

Our fundamental goal of debt management policy is to achieve stable and smooth financing for our national accounts and to minimize medium-to-long term financing costs.

SUMMARY

What's New: The 47th meeting of the Advisory Council, etc.

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- ✓ The 47th meeting of the Advisory Council on Government Debt Management was held on June 15, 2018. The agenda was as follows:
 1. A present state of JGB market and JGB investment environment
 2. Future trends of JGB markets and debt management policy
 3. Overseas IR activities
 4. Debt Management Policies in Foreign Countries
- ✓ The 76th Meeting of JGB Market Special Participants and the 75th Meeting of JGB Investors were held on June 25 and June 26, 2018, respectively. Considering the opinions in the meetings, the MOF decided on the "Issuance of the Inflation-Indexed Bonds on July-September 2018" and "Issuance Amounts for Liquidity Enhancement Auctions on July-September 2018" as explained in the meetings.

Monthly Topic: JGBs Holders and Basis Policy 2018

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- ✓ The Bank of Japan (BOJ) released the Flow of Funds Accounts of the 1st Quarter 2018.
- ✓ " Basic Policy on Economic and Fiscal Management and Reform 2018" was decided by the Cabinet on June 15, 2018.

IR Office: To Asia

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- ✓ Our IR activities in June: We visited Southeast Asia

(Statistics)

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The 47th meeting of the Advisory Council on Government Debt Management

The 47th meeting of the Advisory Council on Government Debt Management was held on June 15, 2018. The agenda was as follows:

(Agenda)

1. Present state of JGB market and JGB investment environment
2. Future trends of JGB markets and debt management policy
3. Overseas IR activities
4. Debt Management Policies in Foreign Countries

Mr. Uchida, MUFG Bank, explained 1 and the MOF explained 2, 3 and 4. Here, we summarize “Future trends of JGB markets and debt management policy” and “Overseas IR activities.” For the other parts, please refer to the links below.

- **Future trends of JGB markets and debt management policy** (toward the stable and smooth issuance of JGBs and minimization of medium to long-term financing costs)
 - ① Grasping the external environment for the JGB market
 - Outlook for economy and fiscal status in Japan and other countries
 - Monetary policies in Japan and other countries
 - Financial regulation and its influence
 - ② Issuing JGBs stably in line with medium- to long-term demand
 - Medium- to long-term investment stance of major JGB investors
 - Maturity composition
 - Diversification of JGB investor base
 - Development of JGBi market
 - ③ Maintaining and improving JGB market function
 - Concerns about lowering JGB market function and status of JGB market liquidity
 - Influence of the shortening of the JGB settlement cycle from “T+2” to “T+1”
 - Function of futures and repo market

- **Overseas IR activities**
 - ✓ Overseas IR activities in FY2017
 - 11 overseas IR tours covering 18 countries and 24 cities (131 meetings with central banks, pension funds, insurance companies, asset management companies, etc.)
 - 119 meetings in Japan, including regular visits to Tokyo offices of foreign central banks and foreign investors
 - 9 presentations at seminars (7 in Japan, 2 overseas)
 - Continuation of monthly issuance of English newsletters, with new “summary page” by which readers can grasp the contents in a minute and a new “Q&A page” which answers frequently asked questions about our IR activities
 - ✓ Future directions
 - Development of relations with foreign investors
 - ◇ As foreign exchange reserve authorities, pension funds and other foreign institutional investors, though not proactive about investing in JGBs under present negative interest rates, are expected to continuously invest in and stably hold JGBs for a long term, we will continue to promote IR activities giving priority to these investors and develop long-term, close relations with them.

- ◇ At the same time, we will attempt to regularly contact major asset management companies, etc. irrespective of their present JGB investment positions to promote their future JGB purchases and invigorate the market.
- ◇ We will take advantage of relations with Tokyo branches of foreign investors to understand their investment arrangements and policies and give explanations meeting their respective needs and interests to effectively and efficiently provide, send and collect information.
- Cooperation with foreign debt management authorities and international organizations
 - ◇ We will take advantage of IR activities, international conferences and other opportunities to have close discussions with foreign debt management authorities on recent debt management policy challenges and desirable debt management policies to enhance relations with them.
 - ◇ We will enhance cooperation with international organizations by proactively making procedural proposals and presentations for foreign authorities and investors at international conferences.

