

JAPANESE GOVERNMENT BONDS

Monthly Newsletter of the Ministry of Finance, Japan

August 2021

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: Summary of General Account (FY2020), etc.

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- ✓ On July 30, 2021, the MOF released the summary of Revenues and Expenditures in General Account (FY2020).
- ✓ On August 10, 2021, the MOF released the update on central government debt as of the end of June 2021.
- ✓ On June 24, 2021, the 54th meeting of the Advisory Council on Government Debt Management was held. The agenda was "Efforts so far and future issues on the debt management policy."

Monthly Topics: Mid-Year Economic Projection for FY2021, etc.

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- ✓ On July 6, 2021, Mid-Year Economic Projection for FY2021 was published by the Cabinet Office.
- ✓ On July 21, 2021, the Cabinet Office presented its latest "Economic and Fiscal Projections for Medium to Long term Analysis" at the Council on Economic and Fiscal Policy.
- ✓ On July 16, 2021, "The Bank of Japan's Strategy on Climate Change" was released by the Bank of Japan (BOJ).

IR Office: Debt Management Report 2021

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- ✓ In early July, the MOF published the 2021 edition of its "Debt Management Report," which has been published annually since 2004, on the MOF website. It's now available online.

Statistics

| | | | | | |
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Ministry of Finance

www.mof.go.jp

What's New

1. Summary of Revenues and Expenditures in General Account (FY2020)

On July 30, 2021, the MOF released the summary of Revenues and Expenditures in General Account (FY2020). Trends in the General Account from FY2018 to FY2020 are as follows:

(billion yen)

| Revenues | FY2020 | FY2019 | FY2018 |
|--|----------------|----------------|----------------|
| Preceding fiscal year surplus received | 7,796 | 6,723 | 5,528 |
| Government Bond Issues | 108,554 | 36,582 | 34,395 |
| [• Construction Bonds] | [22,596] | [9,144] | [8,097] |
| [• Special Deficit Financing Bonds] | [85,958] | [27,438] | [26,298] |
| Non-tax revenues | 7,407 | 7,416 | 5,417 |
| Tax revenues | 60,822 | 58,442 | 60,356 |
| [• Income Tax] | [19,190] | [19,171] | [19,901] |
| [• Consumption Tax] | [20,971] | [18,353] | [17,681] |
| [• Corporation Tax] etc. | [11,235] | [10,797] | [12,318] |
| Total | 184,579 | 109,162 | 105,697 |

| Expenditures | FY2020 | FY2019 | FY2018 |
|--|----------------|----------------|----------------|
| Social Security | 42,998 | 33,501 | 32,569 |
| Education&Science | 9,194 | 5,911 | 5,748 |
| National Debt Service | 22,326 | 22,286 | 22,529 |
| Local Allocation Tax Grants, etc. | 16,256 | 16,032 | 16,026 |
| National Defense | 5,505 | 5,627 | 5,475 |
| Public Works | 8,413 | 7,610 | 6,913 |
| Others | 42,905 | 10,401 | 9,714 |
| Carried-over surpluses in Article 41 of the Public Finance Act | 36,981 | 7,796 | 6,723 |
| Total | 184,579 | 109,162 | 105,697 |

Note: Figures may not sum up to the total because of rounding.

2. Central Government Debt (As of the end of June 2021)

On August 10, the MOF released the update on central government debt. Debt outstanding and composition as of the end of June 2021 are as follows:

<Main Points>

- Outstanding government bonds and borrowings increased to 1,220.6 trillion yen from the end of March (1,216.5 trillion yen) by 4.2 trillion yen. The total amount for FBs increased by 12.9 trillion yen, while General Bonds, FILP bonds, Borrowings, and Subsidy Bonds, etc., decreased by 4.6 trillion yen and 3.0 trillion yen and 1.1 trillion yen, respectively.
- Long-term outstanding central government debt, which does not include FILP bonds, FBs and some of the borrowings related to local governments, increased to 968.4 trillion yen from the end of March (972.7 trillion yen).

Central Government Debt

(trillion yen)

| | The end of June 2021 (Actual) | Increase or Decrease(-) from the end of the Previous Quarter |
|---|-------------------------------------|---|
| <u>1) Outstanding Government Bonds and Borrowings</u> | | |
| General Bonds | 942.0 | - 4.6 |
| Fiscal Investment and Loan Program Bonds (FILP Bonds) | 115.6 | - 3.0 |
| Borrowings, Subsidy Bonds, etc. | 59.8 | - 1.1 |
| Financing Bills (FBs) | 103.2 | 12.9 |
| Total | 1,220.6 | 4.2 |
| <u>2) Outstanding Government-Guaranteed Debts</u> | | |
| Government-Guaranteed Debts | 33.8 | - 0.3 |

Notes:

1. Figures may not sum up to the total because of rounding.
2. Above "Outstanding Government Bonds and Borrowings" includes government bonds and borrowings held by the government.
3. Figures are total of the general account and all special accounts, and the coverage is different from the central government defined in SNA.
4. The data as of the end of September, 2021 will be released on November 10, 2021.

Details: <https://www.mof.go.jp/english/policy/jgbs/reference/qbb/e202106.html>

(Reference) Long-term debt outstanding of central and local governments

The MOF has announced the "Long-term debt outstanding of central and local governments" whose interest payments and redemption funds are mainly to be covered by tax revenues, from the viewpoint of transparency of fiscal management. The statistics are derived by adding the long-term debt outstanding of local governments to the above mentioned Central Government Debt, while excluding Fiscal Investment and Loan Program Bonds and Financing Bills.

(trillion yen)

| | The end of June 2021 (Actual) | Increase or Decrease(-) from the end of the Previous Quarter | The end of FY2021 (Estimate) |
|--|-------------------------------------|---|------------------------------------|
| ① General Bonds | 942.0 | -4.6 | Approx. 990 |
| ② Fiscal Investment and Loan Program Bonds | Not included | Not included | Not included |
| ③ Borrowings, Subsidy Bonds, etc. (Note 1) | 26.3 | 0.3 | Approx. 29 |
| ④ Financing Bills | Not included | Not included | Not included |
| Long-term debt outstanding of central governments | 968.4 | -4.3 | Approx. 1,019 |
| ⑤ Long-term debt outstanding of local governments | (Note 2) | | Approx. 193 |
| Long-term debt outstanding of central and local governments | (Note 2) | | Approx. 1,212 |

Note 1: The borrowings of the Special Account for Allotment of Local Allocation Tax and Local Transfer Tax (as of end of FY2021: approx. 31 trillion yen) are included in "⑤ Long-term debt outstanding of local governments" because the burden of redemption funds falls on local governments.

Note 2: The actual figure of "⑤ Long-term debt outstanding of local governments" is blank, because quarterly data has not been created.

3. The 54th meeting of the Advisory Council on Government Debt Management

The 54th meeting of the Advisory Council on Government Debt Management was held on June 24, 2021. The agenda was as follows:

(Agenda)

- Efforts so far and future issues on the debt management policy

The MOF presented the agenda above, and then, the members engaged in a general discussion regarding the agenda. Here are the takeaways.

➤ Summary of the MOF's presentation

- The MOF plans to set up a new forum for discussions in the future. The 54th meeting was the last one held by the current members.
- It is necessary to proceed with discussions regarding the Debt Management Policy with an eye on Japan's economic society in the post-COVID-19 era.
- It is also important to bear in mind the following four points in the discussion of the Debt Management Policy in the post-COVID-19 era.

(1) Correction of the Shortened Average Maturity of JGBs.

- It would be important to reduce the total JGB issuance amount through fiscal consolidation efforts and decrease the issuance amount of the short-term bonds accordingly.

(2) Impact of the BOJ's Monetary Policy on the JGB Market.

(3) Maintenance and Improvement of JGB Market Liquidity and Functionality.

(4) Necessity of More Multifaceted Discussions.

➤ Views expressed by the members (summarized by the MOF)

- During the Global Financial Crisis, the shortening of maturities also progressed, and after that, policies were introduced for their correction. I would like to see the debt management office correct the shortened average maturity in the future using such knowledge.
- A large amount of JGBs have been issued and it is a big issue in the future to level out the maturities of JGBs which are greatly concentrated in the short term. In light of the past, a large stress can be applied in such a situation. Thus, it is important that there is close communication among the MOF, the BOJ and investors as the main players.
- It is a fact that the liquidity and functionality of the JGB market have declined due to the prolonged ultra-low interest rates. The price discovery function has also declined accordingly. If this matter remains unresolved, the number of participants in the market will gradually decrease, resulting in an increase in issuance costs, which is the risk to be the biggest price to pay. Therefore, we should keep an eye on the matter.
- It is necessary to comprehensively review the Debt Management Policy from a variety of perspectives.

1. Mid-Year Economic Projection for FY2021 (July 6, 2021)

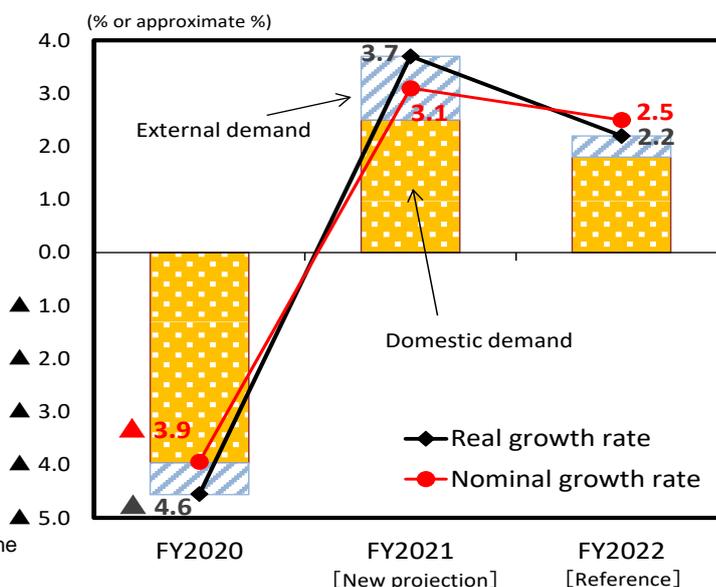
Mid-Year Economic Projection for FY2021 was published by the Cabinet Office on July 6, 2021. The projection is as follows:

- The Japanese economy shows further weakness in some components such as service consumption, although it remains in picking up mainly in the exports sector, and industrial production in a severe situation due to the Novel Coronavirus.
- Concerning short-term prospects, the economy is expected to show movements of picking up, supported by the effects of policies and improvement in overseas economies, while socio-economic activities will be resumed with measures to prevent the spread of infectious disease and accelerate vaccinations. However, full attention should be given to the movement of infections that would affect the domestic and foreign economy. Also, attention should be given to the effects of fluctuations in the financial and capital markets.
- The Government will continue to implement the FY2020 third supplementary budget and the FY2021 budget swiftly and properly. Moreover, the Government will implement necessary measures in a flexible manner through utilizing reserve funds and conduct flexible macroeconomic policy management of self-sustaining economic growth without hesitation.
- Under these circumstances, GDP for FY 2021 is projected to grow approximately 3.7% in real terms and 3.1% in nominal terms. In the first half of the fiscal year, the economy is expected to recover at a moderate pace partly because economic activities having been restricted to prevent the spread of COVID-19. In the latter half of the year, it will accelerate as service consumption starts to recover along with promoting vaccinations, and as exports and private investment steadily increase with the support of government expenditure. As a result, the level of the economy is expected to return to the pre-pandemic level by the end of 2021.
- GDP for FY2022 is projected to grow approximately 2.2% in real terms and 2.5% in nominal terms, and the economy will reach its highest ever level.

