

# Highlights of FY2016 Government Debt Management

## Issuance Size

- The total issuance of JGBs for FY2016 is to be reduced by 7.8 trillion yen (from FY 2015 initial JGB Issuance Plan) to 162.2 trillion yen, mainly because of the decrease in the volume of newly-issued bonds (i.e., Construction Bonds and Special Deficit-Financing Bonds), Reconstruction Bonds and Refunding Bonds.
- The calendar-based issuance to the market for FY2016 is to be reduced by 5.6 trillion yen (from FY 2015 initial JGB Issuance Plan) to 147.0 trillion yen.

## Main Policies in FY2016

### ○ Adjustment of Maturity Distribution based on Market Environment

- Given that the total issuance is reduced, the maturity distribution is to be adjusted to ensure stable issuance of JGBs, taking into account the market environment.
  - Short- to medium-term JGB issues (5-year, 2-year JGBs and 1- year TBs) are to be moderately decreased in view of concerns about a decline of market liquidity (-4.8 trillion yen from FY 2015, compared to the reduction of 6.1 trillion yen in FY2015).
  - As for super long-term JGB issues (40-year, 30-year and 20-year JGBs), the issuance of 40-year JGBs is to be increased, while the issuance of 20-year JGBs is to be reduced reflecting investors demand, etc. (in total, -0.8 trillion yen from FY 2015).
    - The average maturity is to increase modestly from FY2015 (by 4 months to 8 years and 9 months on a debt outstanding basis (end-FY2016 estimate); by 2 months to 9 years and 2 months on a calendar-based market issuance basis).
- The capacity for the buy-back operations is to be maintained up to approximately 1 trillion yen to respond to contingencies including sudden changes in external financial circumstances.

### ○ Expanding Measures to Enhance Market Liquidity

- Off-the-run JGBs with maturity of 1-5 years are to become eligible for the Auctions for Enhanced-Liquidity (tapping auctions).

### ○ Promoting Market Development and Diversity of JGB Holders

- 40-year JGBs are to be issued every other month considering the need for regular, scheduled purchase by long-term investors such as life-insurance companies and pension funds.
- The issuance volume of Inflation-Indexed Bonds (JGBis) is basically maintained, while leaving the room for flexible adjustment in response to market developments and investor demand. The sales channel is to be diversified by adding JGBis to the “New Over-The-Counter sales system” for retail investors starting from 2017.
- Sales channels for retail investors are to be reinforced, including by raising the limit on the amount of subscription on the “New OTC sales system”.

〈Breakdown by Legal Grounds〉 (trillion yen)

	FY2015 (Initial)	FY2015 (Supplementary Budget)	FY2016 (Initial)
Newly-issued bonds (Construction Bonds and Special Deficit-Financing Bonds)	36.9	36.4	34.4
Reconstruction Bonds	2.9	1.9	2.2
FILP Bonds	14.0	14.0	16.5
Refunding Bonds	116.3	114.4	109.1
Total	170.0	166.7	162.2

〈Breakdown by Financing Methods〉 (trillion yen)

	FY2015 (Initial)	FY2015 (Supplementary Budget)	FY2016 (Initial)
Financed in the Market	157.3	154.2	152.2
JGB Market Issuance (calendar-based)	152.6	152.2	147.0
Sales for Households	2.3	2.1	2.0
BOJ Rollover	10.4	10.4	8.0
Total	170.0	166.7	162.2

## JGB Issuance Plan for FY2016

### <Breakdown by Legal Grounds>

(Unit: billion yen)

	FY2015 (Initial)	FY2015 (Supplementary Budget)		FY2016 (Initial)		
	(a)	(b)	(b) - (a)	(c)	(c) - (a)	(c) - (b)
Newly-issued bonds	36,863.0	36,418.3	-444.7	34,432.0	-2,431.0	-1,986.3
Construction Bonds	6,003.0	6,479.0	476.0	6,050.0	47.0	-429.0
Special Deficit- Financing Bonds	30,860.0	29,939.3	-920.7	28,382.0	-2,478.0	-1,557.3
Reconstruction Bonds	2,862.5	1,946.3	-916.2	2,156.4	-706.1	210.1
FILP Bonds	14,000.0	14,000.0	-	16,500.0	2,500.0	2,500.0
Refunding Bonds	116,298.6	114,372.8	-1,925.8	109,114.4	-7,184.1	-5,258.3
For matured Reconstruction Bonds	521.8	-	-521.8	83.2	-438.6	83.2
Total	170,024.1	166,737.4	-3,286.7	162,202.8	-7,821.2	-4,534.5

### <Breakdown by Financing Methods>

(Unit: billion yen)

