

JAPANESE GOVERNMENT BONDS

Monthly Newsletter of the Ministry of Finance, Japan

May 2017

This Month's Special!

What's New ⇒ New issues concerning JGB auctions

- Shortening of the settlement periods in the issuance
- Publication of target zones in Auctions for Enhanced-Liquidity

Monthly Topic ⇒ Wage, employment situation and "The Action Plan for the Realization of Work Style Reform"

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WHAT'S NEW

New issues concerning JGB auctions

In the Meeting of JGB Market Special Participants (70th round) on March 22, 2017, the Ministry of Finance explained and reported on the following 2 points:

1. Considerations on the shortening of settlement periods in the issuance of coupon-bearing bonds (5-30 years) in months with massive redemption and of coupon-bearing bonds (2 years) every month

Currently, the issuance date of JGBs is T+2 (2 business days after auction) in principle. However, coupon-bearing bonds (5-30 years) that are issued in months of off-the-run issue redemption are issued on the 20th of the month, and coupon-bearing bonds (2 years) are issued and redeemed on the 15th.

As a result, it takes longer than 2 business days from the auction to issuance for these bonds. On the other hand, market participants have voiced the need to shorten the settlement periods. Therefore, the Ministry of Finance will consider the shortening of settlement periods for these bonds.

2. Prior publication of target zones in Auctions for Enhanced-Liquidity

For Auctions for Enhanced-Liquidity, it is only announced in advance that there will be an Auction for Enhanced-Liquidity on a published date. This is because the target zones are not specified until they are discussed at the quarterly meeting with market participants. Predictability of the target zones are assured by fixing the auction order of the target zones.

However, issuance amounts of each target zone in Auctions for Enhanced-Liquidity are suggested in the JGB issuance plan in FY2017. Therefore, we will publish target zones in Auctions for Enhanced-Liquidity when the auction date is published 3 months prior to the auction(*) and may adjust the auction order of the target zones in a flexible manner.

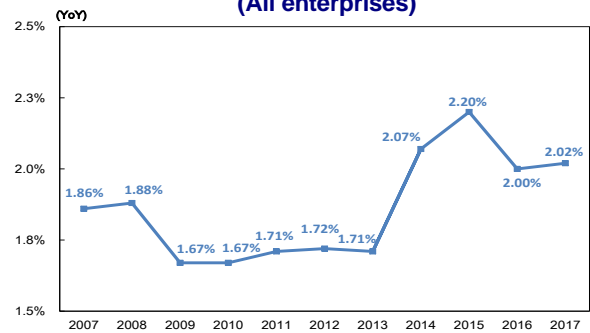
(*)The target zones may be revised based on discussion with market participants.

1. Wage growth is expected to continue

In Japan, there are annual wage negotiations known as “Shunto” (the “Spring Offensive”) that take place in spring. Following this year’s Shunto, the average monthly wage increase is 2.02% based on the extra survey as of April 13. High growth rates are being maintained.

Moreover, there is higher wage growth in SMEs (small- and medium-size enterprises) and for part-time employees than in the previous year.

**Change in average wages related to Shunto
(All enterprises)**

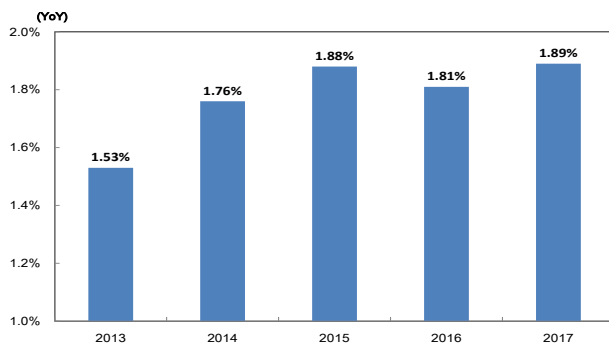


Source: Japanese Trade Union Confederation

Note1: All the figures are calculated based on “the number of union members weighted average growth”.

Note2: The figure of 2017 is cited from the extra survey as of April 13 while the others are cited from the result of final survey.

**Change in average wages related to Shunto
(The enterprises with less than 300 employees)**

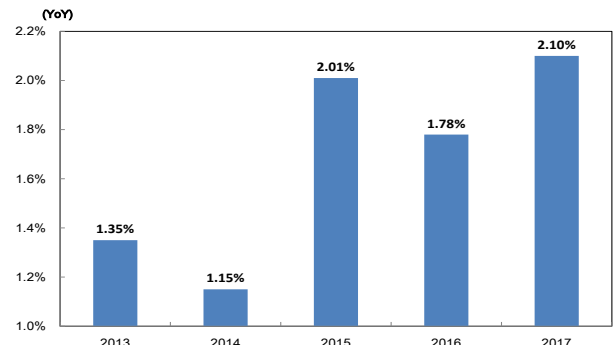


Source: Japanese Trade Union Confederation

Note1: All the figures are calculated based on “the number of union members weighted average growth”.