Main Economic Indicators

| | FY2020 Actual (%) | FY2021 New projection (%Approx.) | FY2022 Reference projection (%Approx.) |
|------------------------------------|-------------------|----------------------------------|--|
| Real GDP | ▲4.6 | 3.7 | 2.2 |
| Private consumption expenditure | ▲6.0 | 2.8 | 4.0 |
| Private non-residential investment | ▲6.9 | 3.8 | 4.2 |
| Contribution of domestic demand | ▲4.0 | 2.5 | 1.8 |
| Contribution of external demand | ▲0.6 | 1.2 | 0.4 |
| Nominal GDP | ▲3.9 | 3.1 | 2.5 |
| GDP deflator | 0.6 | ▲0.6 | 0.3 |
| Consumer price index (all items) | ▲0.2 | 0.1 | 0.7 |
| Unemployment rate | 2.9 | 2.7 | 2.4 |

Real GDP growth rate and contributions to the real GDP growth rate



Note: The figures represent the year-over-year rate of change except for the unemployment rate and the contributions of domestic and external demand.

(Source) Cabinet Office

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For further details: <https://www5.cao.go.jp/keizai1/outlook-e.html>

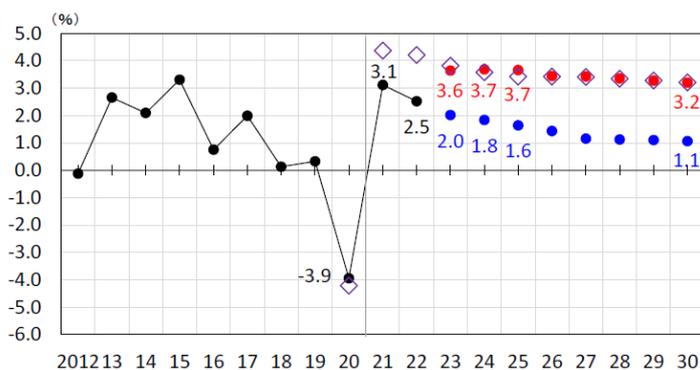
2. Economic and Fiscal Projections for Medium to Long term Analysis (July 21, 2021)

On July 21, 2021, the Cabinet Office presented its latest “Economic and Fiscal Projections for Medium to Long term Analysis” at the Council on Economic and Fiscal Policy.

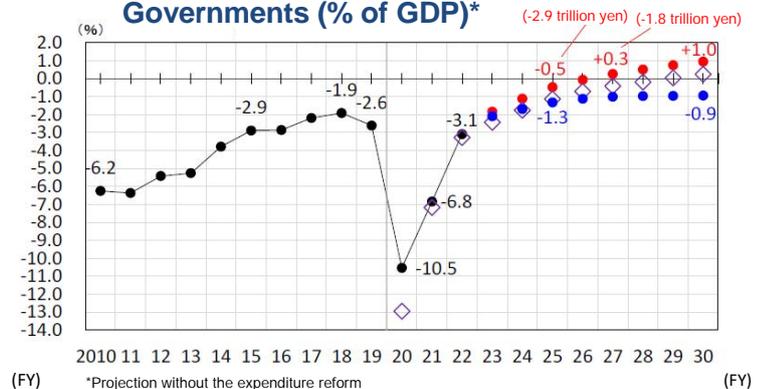
The summary of projections is as follows:

- Nominal GDP Growth Rate in FY2021 is projected to be 3.1% in both the Economic Growth Achieved Case and the Baseline Case. Meanwhile, the Growth Rate in FY2025 is projected to be 3.7% in the Economic Growth Achieved Case and 1.6% in the Baseline Case.
- Primary balance of Central and Local Governments in FY2021 is projected to be ▲37.8 trillion yen (▲6.8% of GDP) in both the Economic Growth Achieved Case and the Baseline Case. Meanwhile, the Primary balance in FY2025 is projected to be ▲2.9 trillion yen (▲0.5% of GDP) in the Economic Growth Achieved Case and ▲7.9 trillion yen (▲1.3% of GDP) in the Baseline

Nominal GDP Growth Rate



Primary balance of Central and Local Governments (% of GDP)*



● Economic Growth Achieved Case ● Baseline Case ◇ Economic Growth Achieved Case (January 2021)

(Source) Cabinet Office

For further details (it will be published later): <https://www5.cao.go.jp/keizai3/projection-e.html>

3. BOJ’s Strategy on Climate Change (July 16, 2021)

“The Bank of Japan’s Strategy on Climate Change” was released by the Bank of Japan (BOJ) on July 16, 2021.

Details related with monetary policy are as follows:

- Climate change could exert an extremely large impact on developments in economic activity and prices as well as financial conditions from a medium- to long-term perspective. Supporting the private sector’s efforts on climate change from a central bank standpoint will contribute to stabilizing the macroeconomy in the long run. In taking actions from the monetary policy side, the Bank deems it appropriate to give consideration to market neutrality, avoiding direct involvement in micro-level resource allocation as much as possible.
- From these perspectives, the Bank decided to introduce a new fund-provisioning measure so that financial institutions that disclose a certain level of information on their efforts to address climate change can receive funds from the Bank against their investment or loans made as part of such efforts. It will launch the measure likely within 2021.

For further details: https://www.boj.or.jp/en/announcements/release_2021/rel210716b.pdf

1. Debt Management Report 2021

In early July, the MOF published the 2021 edition of its “Debt Management Report,” which has been published annually since 2004. It is available on the MOF website.

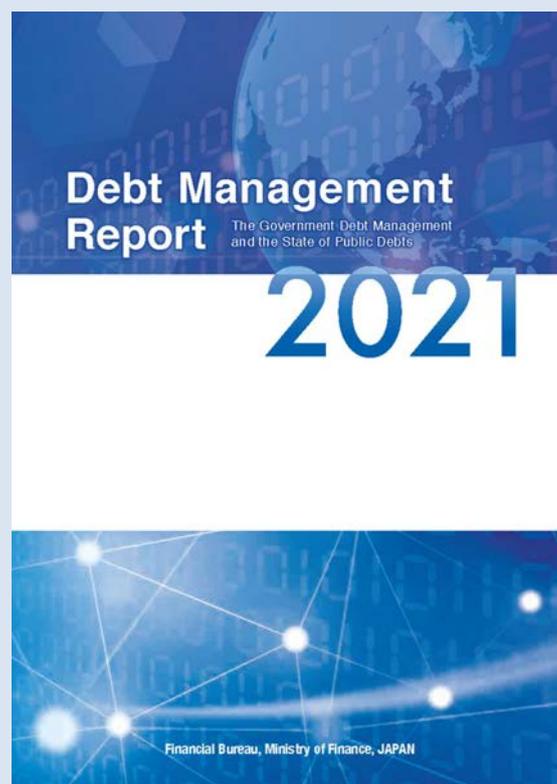
This report provides an overview of Japan’s debt management policy, recent developments including the FY2021 JGB Issuance Plan and recent trends in the JGB market.

This year, we chose topics in FY2020 and wrote 8 columns for the report. The following are some topics that readers may be interested in.

First, in the column titled “Demand for JGBs with negative yields,” we look at why investors buy JGBs with negative yields.

In the other column titled “Debt Management Policies in Foreign Countries,” we go over the government bond issuance in response to the COVID-19 pandemic in foreign countries.

We also explain our responses to COVID-19 in columns titled “Front-loading Refunding Bonds to level calendar-base market issuance,” “Debt management authorities’ business operations under COVID-19,” and “Response to digitalization of JGB-related procedures.”



This entire published report may be downloaded as a PDF file. You may also access the Excel files on our website for the data on our Debt Management Report. Here is the link: https://www.mof.go.jp/english/policy/jgbs/publication/debt_management_report/2021/index.html

We hope that this report provides domestic and foreign market participants, government officials, researchers, etc., with an opportunity to gain a deeper understanding of Japan’s debt management policy. Your comments would be highly appreciated for further improvements of this report. Please feel free to contact us.

2. IR Team

We welcomed new team members in July 2021. Our new team continues to be dedicated to providing information in a timely manner.

We started to hold virtual meetings with foreign investors last September. At this point, we are not able to hold in-person meetings due to the COVID-19 pandemic and continue virtual IR activities for a while. However, we look forward to meeting many investors, exchanging views, and promoting mutual understandings. See you soon.

<The new IR team with "KOKUSAI SENSEI and Kokochan">



We have adopted a flexible work schedule to prevent the spread of the COVID-19. 70% of the IR team usually work remotely. We split into two teams and took photos over 2 days in early August. Even though we are split in photos above, of course, we work as a team and are really in a good atmosphere.

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

<KOKUSAI SENSEI>
(JGB Teacher)

A teacher who knows everything about JGB



<Kokochan>

A girl who came to Tokyo away from home to realize her dream

"Kokochan" represents an image of a young woman among working people as the JGB ad target.

"KOKUSAI SENSEI" and "Kokochan" are image characters. They are playing a role in promoting the public awareness of JGBs for retail investors.

Auction Results (Bonds)

(Until 31 July 2021)

| Auction Date | Type of Security | Issue Number | Maturity Date | Nominal Coupon | Amounts of Competitive Bids (billion yen) | Amounts of Bids Accepted (billion yen) | Yield at the Lowest Accepted Price | Yield at the Average Price | Amounts of Non-Competitive Bids Tendered /Accepted (billion yen) | Amounts of Bids Accepted at the Non-price-competitive Auction I (billion yen) | Amounts of Bids Accepted at the Non-price-competitive Auction II (billion yen) |
|--------------|---------------------------------|--------------|---------------|----------------|---|--|------------------------------------|----------------------------|--|---|--|
| 5/11/2021 | 10-year | 362 | 3/20/2031 | 0.1% | 6,410.0 | 2,109.9 | 0.074% | 0.072% | 0.295 | 489.2 | 146.0 |
| 5/13/2021 | 30-year | 70 | 3/20/2051 | 0.7% | 2,313.6 | 742.2 | 0.649% | 0.645% | - | 156.8 | 0.0 |
| 5/17/2021 | 10-year Inflation-Indexed Bonds | 26 | 3/10/2031 | 0.005% | 763.2 | 199.9 | ▲0.185% | - | - | - | - |
| 5/19/2021 | 5-year | 147 | 3/20/2026 | 0.005% | 6,825.4 | 2,068.5 | ▲0.093% | ▲0.097% | - | 430.9 | 10.0 |
| 5/21/2021 | 20-year | 176 | 3/20/2041 | 0.5% | 3,350.5 | 963.4 | 0.450% | 0.445% | - | 235.4 | 19.9 |
| 5/27/2021 | 40-year | 14 | 3/20/2061 | 0.7% | 1,679.2 | 599.3 | 0.710% | - | - | - | 59.0 |
| 5/31/2021 | 2-year | 425 | 6/1/2023 | 0.005% | 9,944.2 | 2,506.1 | ▲0.124% | ▲0.125% | - | 493.1 | 92.4 |
| 6/3/2021 | 10-year | 362 | 3/20/2031 | 0.1% | 6,378.1 | 2,168.0 | 0.084% | 0.078% | 1.401 | 429.8 | 0.0 |
| 6/8/2021 | 30-year | 70 | 3/20/2051 | 0.7% | 2,479.2 | 731.8 | 0.697% | 0.693% | - | 167.3 | 80.5 |
| 6/22/2021 | 5-year | 147 | 3/20/2026 | 0.005% | 7,763.1 | 2,048.5 | ▲0.091% | ▲0.097% | - | 450.9 | 7.7 |
| 6/24/2021 | 20-year | 176 | 3/20/2041 | 0.5% | 3,547.2 | 980.4 | 0.436% | 0.433% | - | 218.8 | 96.3 |
| 6/29/2021 | 2-year | 426 | 7/1/2023 | 0.005% | 10,515.8 | 2,450.4 | ▲0.114% | ▲0.116% | - | 548.7 | 51.1 |
| 7/1/2021 | 10-year | 363 | 6/20/2031 | 0.1% | 7,441.3 | 2,101.6 | 0.059% | 0.058% | 1.507 | 495.7 | 249.9 |
| 7/6/2021 | 30-year | 71 | 6/20/2051 | 0.7% | 2,643.1 | 727.8 | 0.681% | 0.680% | - | 171.1 | 84.5 |
| 7/8/2021 | 5-year | 148 | 6/20/2026 | 0.005% | 7,192.5 | 2,035.6 | ▲0.109% | ▲0.115% | - | 463.6 | 10.0 |
| 7/13/2021 | 20-year | 177 | 6/20/2041 | 0.4% | 3,446.1 | 980.4 | 0.408% | 0.404% | - | 218.4 | 67.4 |
| 7/27/2021 | 40-year | 14 | 3/20/2061 | 0.7% | 1,627.6 | 599.3 | 0.735% | - | - | - | 43.9 |
| 7/29/2021 | 2-year | 427 | 8/1/2023 | 0.005% | 10,159.9 | 2,427.5 | ▲0.122% | ▲0.126% | - | 572.0 | 98.1 |