	FY2015 (Initial)	FY2015 (Supplementary Budget)		FY2016 (Initial)		
	(a)	(b)	(b) - (a)	(c)	(c) - (a)	(c) - (b)
JGB Market Issuance (calendar-based)	152,600.0	152,200.0	-400.0	147,000.0	-5,600.0	-5,200.0
Non-Price Competitive Auction II	4,380.0	7,907.0	3,527.0	5,620.0	1,240.0	-2,287.0
Adjustment between fiscal years	344.1	-5,869.6	-6,213.7	-417.2	-761.2	5,452.5
Subtotal Financed in the Market	157,324.1	154,237.4	-3,086.7	152,202.8	-5,121.2	-2,034.5
Nonmarketable JGBs for Retail Investors	2,100.0	2,000.0	-100.0	1,900.0	-200.0	-100.0
OTC Sales for Households	200.0	100.0	-100.0	100.0	-100.0	-
Subtotal for Households	2,300.0	2,100.0	-200.0	2,000.0	-300.0	-100.0
BOJ Rollover	10,400.0	10,400.0	-	8,000.0	-2,400.0	-2,400.0
Total	170,024.1	166,737.4	-3,286.7	162,202.8	-7,821.2	-4,534.5

• The capacity for the buy-back operations is up to approximately 1 trillion yen in FY2016. Details of the buy-back operations will be determined by taking market conditions into consideration, based on a discussion with market participants.

• The maximum amount of front-loading issuance of Refunding Bonds in FY2016 is 48 trillion yen.

(Note1) Figures may not sum up to total because of rounding.

(Note2) "JGB Market Issuance (calendar-based)" refers to JGBs issued by scheduled auctions from April to next March.

(Note3) Non-price competitive auction II is an auction carried out after the price-competitive auction. The price offered is equal to the weighted average accepted price in the price-competitive auction, etc. Only the JGB Market Special Participants are eligible to bid in this auction (The amount assignable to each Market Special Participant does not exceed 15% of the amount awarded to it in the price-competitive auction). Non-price competitive auction II is estimated to be 5% of the JGB Market Issuance (40-Year, 30-Year, 20-Year, 10-Year, 5-Year, 2-Year Bonds and Inflation-Indexed Bonds).

(Note4) "Adjustment between fiscal years" refers to leveling-off of issuance amount between fiscal years through front-loading issuance and deferred issuance in the accounting adjustment term.

## <Market Issuance Plan by JGB Types>

(Unit: trillion yen)

	FY2015 (Initial)		FY2015 (Supplementary Budget)			FY2016 (Initial)			
	(per time)	(total; a)	(per time)	(total; b)	(b) - (a)	(per time)	(total; c)	(c) - (a)	(c) - (b)
<b>40-Year</b>	0.4 × 5 times	2.0	0.4 × 5 times	2.0	—	0.4 × 6 times <small>(Note1)</small>	2.4	0.4	0.4
<b>30-Year</b>	0.8 × 12 times	9.6	0.8 × 12 times	9.6	—	0.8 × 12 times	9.6	—	—
<b>20-Year</b>	1.2 × 12 times	14.4	1.2 × 12 times	14.4	—	1.1 × 12 times	13.2	-1.2	-1.2
<b>10-Year</b>	2.4 × 12 times	28.8	2.4 × 12 times	28.8	—	2.4 × 12 times	28.8	—	—
<b>5-Year</b>	2.5 × 12 times	30.0	2.5 × 12 times	30.0	—	2.4 × 12 times	28.8	-1.2	-1.2
<b>2-Year</b>	2.5 × 12 times	30.0	2.5 × 12 times	30.0	—	2.3 × 12 times	27.6	-2.4	-2.4
<b>TBs (1-Year)</b>	2.1 × 2 time 2.2 × 10 times	26.2	2.0 × 2 times 2.1 × 2 time 2.2 × 8 times	25.8	-0.4	2.0 × 2 times 2.1 × 10 times <small>(Note2)</small>	25.0	-1.2	-0.8
<b>10-Year Inflation-Indexed</b>	0.5 × 4 times	2.0	0.5 × 4 times	2.0	—	0.5 × 4 times <small>(Note3)</small>	2.0	—	—
<b>Auctions for Enhanced-Liquidity</b>	0.8 × 12 months	9.6	0.8 × 12 months	9.6	—	— <small>(Note4)</small>	9.6	—	—
<b>Total</b>	<b>152.6</b>		<b>152.2</b>		<b>-0.4</b>	<b>147.0</b>		<b>-5.6</b>	<b>-5.2</b>