In the discussions, some members pointed out that it is important to study new types of products, including JGBs for retail investors. On this point, the MOF answered that the points below should be considered carefully:

- Medium- to long-term demand which enables sustainable issuance
- Cost and risk for the issuer

Advisory Councils on Government Debt Management (in Japanese): https://www.mof.go.jp/about_mof/councils/gov_debt_management/proceedings/index.html
English minutes (it will be published later.): https://www.mof.go.jp/english/about_mof/councils/gov_debt_management/index.html

The Meetings of JGB Market Special Participants and JGB Investors

The 76th Meeting of JGB Market Special Participants and the 75th Meeting of JGB Investors were held on June 25 and June 26, 2018, respectively. Considering the opinions in the meetings, the MOF decided the “Issuance of the Inflation-Indexed Bonds on July-September 2018” and “Issuance Amounts for Liquidity Enhancement Auctions on July-September 2018” as explained in the meetings.

<Issuance of the Inflation-Indexed Bonds on July-September 2018>

- ✓ Auction schedule of issuance and Buy-back Program of Inflation-Indexed Bonds on July-September 2018.

Auction Month	Auction amount
July 2018	-
August 2018	Issuance: Approximately 400 billion yen Buy-back: Approximately 20 billion yen
September 2018	-

(Note1) The auctions will be conducted once in August.

(Note2) Issues eligible for the buy-backs will be those from issue number 17 to 23.

(Note3) The Ministry of Finance reserves the right not to accept part or all of bids.

(Note4) The plan could be changed owing to market conditions and others.

(Source) MOF https://www.mof.go.jp/english/jgbs/topics/press_release/20180628-02e.htm

<Issuance Amounts for Liquidity Enhancement Auctions on July-September 2018>

- ✓ Issuance amount at each auction is unchanged from the previous quarter.

	July 2018	August 2018	September 2018
(1) Issues with remaining maturities of 1-5 years	Approximately 400 billion yen	Not be implemented	Approximately 400 billion yen
(2) Issues with remaining maturities of 5-15.5 years	Approximately 600 billion yen	Approximately 600 billion yen	Approximately 600 billion yen
(3) Issues with remaining maturities of 15.5-39 years	Not be implemented	Approximately 500 billion yen	Not be implemented

(Note1) Remaining maturities are calculated starting from June 30th.

(Note2) Eligible issues for 2-year JGBs in (1)zone will be those with remaining maturities of more than one year as June 30th 2018 for July auction and as August 31st 2018 for September auction, including issues to be newly issued in the auction month.

(Note3) The plan could be changed owing to market conditions and others.

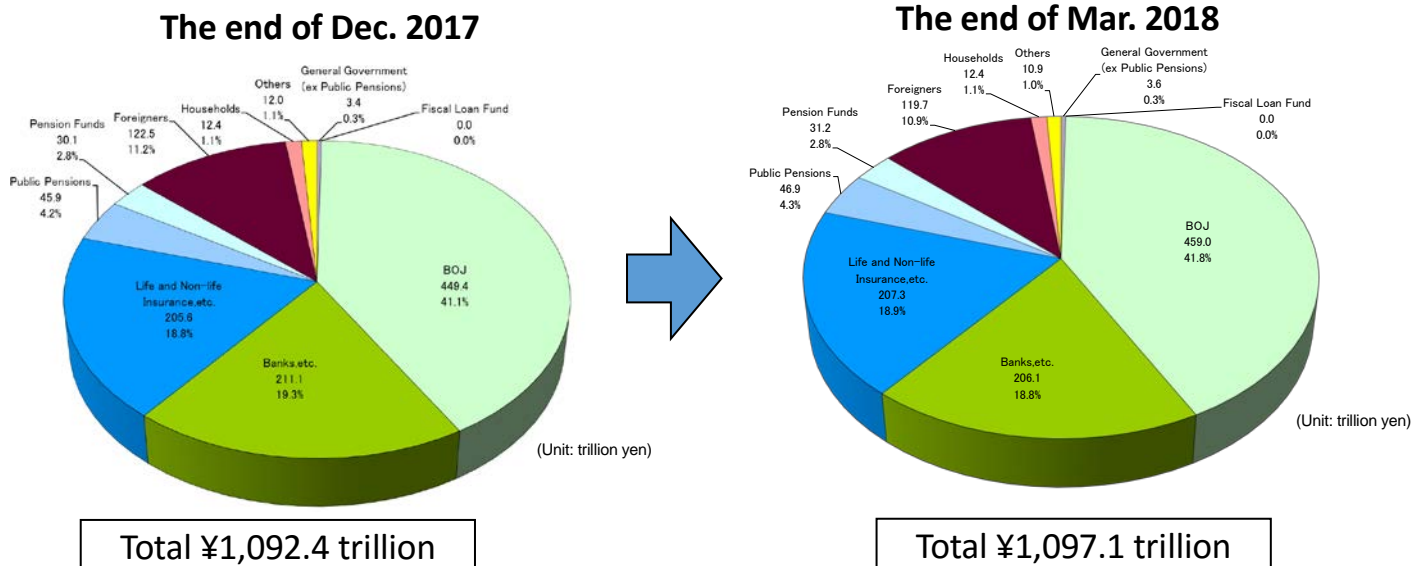
(Source) MOF https://www.mof.go.jp/english/jgbs/topics/press_release/20180628-01e.htm