Auction Results (Treasury Discount Bills)

(Until 31 July 2021)

| Auction Date | Type of Security | Issue Number | Maturity Date | Amounts of Competitive Bids (billion yen) | Amounts of Bids Accepted (billion yen) | Yield at the Lowest Accepted Price | Yield at the Average Price | Amounts of Bids Accepted at the Non-price-competitive Auction I (billion yen) |
|--------------|------------------|--------------|---------------|---|--|------------------------------------|----------------------------|---|
| 5/6/2021 | 6-month | 991 | 11/10/2021 | 9,585.70 | 2,772.07 | ▲0.1050% | ▲0.1090% | 627.90 |
| 5/7/2021 | 3-month | 992 | 8/10/2021 | 17,691.60 | 5,308.82 | ▲0.1011% | ▲0.1043% | 1,191.10 |
| 5/14/2021 | 3-month | 993 | 8/16/2021 | 21,177.79 | 5,307.81 | ▲0.0982% | ▲0.0998% | 1,192.10 |
| 5/19/2021 | 1-year | 994 | 5/20/2022 | 9,882.40 | 2,867.43 | ▲0.1198% | ▲0.1218% | 632.50 |
| 5/21/2021 | 3-month | 995 | 8/23/2021 | 24,201.65 | 5,143.85 | ▲0.1042% | ▲0.1046% | 1,156.10 |
| 5/24/2021 | 6-month | 996 | 11/25/2021 | 13,164.50 | 2,777.20 | ▲0.1070% | ▲0.1090% | 622.70 |
| 5/28/2021 | 3-month | 997 | 8/30/2021 | 18,220.40 | 5,143.83 | ▲0.1062% | ▲0.1122% | 1,156.10 |
| 6/4/2021 | 3-month | 998 | 9/6/2021 | 17,894.39 | 5,143.82 | ▲0.0982% | ▲0.1018% | 1,156.10 |
| 6/9/2021 | 6-month | 999 | 12/10/2021 | 11,376.00 | 2,776.23 | ▲0.0996% | ▲0.1016% | 623.70 |
| 6/11/2021 | 3-month | 1000 | 9/13/2021 | 18,472.95 | 4,898.91 | ▲0.0982% | ▲0.1022% | 1,101.00 |
| 6/15/2021 | 6-month | 1001 | 12/16/2021 | 12,949.40 | 2,776.22 | ▲0.0996% | ▲0.1036% | 623.70 |
| 6/16/2021 | 1-year | 1002 | 6/20/2022 | 8,585.70 | 2,857.47 | ▲0.1091% | ▲0.1161% | 642.40 |
| 6/17/2021 | 3-month | 1003 | 9/21/2021 | 17,656.73 | 4,898.40 | ▲0.0991% | ▲0.1011% | 1,101.50 |
| 6/25/2021 | 3-month | 1004 | 9/27/2021 | 18,288.43 | 4,902.39 | ▲0.0962% | ▲0.0982% | 1,097.50 |
| 7/2/2021 | 3-month | 1005 | 10/4/2021 | 15,479.70 | 4,886.62 | ▲0.0962% | ▲0.0998% | 1,113.30 |
| 7/8/2021 | 6-month | 1006 | 1/11/2022 | 13,019.30 | 2,769.97 | ▲0.1096% | ▲0.1116% | 630.00 |
| 7/9/2021 | 3-month | 1007 | 10/11/2021 | 13,966.60 | 4,316.17 | ▲0.1002% | ▲0.1038% | 983.80 |
| 7/15/2021 | 3-month | 1008 | 10/18/2021 | 21,068.15 | 4,315.68 | ▲0.1062% | ▲0.1070% | 984.30 |
| 7/19/2021 | 1-year | 1009 | 7/20/2022 | 12,005.80 | 2,853.07 | ▲0.1178% | ▲0.1178% | 646.90 |
| 7/20/2021 | 6-month | 1010 | 1/25/2022 | 12,038.40 | 2,768.95 | ▲0.1176% | ▲0.1215% | 631.00 |
| 7/21/2021 | 3-month | 1011 | 10/25/2021 | 15,344.33 | 4,333.12 | ▲0.1042% | ▲0.1098% | 966.80 |
| 7/30/2021 | 3-month | 1012 | 11/1/2021 | 16,818.60 | 4,317.40 | ▲0.1022% | ▲0.1062% | 982.50 |

Auction Calendar for Aug. 2021 – Oct. 2021

| Auction Date | Issue | Auction Date | Issue | Auction Date | Issue | Auction Date | Issue |
|--------------|---|--------------|--|--------------|--|--------------|---|
| 8/3(Tue) | 10-year | 8/26(Thu) | 20-year | 9/17(Fri) | T-Bills (3-month) | 10/14(Thu) | 5-year |
| 8/5(Thu) | T-Bills (6-month) | 8/27(Fri) | T-Bills (3-month) | 9/21(Tue) | T-Bills (6-month) | 10/15(Fri) | T-Bills (3-month) |
| 8/5(Thu) | 10-year Inflation-Indexed Bonds | 8/31(Tue) | 2-year | 9/21(Tue) | Liquidity Enhancement Auction (remaining maturities of 1-5 years) | 10/19(Tue) | T-Bills (1-year) |
| 8/6(Fri) | T-Bills (3-month) | 9/2(Thu) | 10-year | 9/24(Fri) | T-Bills (3-month) | 10/19(Thu) | 20-year |
| 8/11(Wed) | 30-year | 9/3(Fri) | T-Bills (3-month) | 9/28(Tue) | 40-year | 10/21(Thu) | T-Bills (6-month) |
| 8/13(Fri) | T-Bills (3-month) | 9/7(Tue) | 30-year | 9/30(Thu) | 2-year | 10/22(Fri) | T-Bills (3-month) |
| 8/13(Fri) | Liquidity Enhancement Auction (remaining maturities of 5-15.5 years) | 9/9(Thu) | T-Bills (6-month) | 10/1(Fri) | T-Bills (3-month) | 10/25(Mon) | Liquidity Enhancement Auction (remaining maturities of 15.5-39 years) |
| 8/19(Thu) | T-Bills (1-year) | 9/9(Thu) | 5-year | 10/5(Tue) | 10-year | 10/27(Wed) | 2-year |
| 8/19(Thu) | Liquidity Enhancement Auction (remaining maturities of 15.5-39 years) | 9/10(Fri) | T-Bills (3-month) | 10/7(Thu) | T-Bills (6-month) | 10/29(Fri) | T-Bills (3-month) |
| 8/20(Fri) | T-Bills (3-month) | 9/14(Tue) | Liquidity Enhancement Auction (remaining maturities of 5-15.5 years) | 10/7(Thu) | Liquidity Enhancement Auction (remaining maturities of 5-15.5 years) | | |
| 8/24(Tue) | T-Bills (6-month) | 9/16(Thu) | T-Bills (1-year) | 10/8(Fri) | T-Bills (3-month) | | |
| 8/24(Tue) | 5-year | 9/16(Thu) | 20-year | 10/12(Tue) | 30-year | | |

Note.1: The above calendar may be changed or added in light of changes in circumstances. In such cases, it will be announced in advance.

Note.2: Each issue amount will be announced about one week prior to each auction date.

Top 10 PDs for Successful Bids in Auctions (Weighted by Duration) (Jan. 2021~Jun. 2021)

| | | | |
|---|--|----|--|
| 1 | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | 6 | SMBC Nikko Securities Inc. |
| 2 | Daiwa Securities Co. Ltd. | 7 | Deutsche Securities Inc. |
| 3 | Nomura Securities Co., Ltd. | 8 | Goldman Sachs Japan Co., Ltd. |
| 4 | Mizuho Securities Co., Ltd. | 9 | Morgan Stanley MUFG Securities Co., Ltd. |
| 5 | JPMorgan Securities Japan Co., Ltd. | 10 | BNP Paribas Securities (Japan) Limited |

Top 5 PDs for Successful Bids of Inflation-Indexed Bond (FY2020)

| | |
|---|-------------------------------------|
| 1 | Goldman Sachs Japan Co., Ltd. |
| 2 | JPMorgan Securities Japan Co., Ltd. |
| 3 | Mizuho Securities Co., Ltd. |
| 4 | Barclays Securities Japan Limited |
| 5 | Nomura Securities Co., Ltd. |

Liquidity Enhancement Auctions and JGB Buy-Back

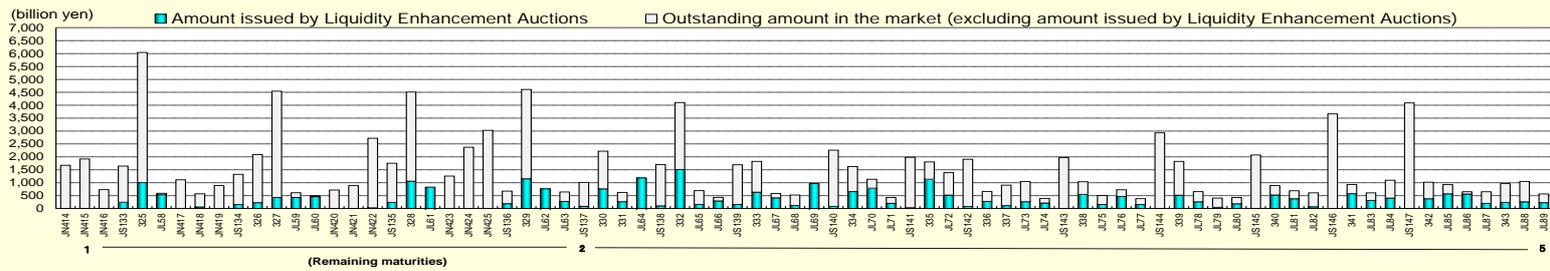
Results of Liquidity Enhancement Auctions

(Until 31 July 2021)

