



OECD Global Forum on Public Debt Management

- Panel II : Key challenges in Japan-

Financial Bureau
Ministry of Finance Japan

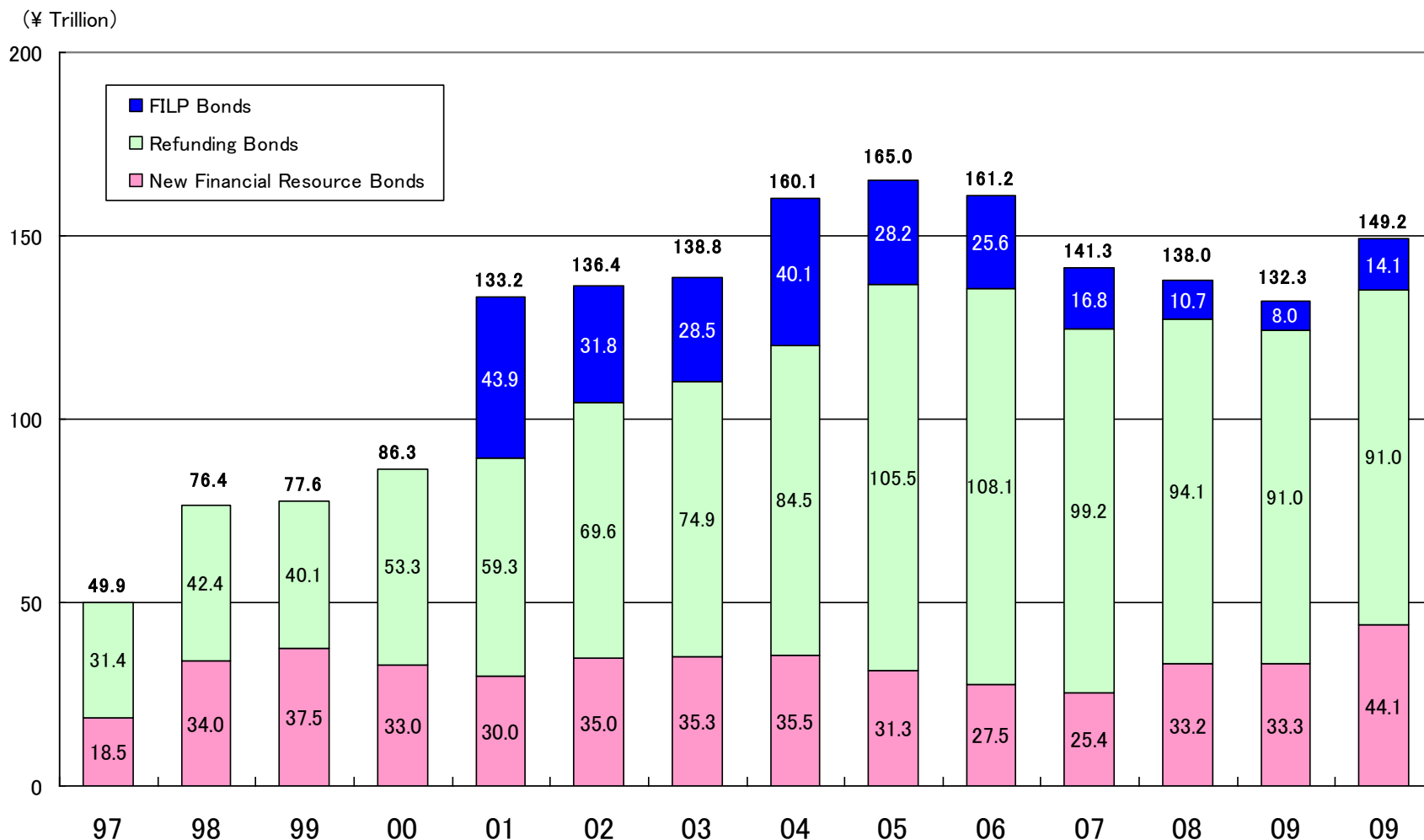


JGB Issuance Plan FY2009

- In the FY2009 initial plan, JGB total issuance was set to be 132.3 trillion yen, and the JGB market issuance (Calendar Base) to be 113.3 trillion yen (6.0 trillion yen, and 8.2 trillion yen increase from the initial issuance plan for FY2008 respectively.)
- JGB Issuance Plan FY2009 was revised on April 27. (Supplementary Budget)
 - JGB total issuance: 132.3 trillion yen → 149.2 trillion yen (+16.9 trillion yen)
 - JGB market issuance: 113.3 trillion yen → 130.2 trillion yen (+16.9 trillion yen)
- JGB Issuance Plan FY2009 was revised on October 30.
 - JGB total issuance: 149.2 trillion yen (unchanged)
 - JGB market issuance: 130.2 trillion yen → 132.3 trillion yen (+2.1 trillion yen)
 - The amount of issuance for Households: 4.2 trillion yen → 2.1 trillion yen (▲2.1 trillion yen)
- The average maturity of market issuance has been extended and is currently 7 years and 5 months.