MONTHLY TOPIC

1. Breakdown by JGB (including T-Bill) Holders (end of March 2018)

On June 27, the Bank of Japan (BOJ) released the Flow of Funds Accounts of the 1st Quarter 2018. The shares of JGB (including T-Bill) holders were updated as follows:

- The total amount of JGBs and T-Bills outstanding increased by 4.8 trillion yen to 1,097.1 trillion yen.
- The BOJ increased its holdings of JGBs by 9.6 trillion yen to 459.0 trillion yen.
- The amount of JGBs held by domestic banks in Q1 fell by 5.0 trillion yen to 206.1 trillion yen.



Source: Bank of Japan "Flow of Funds Account (Preliminary Figures)"

2. Basic Policy on Economic and Fiscal Management and Reform 2018

"Basic Policy on Economic and Fiscal Management and Reform 2018" was decided by the Cabinet on June 15, 2018. Its major aim is to achieve sustainable growth by overcoming aging society.

Key Elements of the Basic Policy

[Provisional Translation]

1. Revolution in Human Resource Development
2. Productivity Revolution
3. Work-style reform
4. Accepting new foreign personnel
5. Integrated Economic and Fiscal Reforms
 - ✓ The government aims to:
 - achieve a primary surplus of the central and local governments by 2025,
 - reduce steadily the outstanding amount of the public debt of national and local governments to GDP ratio.

For more information, see the links below:

"Basic Policy on Economic and Fiscal Management and Reform 2018" (in Japanese)

<http://www5.cao.go.jp/keizai-shimon/kaigi/cabinet/2018/decision0615.html>

Joint Meeting of the Council on Economic and Fiscal Policy and the Council on Investments for the Future

http://japan.kantei.go.jp/98_abe/actions/201806/00039.html

- During the third week of June, **Ms. Kimata**, director for debt management and JGB investor relations, and **Mr. Miyake** joined the ADB's 2018 Asian Regional Public Debt Management Forum in Koh Samui, Thailand. This time, Ms. Kimata took part in the panel discussion as one of the speakers, emphasizing the importance of faithfulness to Basic and good dialogue with the market participants to facilitate proper understanding about the JGB market and economy.

We were such good workers to participate in the sessions in the conference room by the seaside during daytime, but thanks to the hospitality of the Thai Authority, we enjoyed watching exotic Thai dances on the beach at night during the Forum.

- Making the most of this opportunity to visit Southeast Asia, we also visited Kuala Lumpur in Malaysia, Singapore, and Bangkok in Thailand to have meetings with overseas investors instead of taking a day off to stay at the nice beach resort, Koh Samui. We deepened relations with the investors, through discussions about the recent development of Japan's economic situation and JGBs.

We would like to express our gratitude to the investors for taking their precious time to meet us. 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