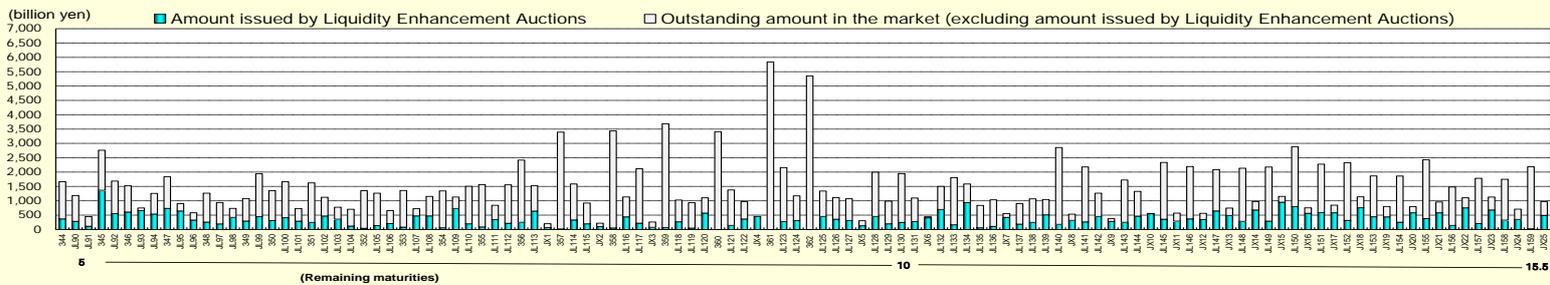
| Auction Date | Amounts of Competitive Bids (billion yen) | Amounts of Bids Accepted (billion yen) | Average Accepted Spread | Highest Accepted Spread | Issues Re-opened |
|--------------|---|--|-------------------------|-------------------------|--|
| 5/7/2021 | 1,802.6 | 397.7 | ▲0.005% | ▲0.004% | 2-year(412,417,422) 5-year(134,136,137,138,139,140,141,143,144) 10-year(327,329,330,332,333,334,335,337,339,340,342) 20-year(58,59,73,75,79,86,87) |
| 5/25/2021 | 2,121.4 | 495.4 | ▲0.003% | ▲0.003% | 10-year(343,344,345,346,354,358) 20-year(88,89,90,91,92,95,96,99,104,107,109,112,113,116,130,144,145,146,147,149,153,154,157,158) 30-year(3,17,24) |
| 6/10/2021 | 2,201.9 | 497.7 | ▲0.017% | ▲0.016% | 10-year(344,347,348,349,350,355,359) 20-year(90,91,92,95,96,99,100,101,102,111,112,133,136,137,138,139,144,145,146,147,148,151,158) 30-year(14) |
| 6/15/2021 | 1,089.5 | 498.8 | +0.005% | +0.008% | 20-year(160,163,164,173) 30-year(25,29,30,31,32,34,35,36,40,45,46,47,49,50,51,56,59,62,67,68) 40-year(1,2,3,4,5,6,7,8,9,10,11,13) |
| 7/15/2021 | 1,929.2 | 399.3 | ▲0.005% | ▲0.002% | 2-year(414,415,416,417,424) 5-year(135,136,137,138,139,140,142,143,144,145,146) 10-year(326,328,329,330,333,334,335,336,337,338,339,340,341,343) 20-year(58,59,61,63,68,71,72,74,75,76,79,80,81,82,83,84,85,86,87,88) |
| 7/20/2021 | 1,590.0 | 498.8 | ▲0.012% | ▲0.011% | 10-year(345,348,350,354,355,356,357) 20-year(95,96,99,101,112,113,136,140,142,143,144,146,150,151,152,159) 30-year(3,13,16,17,20,23,24,25) |

Target Zones of Liquidity Enhancement Auctions for the Second Quarter of FY 2021

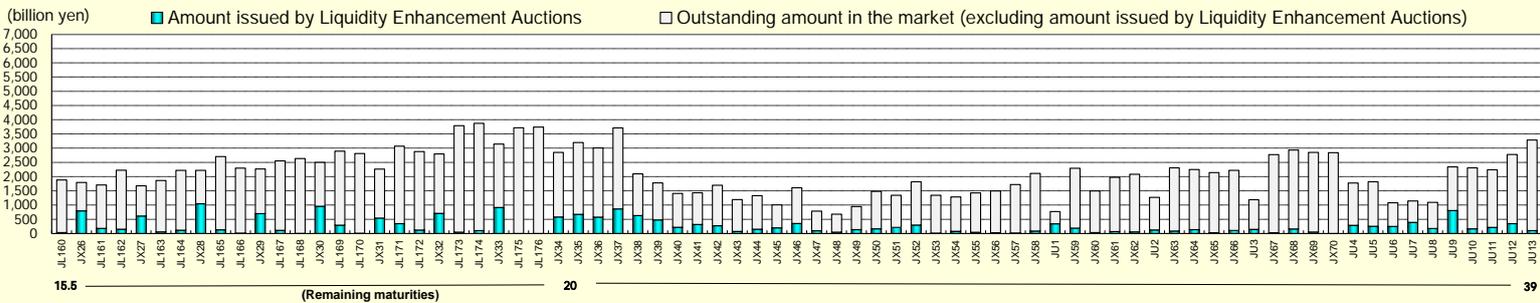
① Remaining maturity : approx. 1 - ~5 - year



② Remaining maturity : approx. 5 - ~15.5 - year



③ Remaining maturity : approx. 15.5 - ~39 - year



Note1 : JN shows 2 - year JGBs. JS shows 5 - year JGBs. JL shows 20 - year JGBs. JX shows 30 - year JGBs. JU shows 40 - year JGBs. Outstanding amount is as of the end of June 2021.
Note2 : All issues in the graph above will be eligible afterward.

10-year Inflation-Indexed

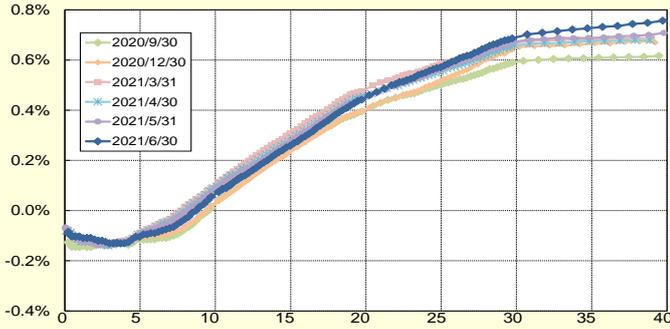
Buy-Back Results

(Until 31 July 2021)

| Auction Date | Amounts of Competitive Bids (billion yen) | Amounts of Bids Accepted (billion yen) | Average Accepted Spread (yen) | Highest Accepted Spread (yen) | Issue Numbers |
|--------------|---|--|-------------------------------|-------------------------------|--------------------------------|
| 4/22/2021 | 152.1 | 50.0 | ▲0.126 | ▲0.08 | 21, 22, 23, 24, 25 |
| 5/12/2021 | 176.2 | 50.1 | ▲0.018 | 0.10 | 17, 18, 19, 20, 21, 25 |
| 6/21/2021 | 253.9 | 50.1 | ▲0.328 | ▲0.22 | 17, 18, 19, 20, 22, 23, 24, 25 |
| 7/7/2021 | 201.7 | 50.0 | ▲0.182 | ▲0.17 | 17, 18, 25 |

JGB Secondary Market

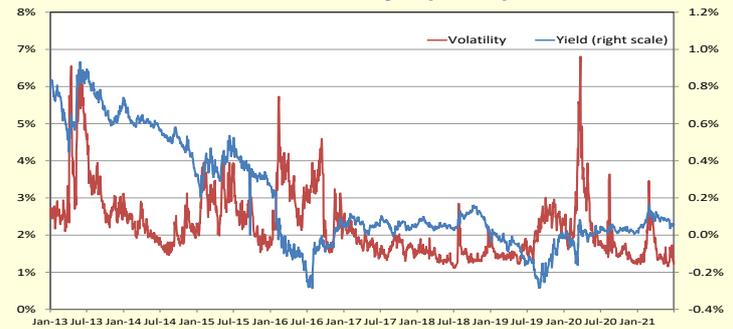
JGB Yield Curves



Source: Japan Bond Trading Co.,Ltd.

Yield and Volatility (10Yr)

(Until 30 June 2021)



Source: Bloomberg

Yields of JGB

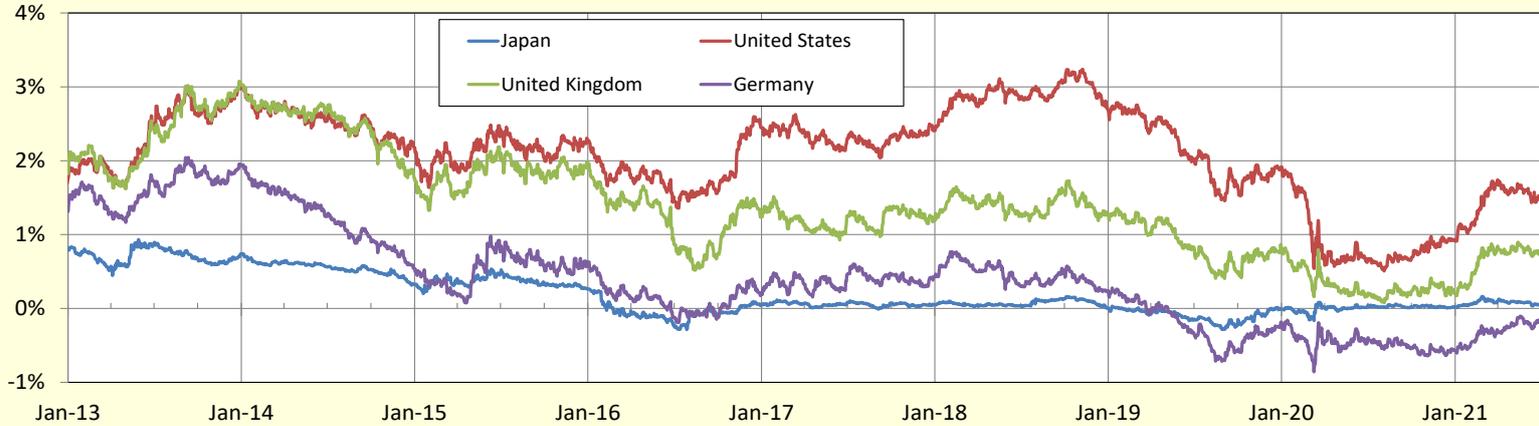
(Until 30 June 2021)



Source: Bloomberg

Long - Term Interest Rates (10Yr)

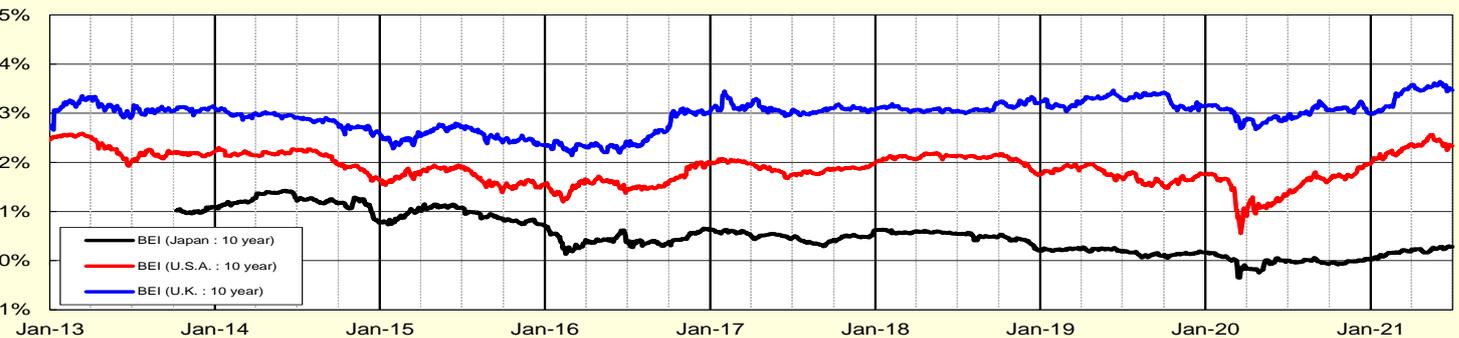
(Until 30 June 2021)



Source: Bloomberg

Break-Even Inflation Rates

(Until 30 June 2021)



Note: BEI (Japan: 10 year) is calculated based on the compound interest rate of the new Inflation-Indexed Bonds and the 10-Year Bonds
Sources: Japan: Calculation by the Ministry of Finance based on the information on interest rates offered by NIKKEI QUICK.
U.S.A., U.K.: Bloomberg.