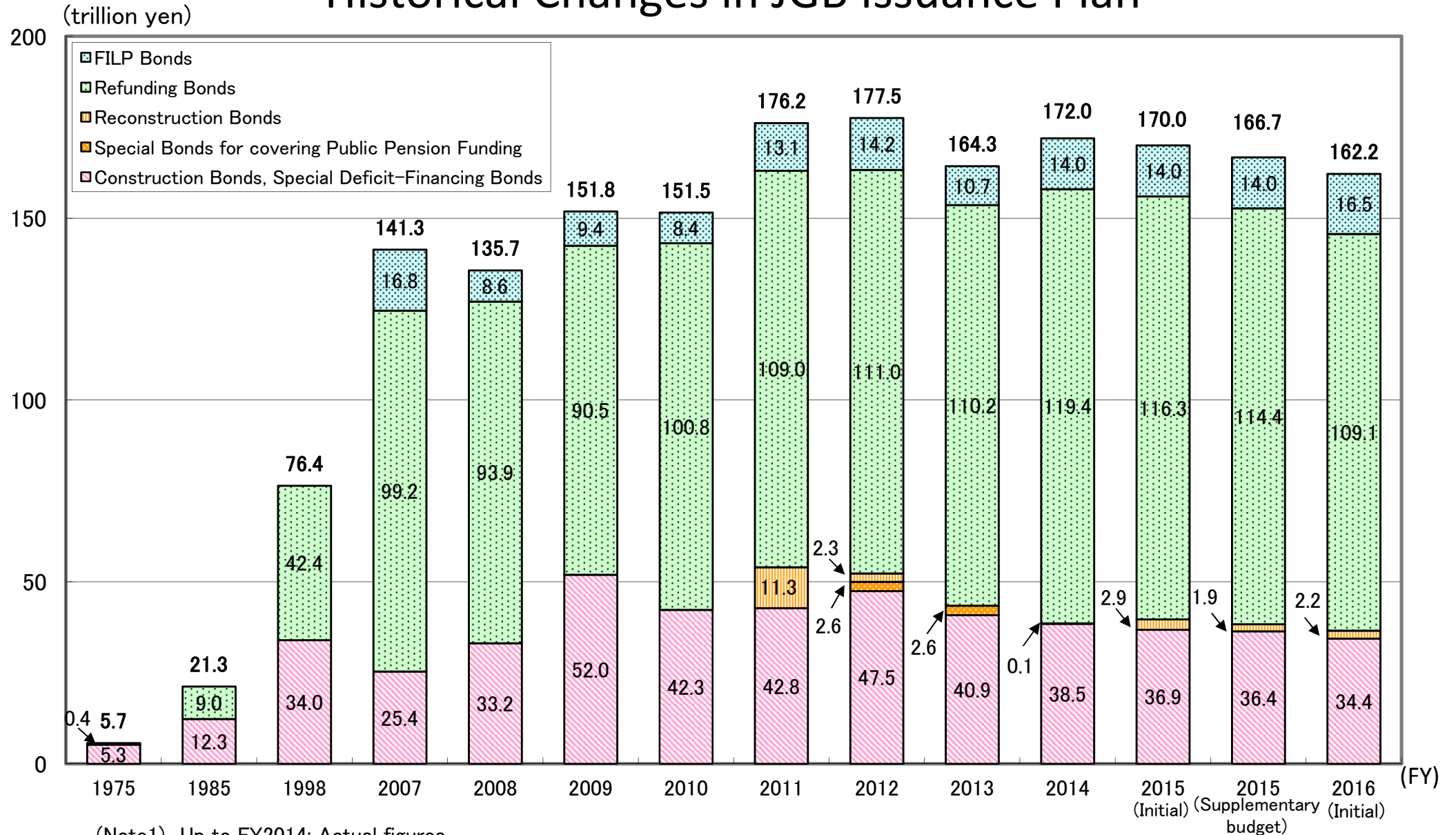
(Note1) 40-Year Bonds will be issued in May, July, September, November, January and March.

(Note2) The decrease in the issuance amount of Treasury Bills (TBs) is to be compensated by an increase in the issuance amount of Financing Bills (FBs), thereby maintaining the total issuance of T-Bills (TBs+FBs) at 2.5 trillion yen per issue.

(Note3) 10-Year Inflation-Indexed Bonds (JGBis) will be issued in April, August, October and February. The issuance amount of 10-Year Inflation-Indexed Bonds may be adjusted in a flexible manner in response to market developments and investor demand, based on discussion with market participants.

(Note4) Details of Auctions for Enhanced-Liquidity including each month's issuance volume will be determined in view of market conditions, based on discussion with market participants.