Note2: The figure of 2017 is cited from the extra survey as of April 13 while the others are cited from the result of final survey.

**Change in average wages related to Shunto
(Part-time employment)**



Source: Japanese Trade Union Confederation

Note1: All the figures are calculated based on “the number of union members weighted average growth”.

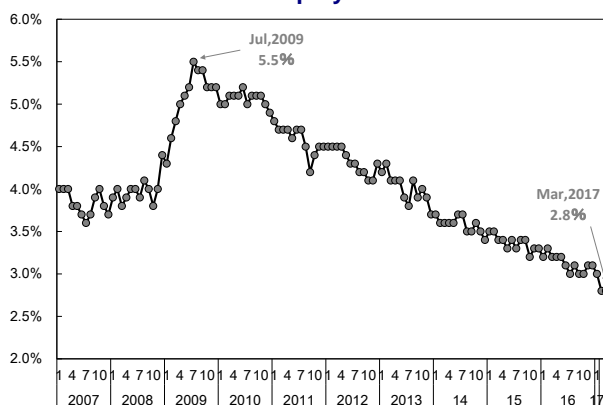
Note2: The figure of 2017 is cited from the 3rd survey as of March 31 while the others are cited from the result of final survey.

2. The employment situation shows a trend toward improvement

According to the “Labour Force Survey” of March 2017, the unemployment rate was 2.8%, which was the same as the previous month’s.

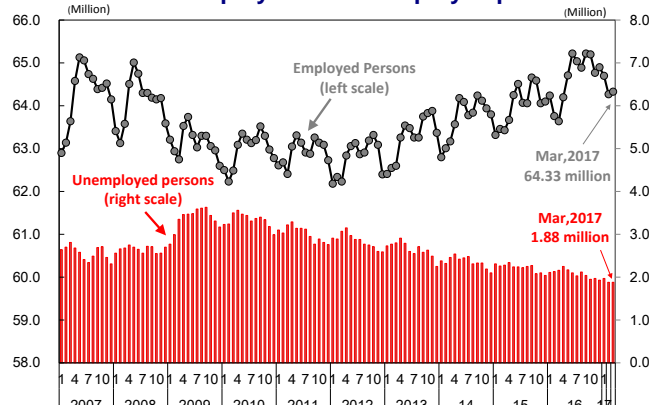
The number of employed persons in March 2017 was 64.33 million, an increase of 690 thousand or 1.1% from the previous year. The number of unemployed persons in March 2017 was 1.88 million, a decrease of 280 thousand or 13.0% from the previous year.

Unemployment rate



Source: Ministry of Internal Affairs and Communications “Labour Force Survey”

Number of employed and unemployed persons



Source: Ministry of Internal Affairs and Communications “Labour Force Survey”

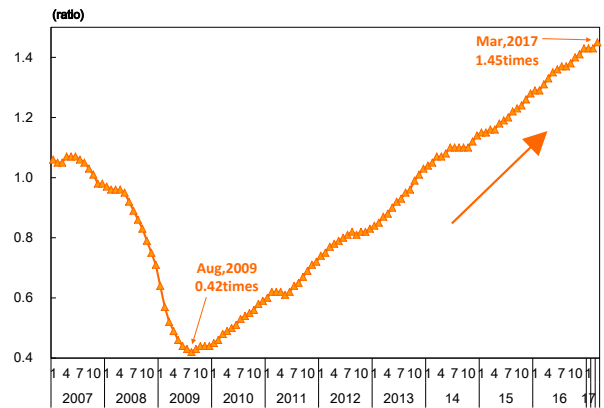
MONTHLY TOPIC

As for “Employment Referrals for General Workers,” in March 2017, the active job openings-to-applicants ratio (seasonally adjusted) was 1.45 times, rising 0.02pt on the previous month. This is the highest level since 1.45 times in November 1990 and the figure has been above 1.00 times for 41 consecutive months.

The active job openings (seasonally adjusted) increased by 0.9% and the active applications decreased by 0.1% from the previous month.

The employment situation is continuing an upward trend.