Short-Term Interest Rates

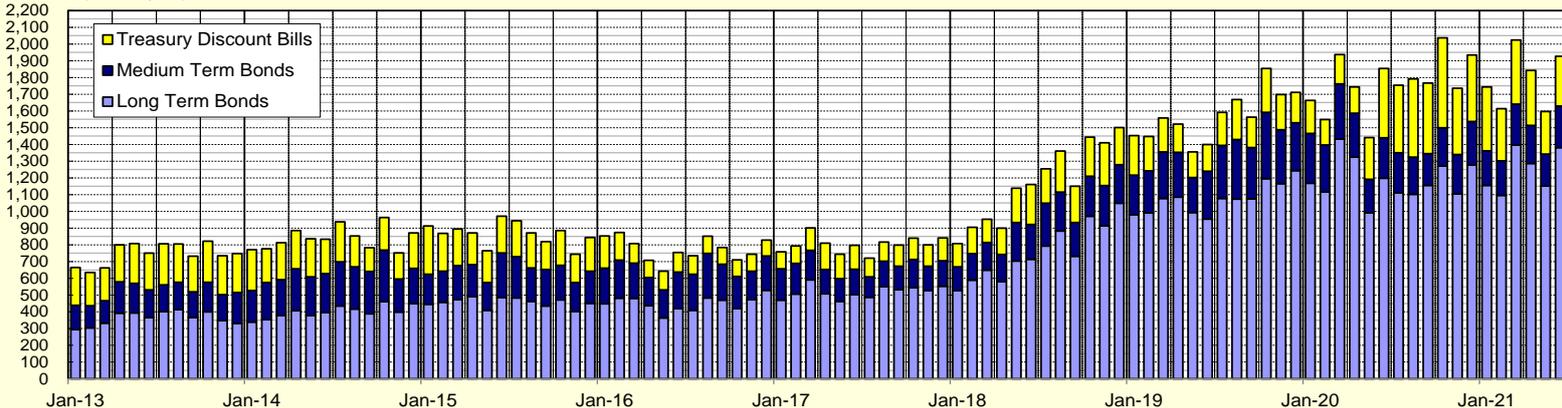
(Until 30 June 2021)



Sources: Bank of Japan, Tanshi Association, Bloomberg

JGB Over-the-Counter Trading Volume (TOKYO)

(trillion yen)

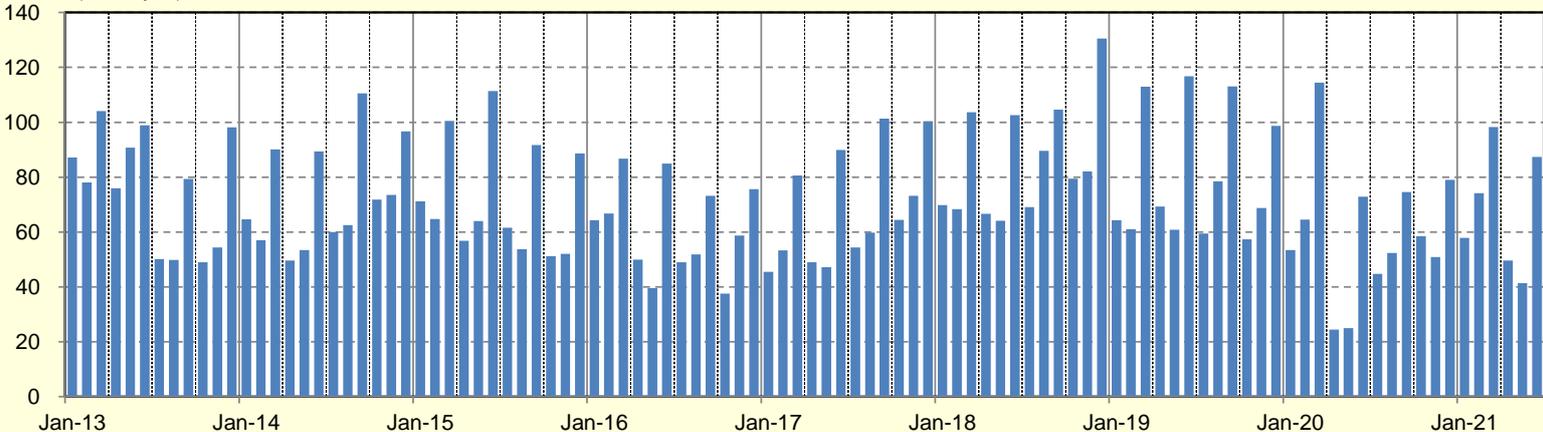


Note: Trading volume is the sum of sales and purchases including the trading volume of bonds with repurchase agreements.

Source: Japan Securities Dealers Association

Trading Volume of 10-Year JGB Futures

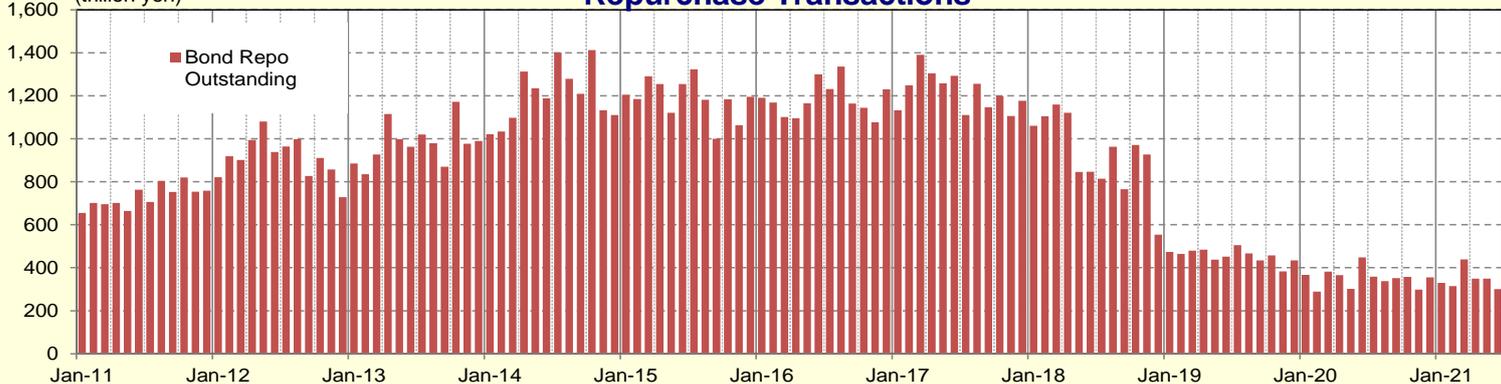
(trillion yen)



Sources: Tokyo Stock Exchange (until Mar.2014), Osaka exchange (from Apr. 2014)

Repurchase Transactions

(trillion yen)

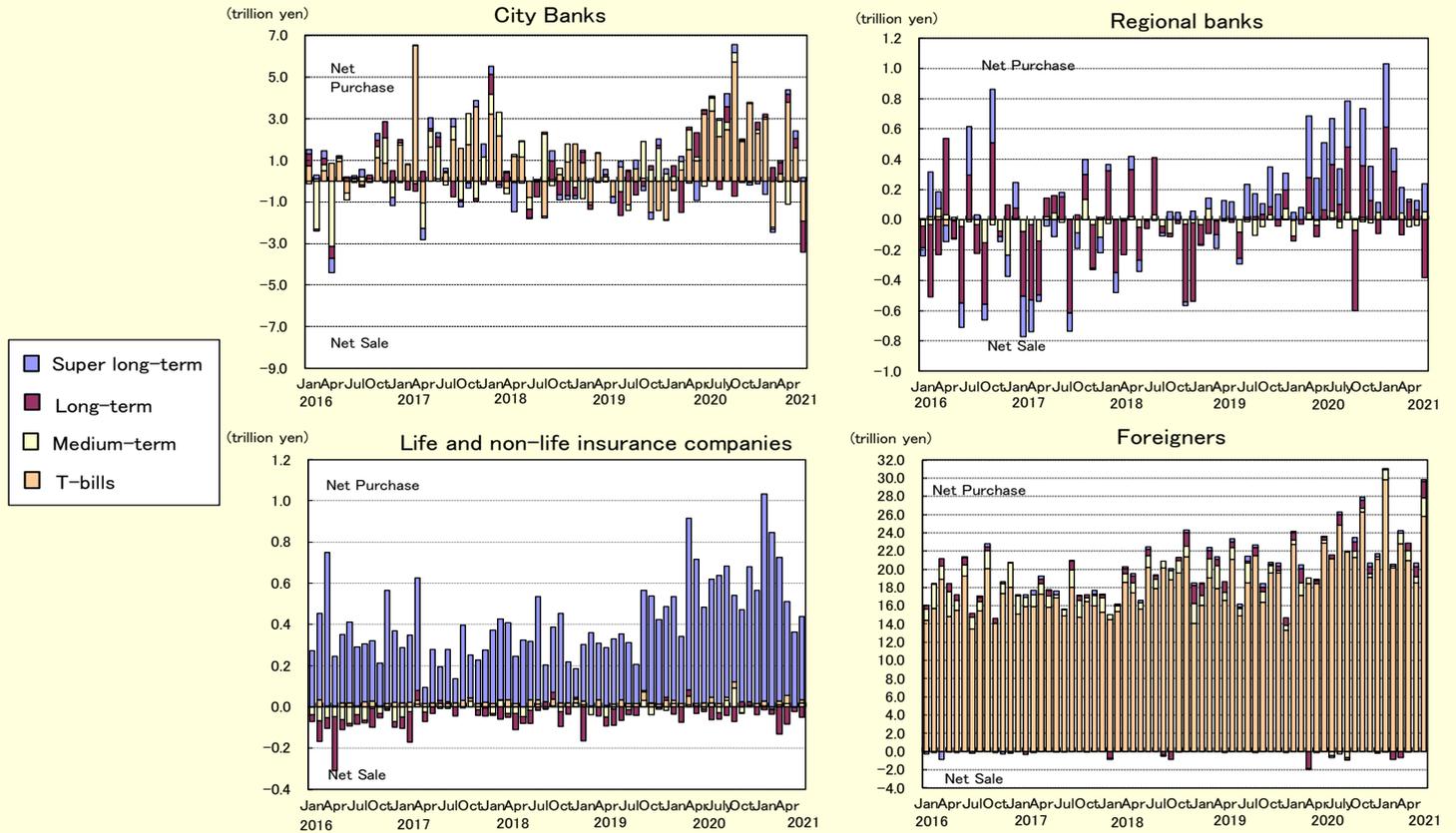


Note: Repurchase transactions do not include Bond-Gensaki.