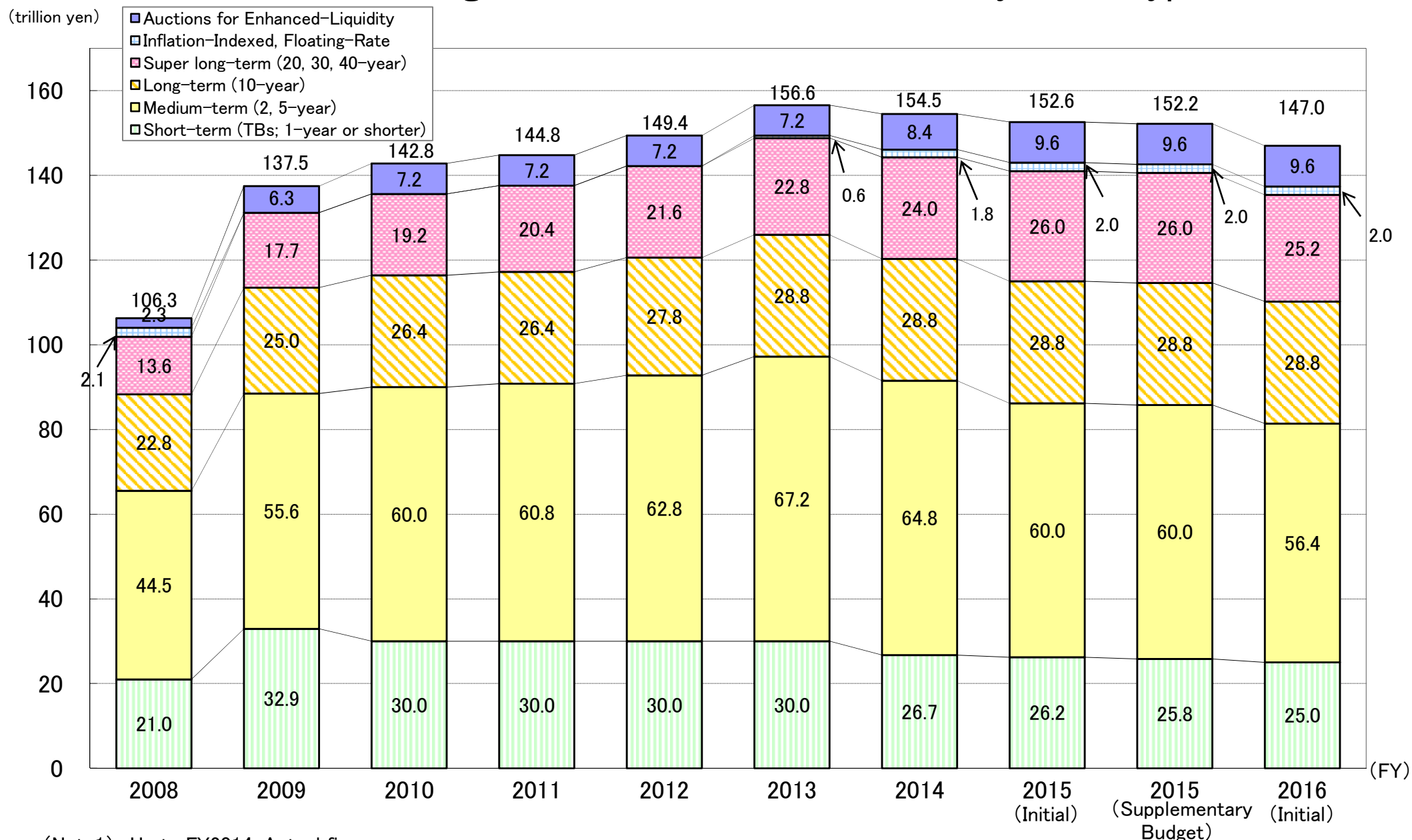
# Historical Changes in JGB Issuance Plan



