation-Indexed Bonds market has improved due to the effect of Buy-back Auctions by the debt management office.

・ We believe that the development of the Inflation-Indexed Bonds market is an important part of the Debt Management Policy, and recognize the issuance size and Buy-back Auctions significantly reduced in size for the January-March quarter of FY2022 are still normalizing after extraordinary measures related to significant deterioration of market conditions triggered by the COVID-19 pandemic. In line with this, at the Meeting of JGB Market Special Participants in December of last year, we stated that we would like to consider normalization even after the April-June quarter of FY2022, and at that time, we would like to make a careful decision based on the auction status, market conditions, and the opinions of participants as in the past.

・ The proposals of the Financial Bureau based on these circumstances and the opinions of participants are shown on page 12. Regarding the April-June quarter of FY2022, as in the January-March quarter, we are considering a Buy-back Auction of ¥20 billion each month while having a single issuance auction of ¥200 billion.

・ Regarding the target bonds for Buy-back Auctions, in order to avoid having a large number of current bonds being sold in FY2021, we decided not to include current bonds in the first half of the year. However, the implementation amount is lower than before. Since the amount has been reduced and successful bids may be concentrated on certain off-the-run bonds, etc., at present, we would like to have all bonds including current issues for FY2022.

・ Regarding the reopening rule for Inflation-Indexed Bonds in FY2022, we are considering reopening with one issue per year the same as in FY2021.

・ As stated above, we explained the situation about the Inflation-Indexed Bonds market and our proposal based thereon.

We will make a comprehensive decision based on the contents of today's meeting on the size of issuance in the April-June quarter and the adoption of the reopening rule in FY2022, and we will again listen to participant's opinions.

We recognize that the proposals presented this time are in the process of normalization. We would like to consider normalization even after the July-September quarter of FY2022, and in that case, we will continue carefully considering the auction situation and market conditions along with the opinions of each participant when making a decision.

▶ Summarized below are the views and opinions submitted:

・ We support the proposal. Although Inflation-Indexed Bonds auctions tend to have stronger results than expected as BEI tends to increase, we consider it desirable that the current issuance size and Buy-back Auction size continue to be maintained since the investor base remains limited.

・ Regarding the issuance size of Inflation-Indexed Bonds, the investor base in the market has not expanded. Therefore, we support the proposal to set the issuance size and Buy-back Auction size to the same as in the January-March quarter. We also support the current reopening rule for improving the liquidity per one issue.

・ We do not see any problem with the proposal. From the perspective of increasing the issuance size for one issue, we would like you to continue considering increasing the issuance of current bonds as an option. However, in this case, please consider increasing the Buy-back Auction size while maintaining the overall balance between the supply and demand.

・ The balance between the supply and demand has improved due to purchases by the debt management office and the BOJ. However, market liquidity is low and the offer-bid-spread by traders wide. The net issuance size does not need to remain negative, and we believe the environment should be able to nurture the market. We are not opposed to the proposal for the April-June quarter, but we want you to consider increasing the size of issuance while maintaining the Buy-back Auction size starting from the July-September quarter.

・ Demand for Inflation-Indexed Bonds is expected to stabilize out of caution related to global inflation. We support the proposal since we recognize that the current balance between the supply and demand is good overall.

There is limited liquidity with Inflation-Indexed Bonds, and if the issuance size for one issue decreases as a result of increasing the number of bonds, liquidity may worsen further. Therefore, we support the proposal because we do not feel it is a good idea to increase the number of bonds.

・ Based on the size of the current market and liquidity, we feel it is appropriate to maintain the current status for both the issuance size and Buy-back Auction size.

・ Since inflation has become an important social issue in developed countries due to soaring energy prices and raw material costs, we believe it will become more important in Japan to continuously issue Inflation-Indexed Bonds and to foster a market for Inflation-Indexed Bonds in order to be able to continuously and accurately calculate inflation indicators, which are the basis of various policies. If there is demand in the market, it would be good to flexibly consider increasing the issuance size.