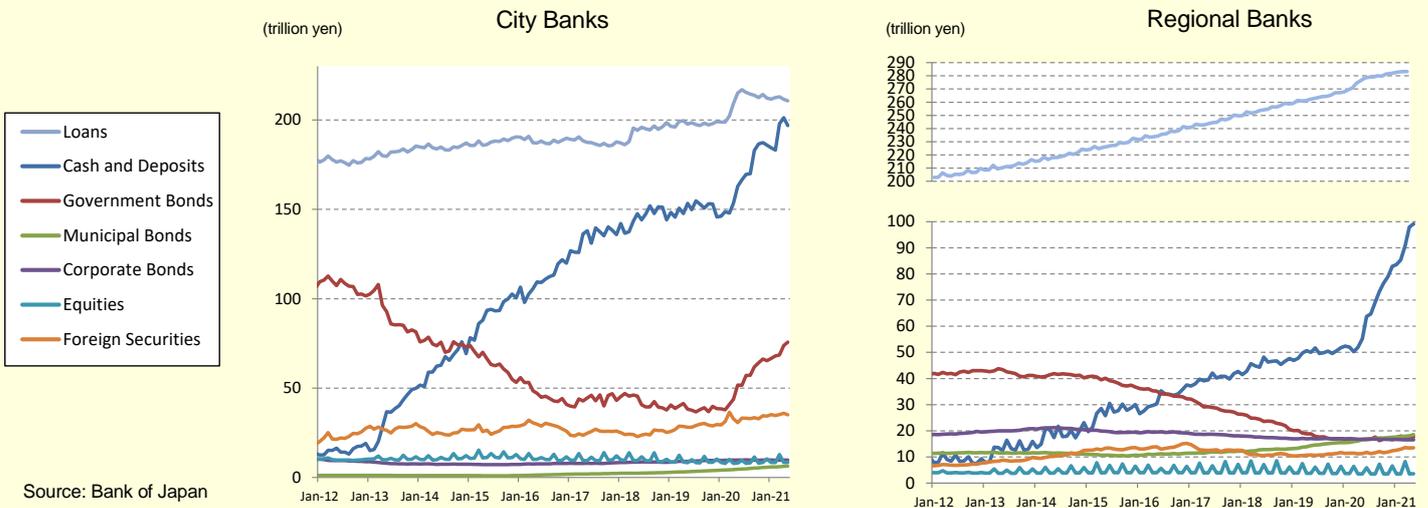
Source: Japan Securities Dealers Association

Investor Trends and JGB Outstanding

Trends in JGBs Transactions (by investor type)



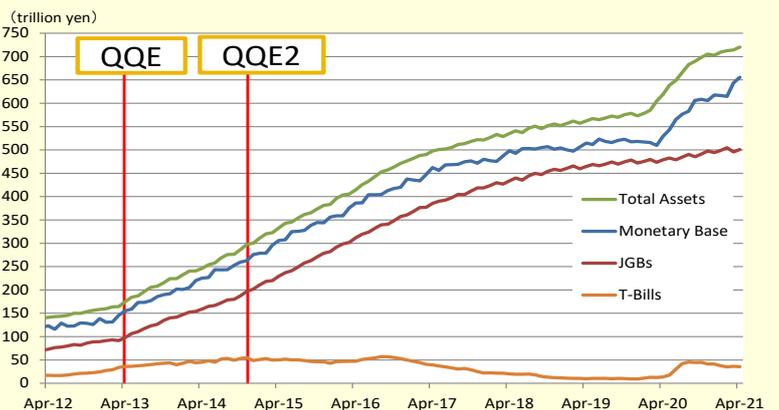
Trends in Bank Assets by Types



BOJ Trends

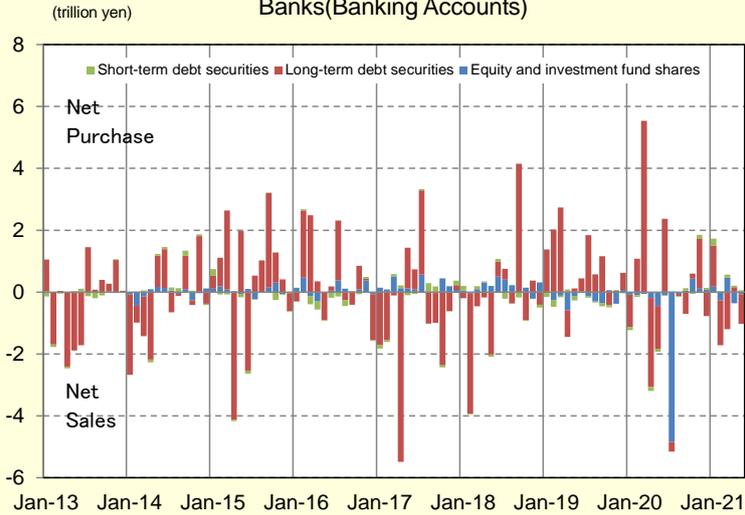
| | Apr 2013 (Actual) | Jun 2021 (Actual) |
|---------------------|----------------------|----------------------|
| Monetary Base | 155 | 660 |
| JGBs | 98 | 499 |
| T-Bills | 36 | 31 |
| CP | 1.4 | 2.8 |
| Corporate Bonds | 2.9 | 7.8 |
| ETFs | 1.7 | 36.1 |
| J-REITs | 0.13 | 0.66 |
| Total Assets | 175 | 717 |

Source: Bank of Japan



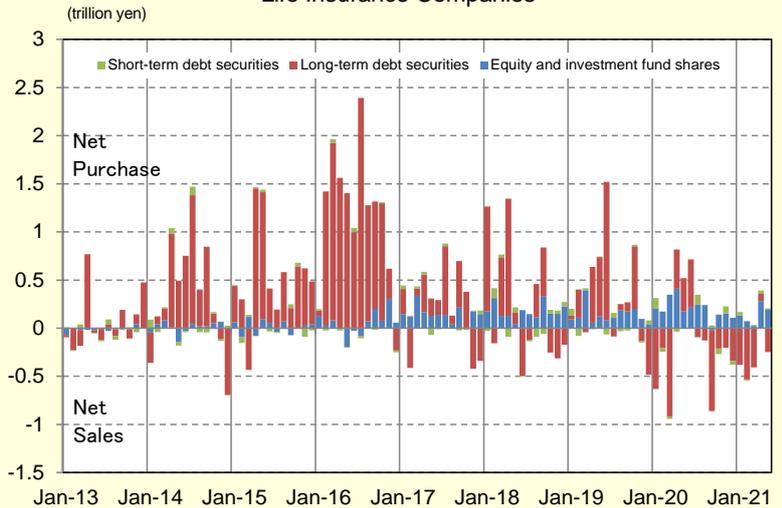
Transactions of Foreign Securities by Residents (by Investor types)

Banks(Banking Accounts)



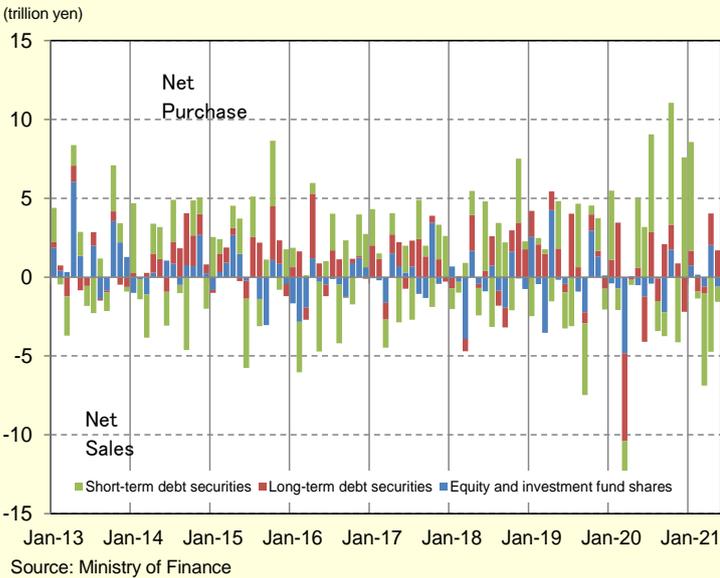
Source: Ministry of Finance

Life Insurance Companies



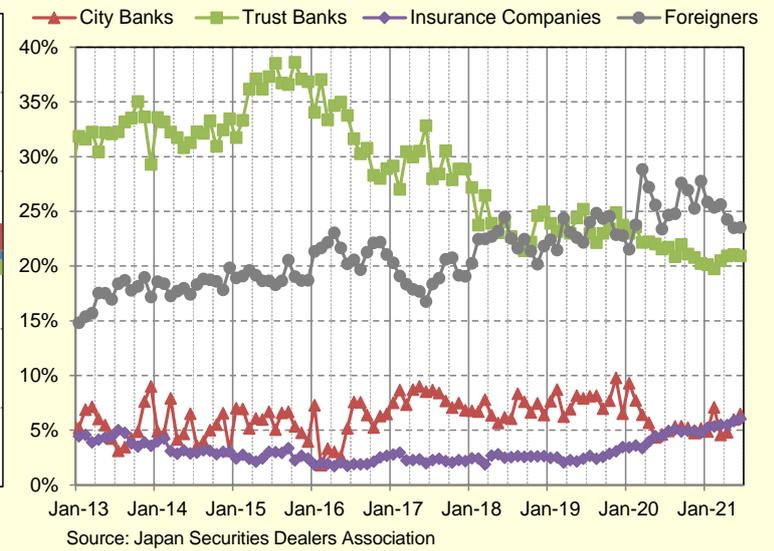
Source: Ministry of Finance

Transactions of Domestic Securities by Non-Residents



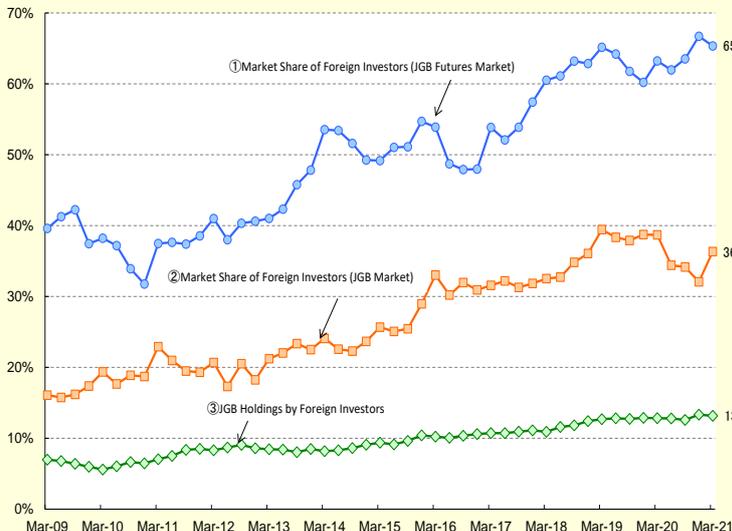
Source: Ministry of Finance

Outstanding of Repurchase Agreements (by Investor types)



Source: Japan Securities Dealers Association

Foreign Investors Presence

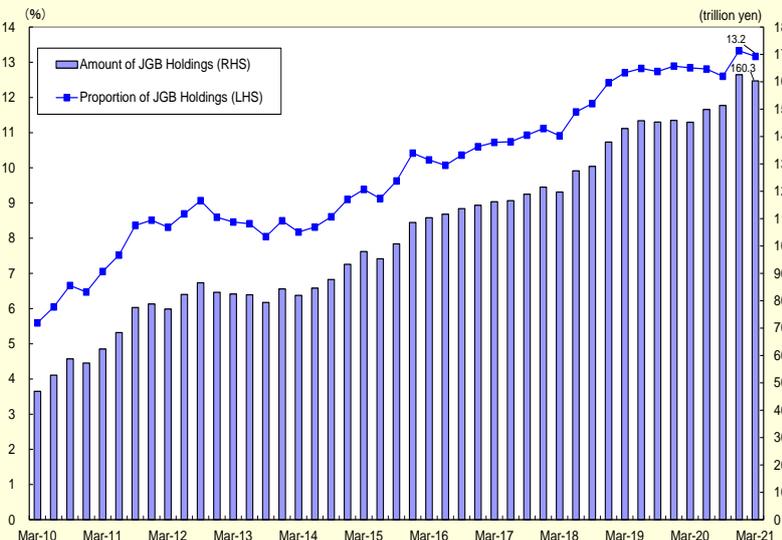


Note.1: Quarterly basis.

Note.2: "JGB" includes T-Bills. The figures of ② excludes dealers' transactions.