(Note1) Up to FY2014: Actual figures

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

# Historical Changes in Market Issuance Plan by JGB Types



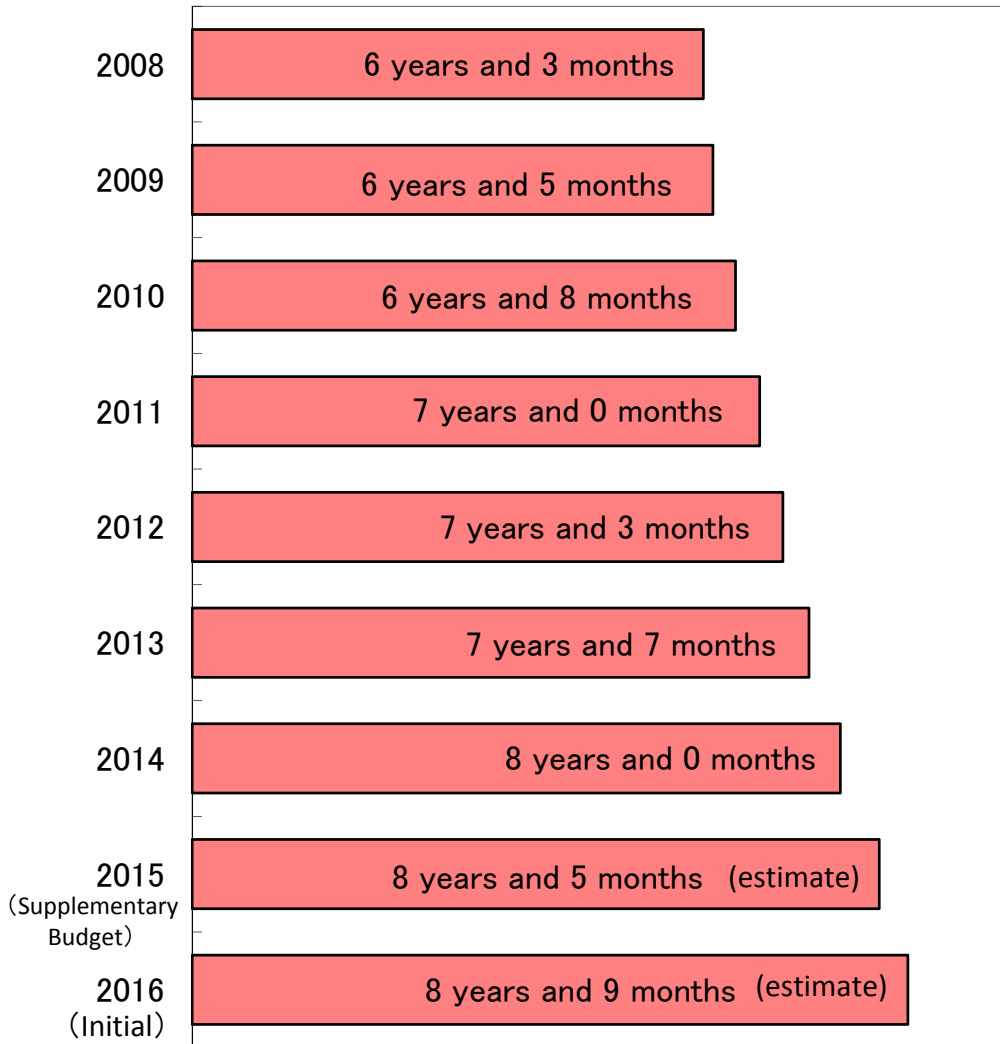
(Note1) Up to FY2014: Actual figures

(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 JGBs

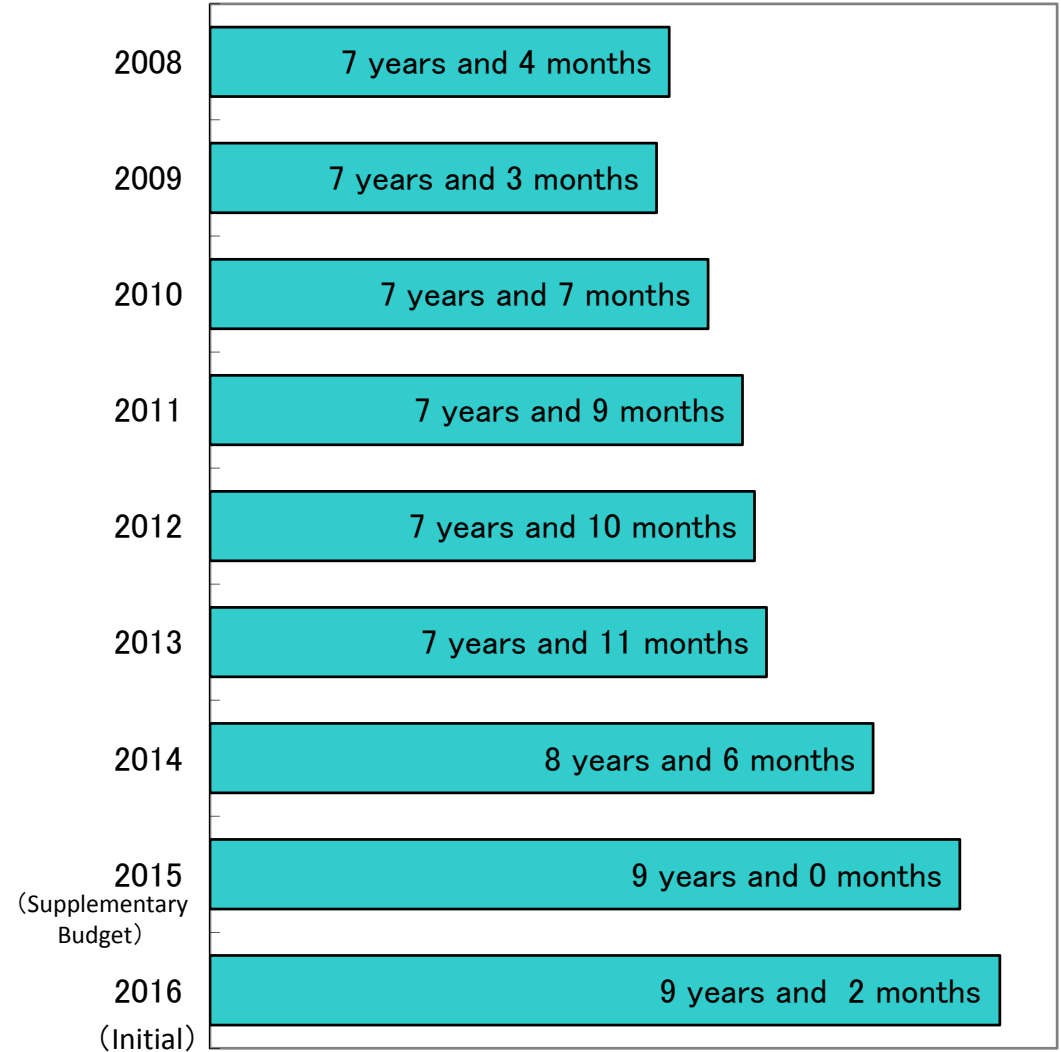
## Outstanding amount (Stock-basis)