Active job openings-to-applicants ratio



Source: Ministry of Health, Labour and Welfare "Employment Referrals for General Workers"

3. The Action Plan for the Realization of Work Style Reform

“The Action Plan for the Realization of Work Style Reform” was decided by the Council for the Realization of Work Style Reform on March 28, 2017. Prime Minister said at the Council, “This action plan is no more than the first step. Whether it is equal pay for equal work or maximum hours of overtime work, the action plan will simply be pieces of paper and end up being an unrealizable dream, unless we develop bills, submit them to the Diet, and moreover have them passed. In that sense, the role of the Government is extremely significant. I would like the relevant ministers to closely adhere to the contents of this action plan that are carefully laid out, and complete deliberations in relevant council meetings and submit bills to the Diet at an early date. The Abe administration will devote its full efforts to ensuring that the bills are passed.”

Key elements are as follows:

Key Elements of the Action Plan

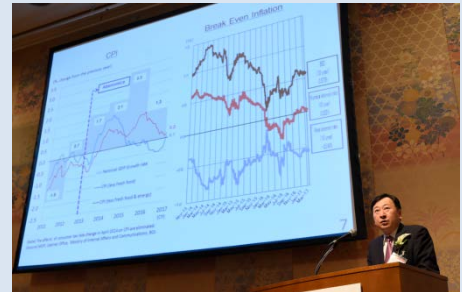
1. Improving the treatment of non-regular employees
 - Developing legal systems and guidelines for keeping the effectiveness of equal pay for equal jobs
 - Promoting career enhancement including change from non-regular employees to regular ones
2. Raising wages and labor productivity
3. Avoiding long-hour work
4. Building an environment in which flexible work styles are possible
5. Promoting work with disease cure, child raising, or nursing care and encouraging the handicapped to work
6. Accepting foreign human resources
7. Building an environment that makes it easy for women and young people to work actively
8. Supporting transfer to industries with a high employment rate, developing human resources, and strengthening education for fixed gap prevention
9. Encouraging the aged to find a job

For more information, see:

http://japan.kantei.go.jp/97_abe/actions/201703/28article2.html

http://www.kantei.go.jp/jp/singi/hatarakikata/pdf/The_Action_Plan_for_the_Realization_of_Work_Style_Reform.pdf

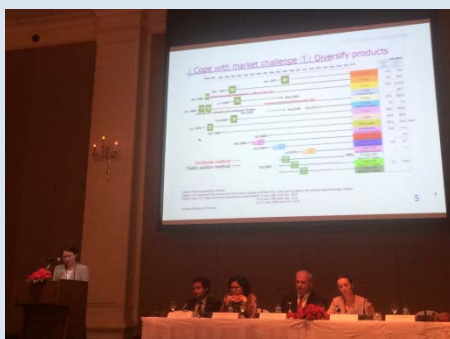
➤ On March 27, **Mr. Ichikawa**, Deputy Director-General of the Financial Bureau, made a presentation in Kyoto, the old capital of Japan, to participants from foreign central banks and institutional investors. The presentation included the Japanese economy, fiscal policy, and debt management policy. He pointed out that Japanese real economic growth became more solid in recent months, but also stressed the need for Japan to mobilize both household savings and corporate internal reserves to enhance its growth perspectives. While he cast doubts on the feasibility of the recent radical ideas about fiscal policy, Mr. Ichikawa emphasized that the Japanese government is firmly committed to the primary surplus target of FY2020, and that it should continue tight expenditure control and efforts to expand revenue through economic revitalization. He was asked questions regarding structural reform, fiscal consolidation and JGB issuance plan.



➤ During the first week of April, **Ms. Kimata**, director for debt management and JGB investor relations, and **Mr. Yamaguchi**, researcher, joined the ADB's 2017 Asian Regional Public Debt Management Forum in Siem Reap, Cambodia. Siem Reap is widely known as the ancient Khmer capital, with well-preserved ancient Angkor temples. This time, Ms. Kimata shared Japanese experiences that have overcome some challenges in developing the JGB market at the Forum.

Making the most of this opportunity to visit Southeast Asia, they also visited Hanoi, in Vietnam, and Singapore to have meetings with overseas investors instead of taking a day off to visit the ancient Angkor temples, as both of them are "typical" workaholic Japanese people. They had discussions with investors, mainly about Japan's economic situation, including the progress made in the growth strategy, fiscal consolidation, and the JGB issuance plan for FY2017.

We would like to express our gratitude to our investors for taking their precious time to meet. We are very grateful for the opportunities to exchange views on the Japanese economy as well as the JGB market.



If you have any questions regarding the contents of this newsletter, please do not hesitate to contact us at: JGB-IR@mof.go.jp