Sources: Bank of Japan, Japan Securities Dealers Association, Tokyo Stock Exchange, Osaka Exchange

JGBs Holdings by Foreign Investors



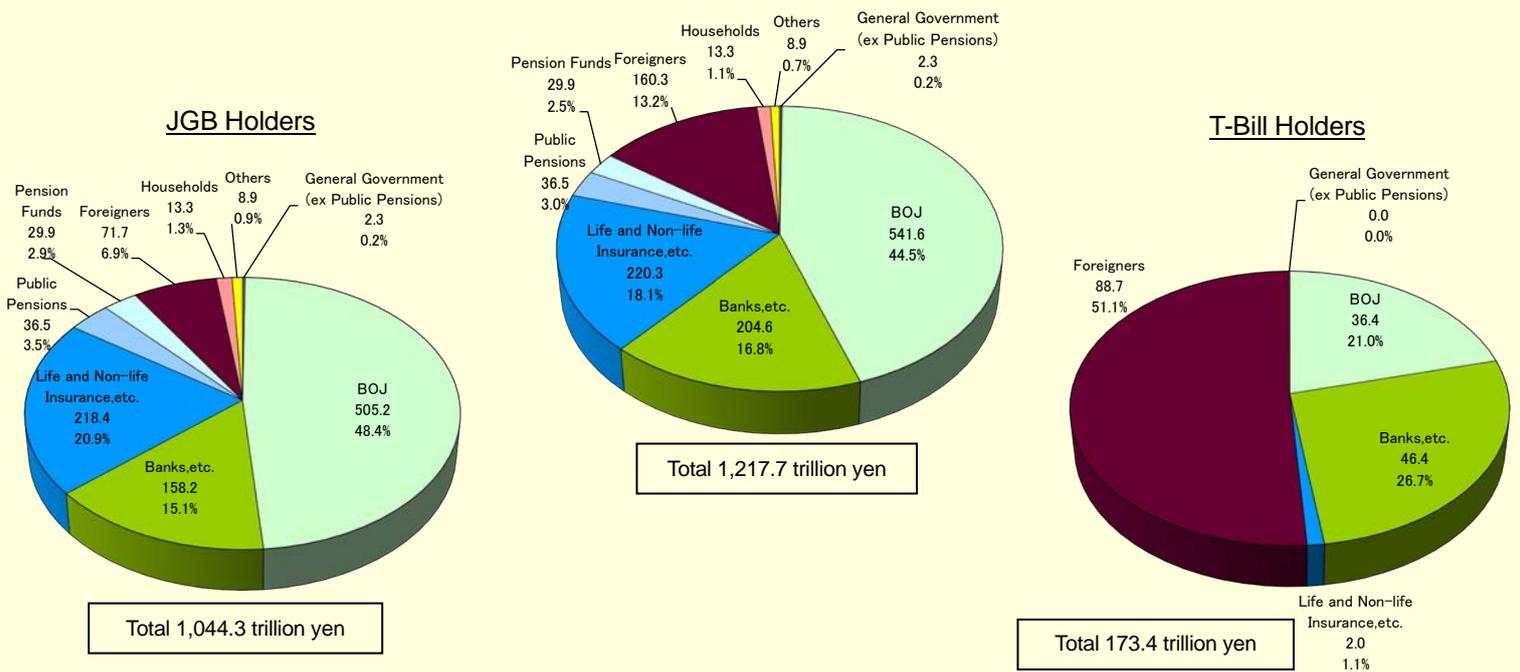
Note.1: Quarterly basis.

Note.2: "JGB" includes "FILP Bonds" and "T-Bills".

Source: Bank of Japan

Breakdown by JGB and T-Bill Holders (The end of Mar. 2021 QE)

JGB and T-Bill Holders (trillion yen)



Note1: "JGB" includes "FILP Bonds."

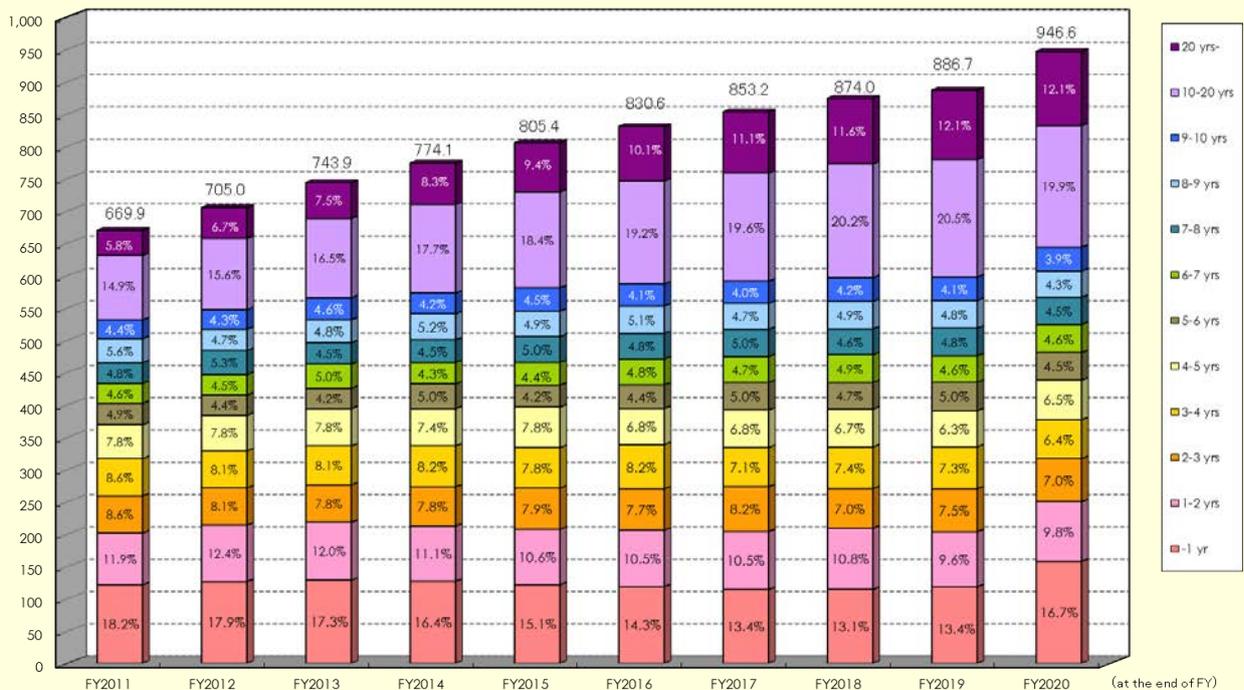
Note2: "Banks, etc." includes "Japan Post Bank," "Securities investment trust" and "Securities companies."

Note3: "Life and Non-life insurance, etc." includes "Japan Post Insurance."

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

Breakdown of Outstanding Amount of General Bonds by Remaining Years to Maturity

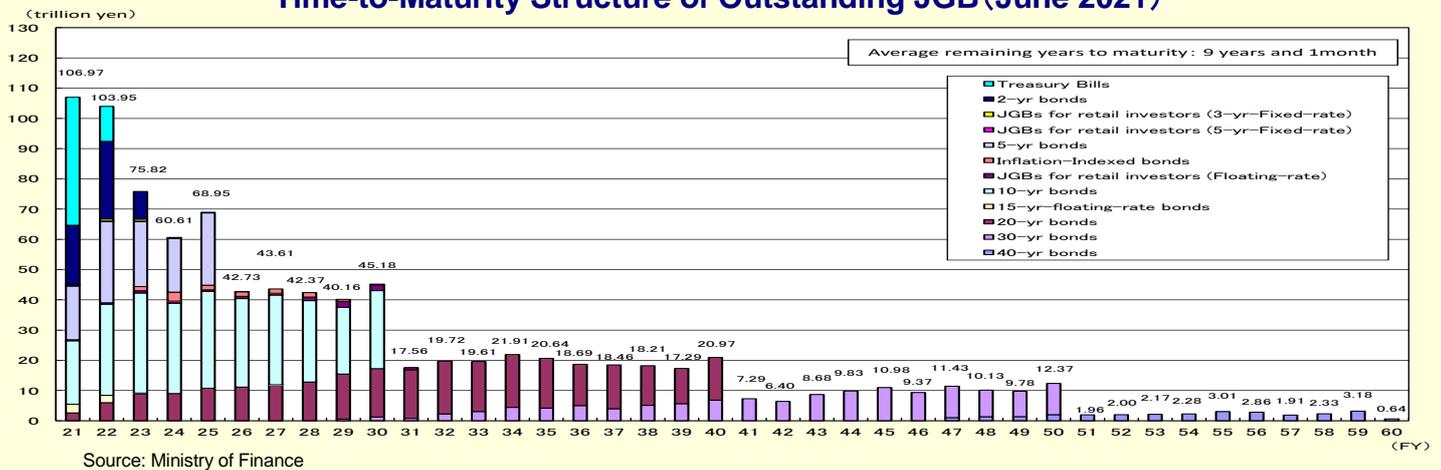
(Unit: trillion yen)



| Average YTM* | 7Y0M | 7Y3M | 7Y7M | 8Y0M | 8Y5M | 8Y7M | 8Y10M | 9Y0M | 9Y2M | 8Y11M |
|---------------------------------------|------|------|------|------|------|------|-------|------|------|-------|
| Average YTM* (excluding saving bonds) | 7Y1M | 7Y5M | 7Y8M | 8Y0M | 8Y5M | 8Y8M | 8Y11M | 9Y1M | 9Y2M | 8Y11M |

*years to maturity

Time-to-Maturity Structure of Outstanding JGB (June 2021)



Scheduled redemption of JGB at maturity in August, 2021

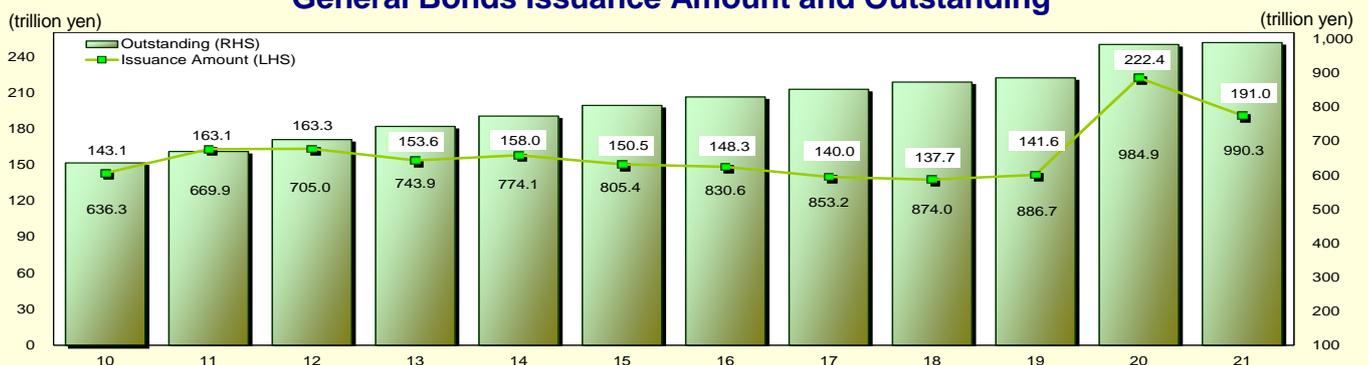
| Types | The amount of redemption at maturity | Scheduled redemption date |
|--------------------------|--------------------------------------|---------------------------|
| 2-Year Bonds | 2,192.6 | August 1 |
| Treasury Bills (6-Month) | 3,400.0 | August 10 |
| Treasury Bills (1-Year) | 3,500.0 | August 20 |
| Treasury Bills (6-Month) | 3,399.9 | August 25 |
| Total | 12,492.4 | |

Note.1: The figures are based on the outstanding JGBs at the end of June, 2021
 Note.2: The figures are the scheduled redemption at maturity and may be different from the actual redemption due to Buy-back of JGBs.
 Note.3: The figures do not include "JGB for Retail Investors."
 Note.4: If the redemption date coincides with bank holiday, the payment of redemption is carried out on the following business day.
 Note.5: Figures may not sum up to total because of rounding.