(at the end of FY)



## Market issuance (Flow-basis)

(FY)



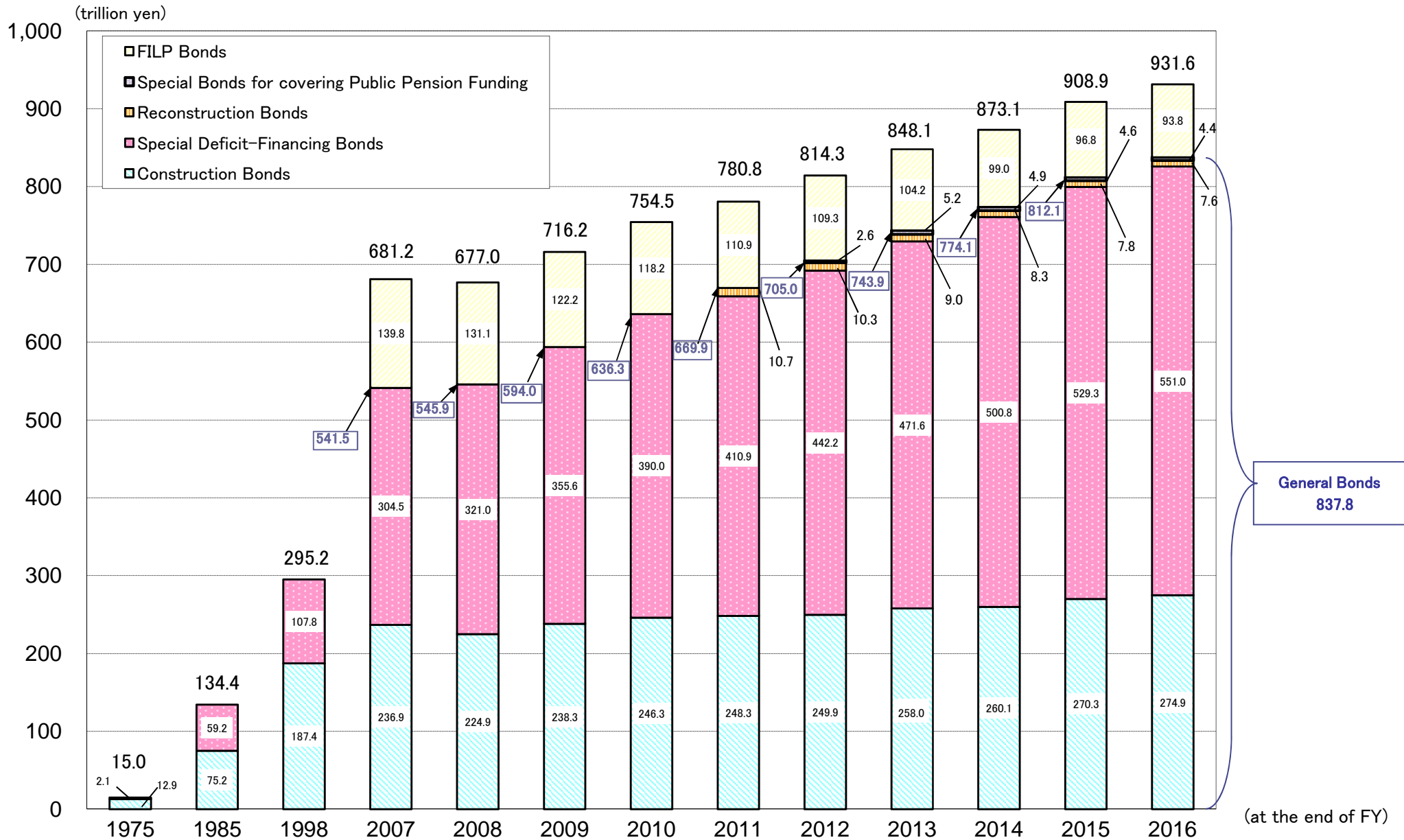
(Note 1) Up to FY2014; Actual

(Note 2) Outstanding amount consists of only General Bonds  