・ Since the outbreak of COVID-19 (spring of 2020), Japan's BEI has been trending upward similar to other major countries. This could be viewed as an opportunity to increase investor demand, which would make it possible to improve liquidity by increasing the issuance size.

・ Investor demand for Inflation-Indexed Bonds is limited, despite concerns about inflation. We feel one factor is that debt-side financial institutions are not inflation-linked financial products. Also, unlike other countries, there is no policy for investing a certain percentage of an investment in an inflation-linked way, which may limit the investors in Inflation-Indexed Bonds. Since Japan is an aging society, inflationary hedge products by retirees may increase once concerns over inflation begin, and the demand for inflation-linked products may also increase.

3. Issuance size of Liquidity Enhancement Auction in the April-June 2022 quarter

▶ The Financial Bureau gave the following explanation about the Liquidity Enhancement Auction Size for the April-June 2022 quarter:

・ As shown on page 14, according to the FY2022 JGB Issuance Plan regarding Liquidity Enhancement Auctions,

(1) while it is assumed that a total of ¥12.0 trillion will be issued for the year, including an increase of ¥0.6 trillion over FY2021 to ¥3.0 trillion with remaining maturities in the 1 to 5 years zone, and ¥6.0 trillion with remaining maturities in the 5 to 15.5 years zone and ¥3.0 trillion with remaining maturities in the 15.5 to 39 years zone, which is the same as in FY2021, and

(2) finally, “the details will be flexibly adjusted in view of the market environment and investment demands.”

Today, in response to this plan, we would like to hear participant’s opinions regarding the size of issuance for each maturity zone for the April-June quarter.

・ As shown on page 15, in the same manner as assumed in the FY2021 JGB Issuance Plan, we decided to issue bonds with remaining maturities of the 1 to 5 years zone in the size of ¥400 billion in the odd-numbered months of January and March, bonds with remaining maturities of 5 to 15.5 years zone in the size of ¥500 billion every month, and bonds with remaining maturities of 15.5 to 39 years zone in the size of ¥500 billion in the even numbered month of February in the January-March quarter. These results are as shown on pages 16 to 18.

・ In these circumstances, we asked for the opinions of participants about the Liquidity Enhancement Auctions for the April-June quarter in advance. Although some participants suggested that it would be good to adjust the issuance size among the zones based on the strength of investor demand in each zone, many participants agreed it would be appropriate to maintain the issuance size for the remaining maturities 5 to 15.5 years zone and the remaining maturities 15.5 to 39 years zone while reflecting the increase in size of issuance for the remaining maturities 1 to 5 years zone, which was strongly requested.

・ In response to this, we prepared the proposal of the issuance size for each maturity zone in the April-June quarter, as shown on page 19. For remaining maturities of the 1 to 5 years zone, the increased size according to the issuance plan is reflected as is, and we are contemplating the idea of issuing bonds in the size of ¥500 billion in the odd-numbered month of May, for bonds with remaining maturities of 5 to 15.5 years zone in the size of ¥500 billion every month, and for bonds with remaining maturities of 15.5 to 39 years zone in the size of ¥500 billion in the even numbered months of April and June.

・ Regarding the issuance size for each maturity zone for Liquidity Enhancement Auctions for the April-June quarter, we will make a comprehensive decision based on the contents of today's meeting, and we will ask your opinions again.

▶ Summarized below are the views and opinions submitted:

・ Stable issuance is possible since the amount of money is distributed in a balanced way for each term and is supported by the short cover of securities companies and investor demand. Therefore, we believe that allocation at the same level as the current situation is appropriate.

・ During phases of increasing volatility, there were cases of instability, particularly in the ultra-long-term zone, but we believe that stable issuance is possible and can be supported by the short cover of securities companies and investor buying. Therefore, we support the proposal.