Market-held Balance of the Inflation-Indexed Bonds (as of the end of June, 2021)

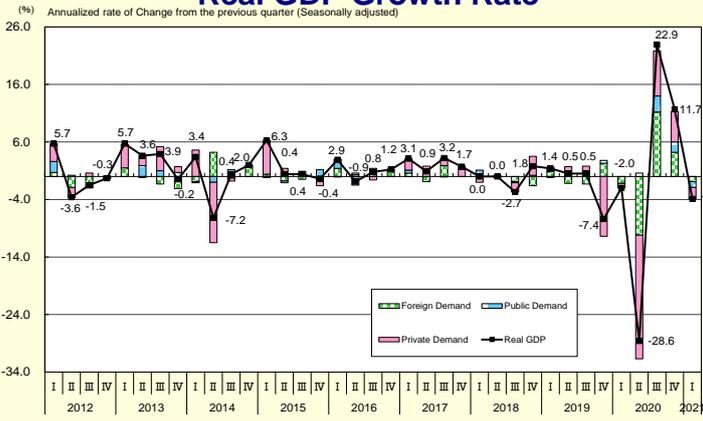


General Bonds Issuance Amount and Outstanding



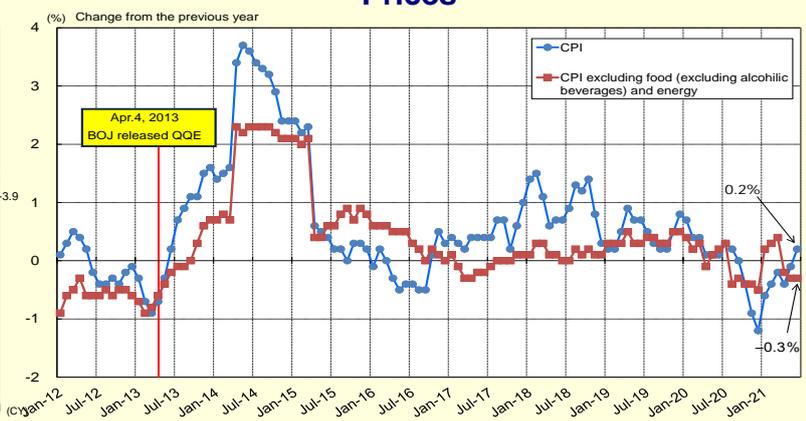
Economic and Financial Trends

Real GDP Growth Rate



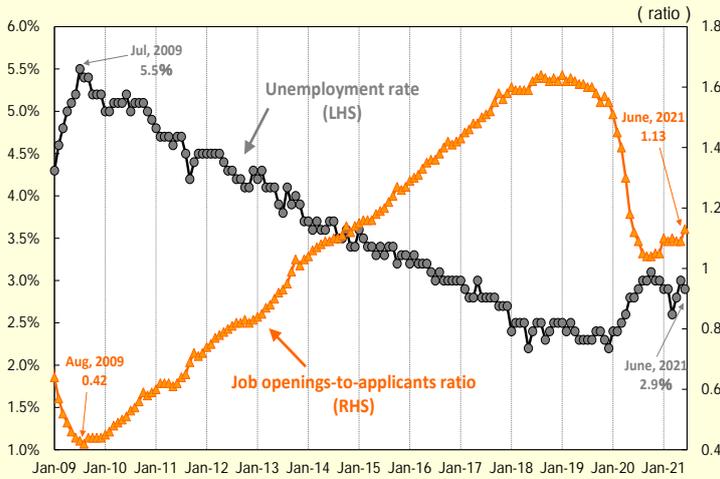
Source: Cabinet Office

Prices



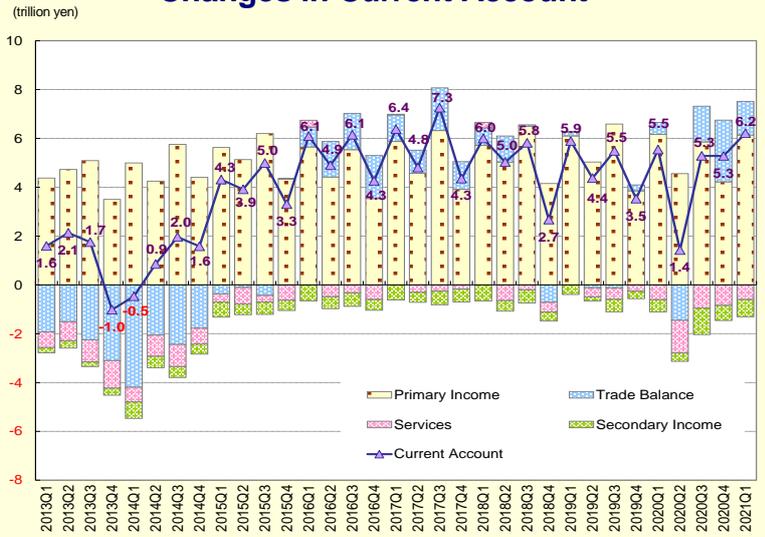
Source: Ministry of Internal Affairs and Communications

Employment Conditions



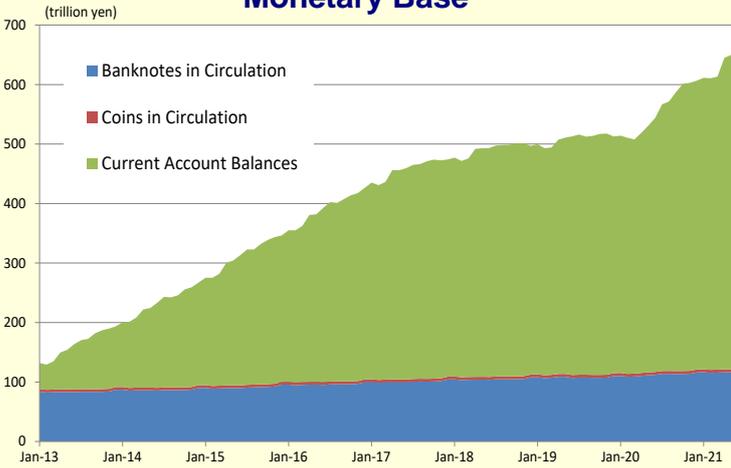
Sources: Ministry of Health, Labour and Welfare
Ministry of Internal Affairs and Communications

Changes in Current Account



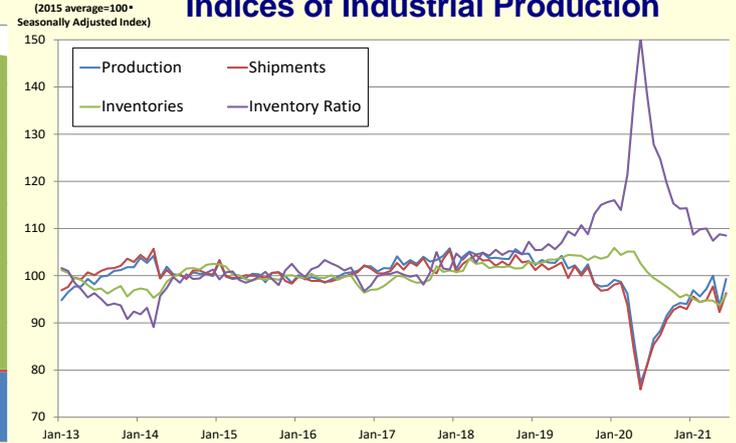
Source: Ministry of Finance

Monetary Base



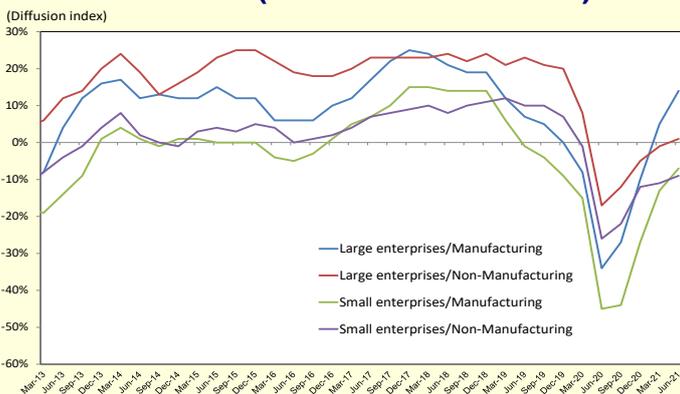
Source: Bank of Japan

Indices of Industrial Production



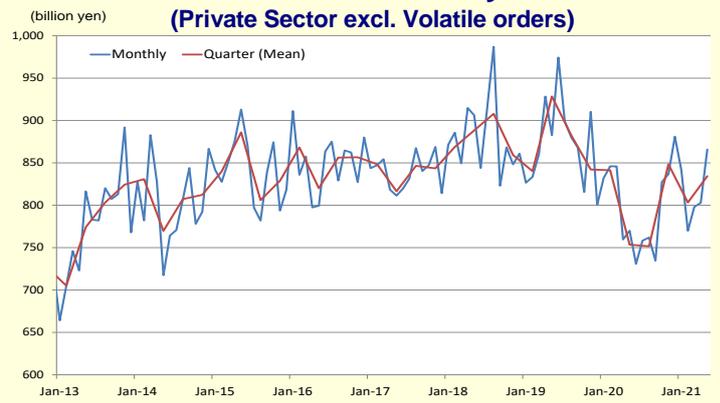
Source: Ministry of Economy, Trade and Industry

TANKAN (Business Conditions)



Source: Bank of Japan

Total Value of Machinery Orders (Private Sector excl. Volatile orders)



Source: Cabinet Office

| English Publications on JGBs | Frequency | URL |
|---|--------------|---|
| Debt Management | | |
| Message from the Financial Bureau | As needed | https://www.mof.go.jp/english/jqbs/debt_management/message.htm |
| About JGBs | As needed | https://www.mof.go.jp/english/jqbs/debt_management/guide.htm |
| About the Debt Management Policy | As needed | https://www.mof.go.jp/english/jqbs/debt_management/about.htm |
| JGB Issuance Plan | As needed | https://www.mof.go.jp/english/jqbs/debt_management/plan/index.htm |
| Auction Calendar | | |
| Auction Calendar | Monthly | https://www.mof.go.jp/english/jqbs/auction/calendar/index.htm |
| Historical Data of Auction Results | Monthly | https://www.mof.go.jp/english/jqbs/auction/past_auction_results/index.html |
| Topics | | |
| Product Characteristics of the JGB | As needed | https://www.mof.go.jp/english/jqbs/topics/bond/index.html |
| Treasury Discount Bills (T-Bills) | As needed | https://www.mof.go.jp/english/jqbs/topics/t_bill/index.htm |
| Japanese Government Guaranteed Bonds | Annual | https://www.mof.go.jp/english/jqbs/topics/gov_quaranteed_bonds/index.htm |
| Interest Rate Swap | Semiannual | https://www.mof.go.jp/english/jqbs/topics/swap/index.htm |
| Taxation of Government Bonds | As needed | https://www.mof.go.jp/english/jqbs/topics/taxation2016/index.html |
| For Individual Investors | As needed | https://www.mof.go.jp/english/jqbs/topics/individual/index.htm |
| Data | | |
| Central Government Debt | Quarterly | https://www.mof.go.jp/english/jqbs/reference/qbb/index.htm |
| Interest Rate | Daily | https://www.mof.go.jp/english/jqbs/reference/interest_rate/index.htm |
| STRIPS | Monthly | https://www.mof.go.jp/english/jqbs/reference/jqbstat/index.htm |
| Dialogue with the market | | |
| Advisory Councils on Government Debt Management | Each Meeting | https://www.mof.go.jp/english/about_mof/councils/gov_debt_management/index.html |
| Meeting of JGB Market Special Participants | Each Meeting | https://www.mof.go.jp/english/about_mof/councils/jqbsp/index.html |
| Meeting of JGB Investors | Each Meeting | https://www.mof.go.jp/english/about_mof/councils/jgb_investor/index.html |
| Publications | | |
| Debt Management Report | Annual | https://www.mof.go.jp/english/jqbs/publication/debt_management_report/index.htm |
| JGB Newsletter | Monthly | https://www.mof.go.jp/english/jqbs/publication/newsletter/index.htm |

To subscribe to our Newsletter mailing list,
please email: JGB-IR@mof.go.jp

Debt Management Policy Division, Financial Bureau, Ministry of Finance

3-1-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8940 Japan

Phone: 81-3-3581-4111

Web: <https://www.mof.go.jp/>