(i.e., FILP Bonds are excluded.)

(Note) Up to FY2014; Actual

(year)

# Historical Changes in Outstanding Amount of JGBs



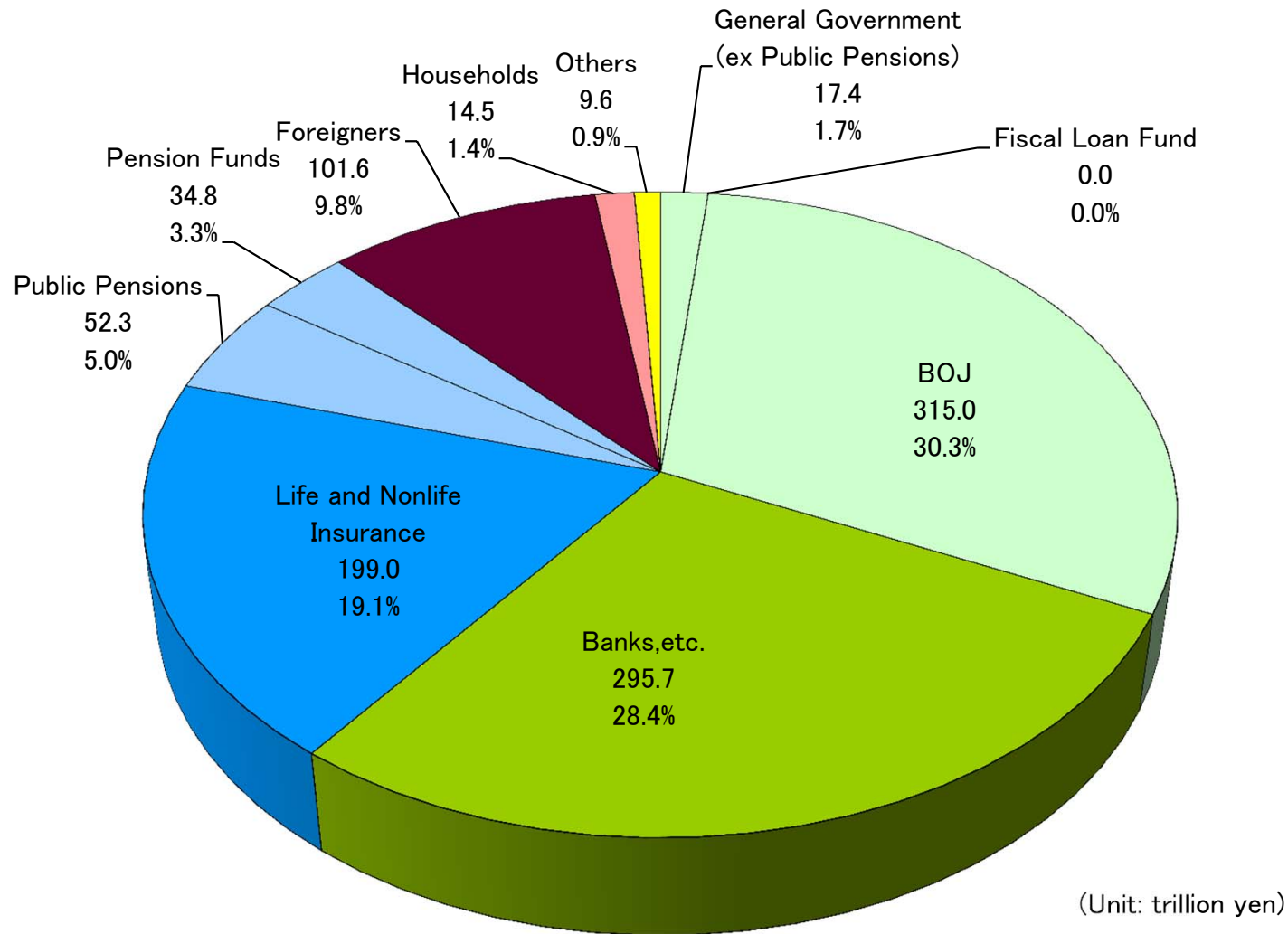
(Note1) Figures may not sum up to total because of rounding.