・ We recognize that, thus far, there are no particular hindrances to the market regarding the existing management and, therefore, we support the proposal for the issuance in the April-June quarter.

・ Interest rates in the ultra-long-term zone have rocketed upward in a short period of time since the start of the year, and the results of the Liquidity Enhancement Auction in February for ultra-long-term bonds were weak. Therefore, we believe the balance between supply and demand should be improved by reducing the implementation size for the ultra-long-term zone.

・ Since it is assumed that investment demands in the short zones will have limits such as to foreign investors, we feel it is good to reduce the size.
In the ultra-long-term zone, potential needs according to the interest rate level and remaining period are strong due to ALM and ERM. However, since the distribution volume is relatively low and transaction costs are high, our opinion is that increasing the size is good for improving liquidity.

・ We do not see any problem with the proposal. Although interest rates are rising right now, we believe that this is due to rising overseas interest rates and speculation related to the BOJ's monetary policy changes. However, at least for now, the market will be supported by the BOJ’s purchasing of government bonds, and therefore we do not feel there is a problem with the proposal.

・ Based on the auction results up to now and movement in the secondary market, we feel there is no problem with maintaining the current situation.

・ Inflation expectations are placing upward pressure on interest rates for ultra-long-term bonds, which may make it necessary to stabilize the market and ensure liquidity through Liquidity Enhancement Auctions.

・ Upward bias will likely impact interest rates for Japanese government bonds (JGBs) other than 10-year bonds. Since 10-Year Bonds are relatively stable, this may temporarily test the level of fixed-rate purchase operations according to the situation in Ukraine and inflation trends in the United States. We believe that the way in which such unique yield curves can be taken into consideration for Liquidity Enhancement Auctions and Buy-back auction will be important.

4. Latest JGB market situation and outlook for future investments

▶ Summarized below are the views and opinions submitted:

・ Yen interest rates are also rising due to an observable contraction in global monetary easing and rising interest rates. However, price levels in Japan are relatively low, revisions to the monetary policy are expected to be limited, and there is little room for yen interest rates to rise further.

Our company mainly purchases government bonds in the long-term zone since the debt is relatively short-term. However, there is some need to invest in this zone because there is some ultra-long-term debt. Our investment decisions are made from the perspective of ALM, and we take the debt situation into account when investing. However, when interest rates rise, obtainable income can increase, which increases the attractiveness of investment. JGBs may be sold if insurance payments are made such as due to a natural disaster, which makes it important to maintain the liquidity of the JGB market.

・ In the current market environment, interest rates are rising everywhere as concerns about inflation increase outside Japan and as normalization is observed in the early monetary policies by the central banks in each country. JGBs are also affected by rising interest rates overseas, and investor risk reduction has also become common, which increases interest, while contraction of the BOJ’s monetary policy is being observed to some extent.

Regarding the outlook, while central banks outside Japan are expected to promote financial normalization, we recognize that this is easily influenced when real economy data such as prices and labor markets are incorporated together with the normalization paths of central banks. Regarding JGBs, interest rates may increase in some cases since contraction of the BOJ's monetary easing is observed due to rising inflation, etc. However, while the BOJ's monetary policy support continues for now, investor demand is expected to emerge to some extent as interest rates increase.

Our focus is on investment demands for 10-Year and 20-Year Bonds, and we expect this to continue in the future.

・ Since the beginning of the year, the decline in ultra-long-term bonds has been particularly noticeable due to the sharp rise in interest rates outside Japan. However, we view this as an investment opportunity in this zone according to the stability of overseas interest rates.

・ While interest rates in the US remain high due to cautions related to the acceleration of monetary policy tightening by the FRB there, the yen interest rate also currently has upward pressure including speculation about policy changes by the BOJ.

Although there is a large fluctuation range for ultra-long-term interest rates, for the time being, long- and short-term interest rates are expected to fluctuate within the current range under yield curve control.