(Note2) Up to FY2014: Actual figures, FY2015 - FY2016: Estimates

(Note3) Special Deficit-Financing Bonds include the Refunding Bonds which were issued as a result of takeover of the debt transferred from other accounts.

# Breakdown by JGB Holders

(Sep. 2015, Preliminary)



Total 1,039.9 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

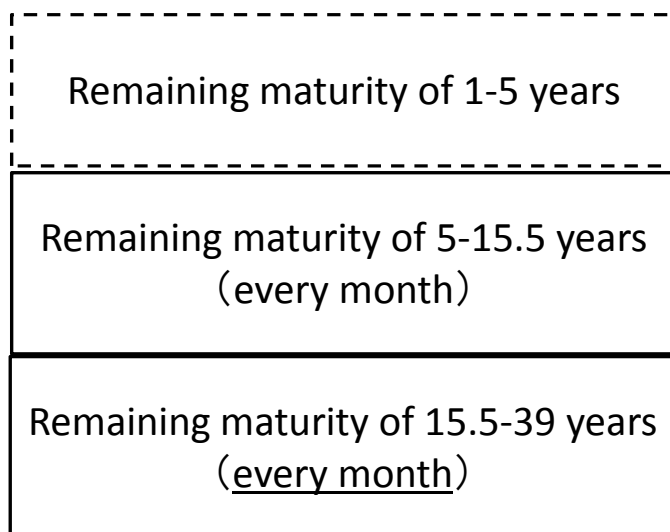


# Expansion of Auctions for Enhanced-Liquidity

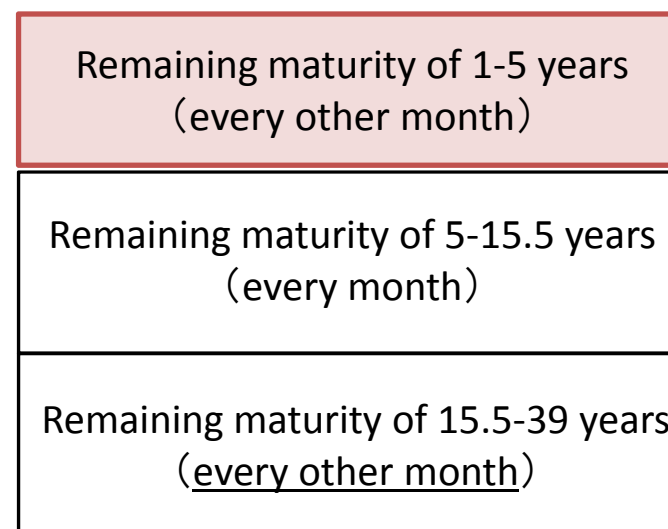
(Off-the-run JGBs with remaining maturity of 1-5 years)

- “Auctions for Enhanced-Liquidity” (tapping auctions) are additional issues of off-the-run JGBs of which liquidity is running short due to imbalance between supply and demand. It is conducted for the purpose of ensuring smooth transactions and correcting market distortions.
- In response to requests from market participants, issues with remaining maturity of 1-5 years will be added to the coverage of Auctions for Enhanced-Liquidity from FY2016 in order to maintain and enhance the liquidity in the JGB market.

【Before】



【After】※



※Details of auctions such as allocation of issuance amount (9.6 trillion yen in total for FY2016) for each zone will be determined based on discussions with market participants through quarterly-held Meetings of JGB Market Special Participants and Meetings of JGB Investors.

※Issuance for the zone of 15.5-39 years remaining to maturity will be carried out every other month in which 40 years JGB will not be issued, thereby leveling the issuance volume of super long-term JGBs.

## Expanding sales of JGBi for retail investors

- It is important to ensure broad sales channels through small and regional financial institutions to expand sales of JGBi for retail investors.
- Currently, as the financial institutions required to purchase JGBi for retail sales through the market, it is difficult for non-dealing financial institutions to mediate between customer and government, due to the cost.
- By adding JGBi to the coverage of New Over-The-Counter sales system, small amount purchase(from 100,000 yen) will be made available at local financial institutions, thereby promoting a diversity of JGBi holders.

【 Sales by “New Over-The-Counter sales system” (from February 2017)】