We are not considering any changes to our investment policy at this time in response to the current situation in Ukraine, but we will maintain a long-term and ultra-long-term investment stance while also paying attention to inflation trends.

・ Although the BOJ has stated that it intends to continue monetary easing, they also recognize that there are remaining speculations about policy changes, especially among investors outside Japan. Additionally, the JGB market has become vulnerable to the balance between the supply and demand due to the flow-driven movements of such investors including reports of additional economic measures being formulated. Therefore, we believe that dialogue with the market through opportunities such as the Meeting of JGB Market Special Participants and this round-table conference have become even more important.

・ Yen interest rates are rising as interest rates rise outside Japan, and the investment environment has improved greatly. We do not currently anticipate any policy changes at the BOJ. Therefore, while we will focus on bonds with a remaining maturity of 10 years or shorter that are easy to support through YCC, we will curb investment in long remaining maturity bonds including 30-Year Bonds and 40-

Year Bonds.

・ In the current market, inflationary pressure is expected to increase and be prolonged due to global inflationary pressure as a result of prolonged supply constraints and soaring commodity prices connected with the Ukraine crisis. Interest rates outside Japan have risen due to a strengthening of monetary tightening by central banks outside Japan starting with the United States, but there are also concerns that the rapid monetary tightening will cause business slowdowns. The current JGB market is a sideways market sandwiched between links to overseas interest rates and the BOJ's strong monetary-easing stance.

Regarding the outlook on future investment, the appeal of currency-hedged foreign bonds (sovereign bonds), which are expected to raise costs for foreign exchange hedging, is waning in the investment environment, which has shifted to a global rate hike. We will continue to invest mainly in yen interest rate assets in the ultra-long-term zone from the perspective of ALM management.

・ As the gap between deposits and loans widens and interest rates increase, especially in the short- and medium-term zones, needs related to government bond investment are increasing.

On the other hand, if global inflation continues unabated, we expect the risk of future monetary policy changes to increase, which will make it a challenge to suppress valuation losses.

・ The bond market is becoming more volatile worldwide. Therefore, we must continue to take a cautious stance on investments. On the other hand, we believe that raising the overall yield curve of the current low interest rate environment since the introduction of negative interest rates is good for the profit environment of financial institutions, and we would like to promote investment while maintaining overall balance of the portfolio.

・ In the current market environment, although there is strong investor demand for interest rate levels, especially in the ultra-long-term zone, interest rates in Japan are expected to rise moderately as the upward pressure on interest rates is expected to increase as a result of accelerated inflation in Europe and the United States, and due to economic recovery in Japan.

In addition, since there is an increasing demand for green bonds both inside and outside Japan due to the recent activation of investment in SDGs, we feel it is worthy for you to consider issuance from the perspective of long-term stable JGB issuance. Please consider this.

・ The 10-Year Bond yield has had an upper limit of 0.25％since the BOJ's "fixed-rate purchase operation" was implemented in February, but for other maturities, there is the risk of significant future fluctuations due to US policy interest rates and speculation on revisions to the BOJ's policy. Therefore, we are focusing more on the trading trends of investors inside and outside Japan.

・ The yen interest rate is currently on the rise due to a rise in interest rates outside Japan and speculation that the BOJ will change its monetary policy in the future. However, we recognize that auctions have generally had stable issuance. Since the degree of inflation in Japan is different from Europe and the United States, we believe the monetary easing policy of the BOJ will continue for now. We plan to continue purchasing and holding JGBs while keeping an eye on market trends.

・ Since the interest rate on 10-Year Bonds is reaching the upper limit of the range allowed by the monetary policy, we felt that a strong upward pressure on interest rates was being applied to the ultra-long-term zone, where the balance between the supply and demand had become unstable due to low Outright Purchases of JGBs. Monetary policy normalization by central banks outside Japan has just started, and we expect the global upward pressure on interest rates to continue. For now, we expect the rise in overseas interest rates to continue to have an impact, and we are planning to invest in the ultra-long-term zone according to the restrained management policy.

・ As the situation in Ukraine changes, it could continue to have a negative impact on the world economy. We want the debt management office to take daily measures to stabilize the JGB market, maintain liquidity, and respond to changes in interest rates inside and outside Japan.

・ If inflation rises in the future due to soaring energy prices and raw material prices while wages fail to rise sufficiently, there is concern that this will increase the pressure on low-income and middle-income groups. If inflation rises, consideration must be given to the low-income group. However, it will also be necessary to give consideration to the middle-income group. If the BOJ decides to continue yield curve control (YCC) even as the consumer price index rises, there are concerns that the real value of deposits and savings by the middle-income group needed for their life such as for their children's education funds and their own retirement will decrease. Therefore, it seems wise to consider introducing "inflation-indexed bonds for retail investors" as a way to prevent inflation under YCC.

Although it is still possible for individuals to invest in Inflation-Indexed Bonds through investment trusts, these are difficult since trust fees are relatively high compared to other domestic bond index funds. The fact that inflation risk will be reintroduced by taxing inflation-indexed parts is also a concern. Therefore, possible measures for avoiding a decrease in the current and future middle-class purchasing power include (1) maintaining and nurturing the conventional Inflation-Indexed Bonds market for institutional investors to help with the continuous calculation of indicators, while (2) issuing Inflation-Indexed Bonds for retail investors, similar to Series I Savings Bonds in the United States (with certain conditions), and we feel now is the time to deepen multifaceted examination of the advantages and disadvantages of various measures.

・ The March FOMC dot chart median indicates that while the natural interest rate is down, the policy rate will rise to 2.75% by the end of 2023, which is higher than the natural interest rate of 2.375%. This natural interest rate is similar to the recent movement in the interest rate of 30-year US bonds, and since the 5-year, 5 year forward BEI has remained stable over the past at around 2.4%, currently, the JGB market can be viewed as being based on quantitative tightening that started in May and the median policy interest rate.

To suppress inflation, although the median value of the pace of future US interest rate hikes may be accelerated, increased market tensions due to the inverted yield of US bonds, widening of the US high-yield bond spread, widening of the spread of government bonds in emerging countries, and widening spreads between European government bonds could lead to recessionary observations causing the FRB to temporarily take a dovish stance.

The dollar-yen rate may be vulnerable to depreciation as the monetary policy stance between Japan and the United States continues to diverge. This is due to major changes in the industrial structure and external balance structure in Japan, which has hollowed out since the 1980s and was accelerated by the Great East Japan Earthquake, and because high crude oil prices were directly linked to trade deficits. In addition, urgent supply chain reforms precipitated by the geopolitical situation will take time, most of the return-on-investment surplus will be reinvested, and the yen conversion rate will be small. Based on this, upward bias will likely impact interest rates on JGBs other than 10-Year Bonds. Regarding the JGB Issuance Plan for FY2022, JGB Market Issuance (Calendar Base) according to maturity that was determined at the end of last year should proceed based on the principle ‘regular and predictable’.

In FY2021, there was an expenditure carry-over of ¥30 trillion from FY2020, and the issuance of JGBs increased by ¥22 trillion in the supplementary budget. Because of this, to prepare for the impact of Russia’s invasion of Ukraine and corporate tax revenue from rising prices, which were not taken into consideration when the budget was formulated for the new fiscal year, to the extent possible, it is necessary to supplement front-loading issuance of Refunding Bonds that were reduced due to COVID-19 prevention measures within the amount already issued in FY2021, and to reduce the issuance of short-term government bonds, which suddenly increased as a result of COVID-19 prevention measures.

Contact:
Market Control Section, Market Finance Division,
Financial Bureau,
Ministry of Finance
03-3581-4111 (ext.5700)