Historical Changes in JGB Issuance Plan



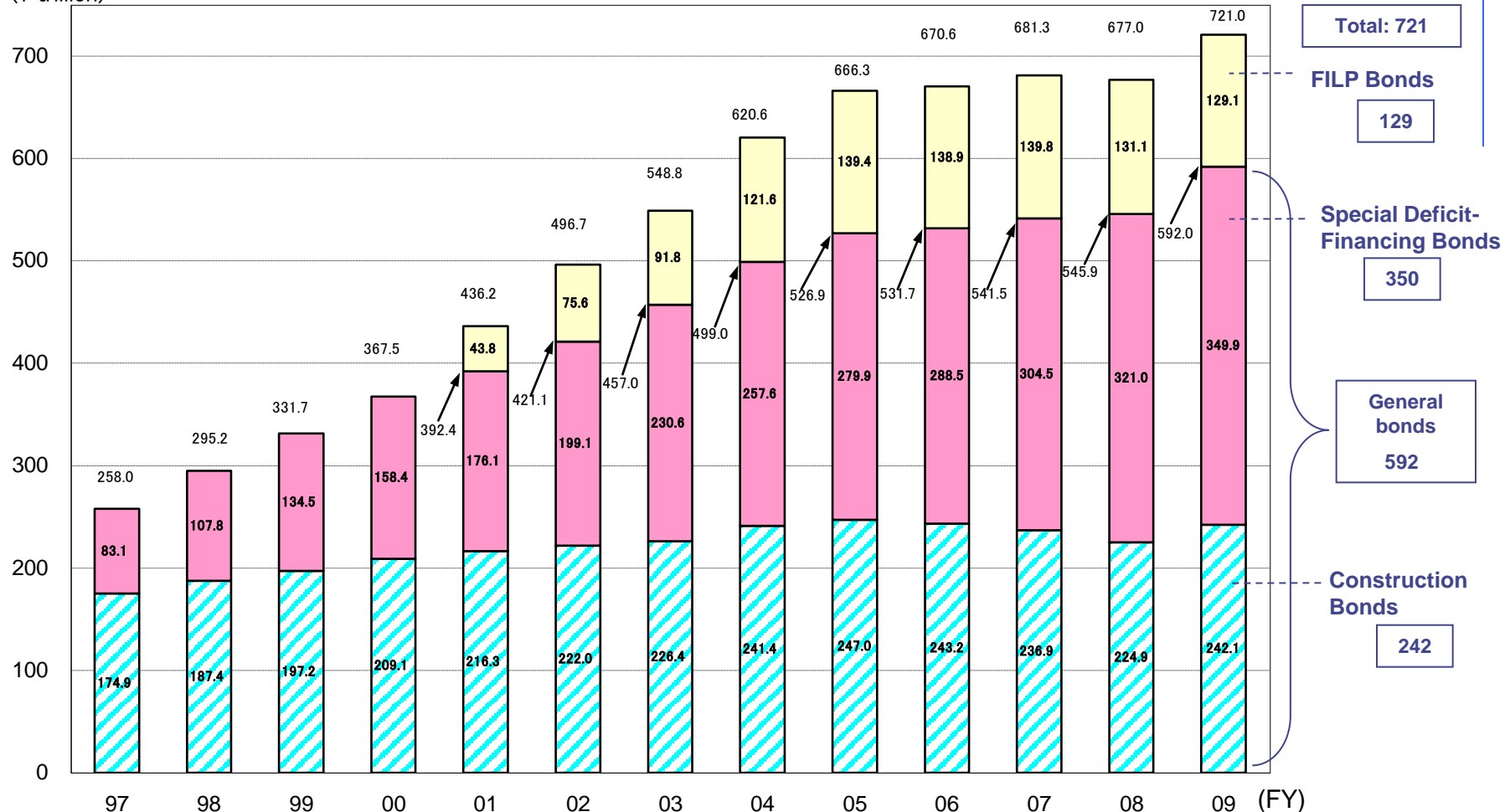
(Note) FY1997~2008: Actual figures
 FY2009: Figure based on the revised Issuance Plan announced in Apr. 2009

(Initial) (Supplementary)



Outstanding JGBs

(¥ trillion)

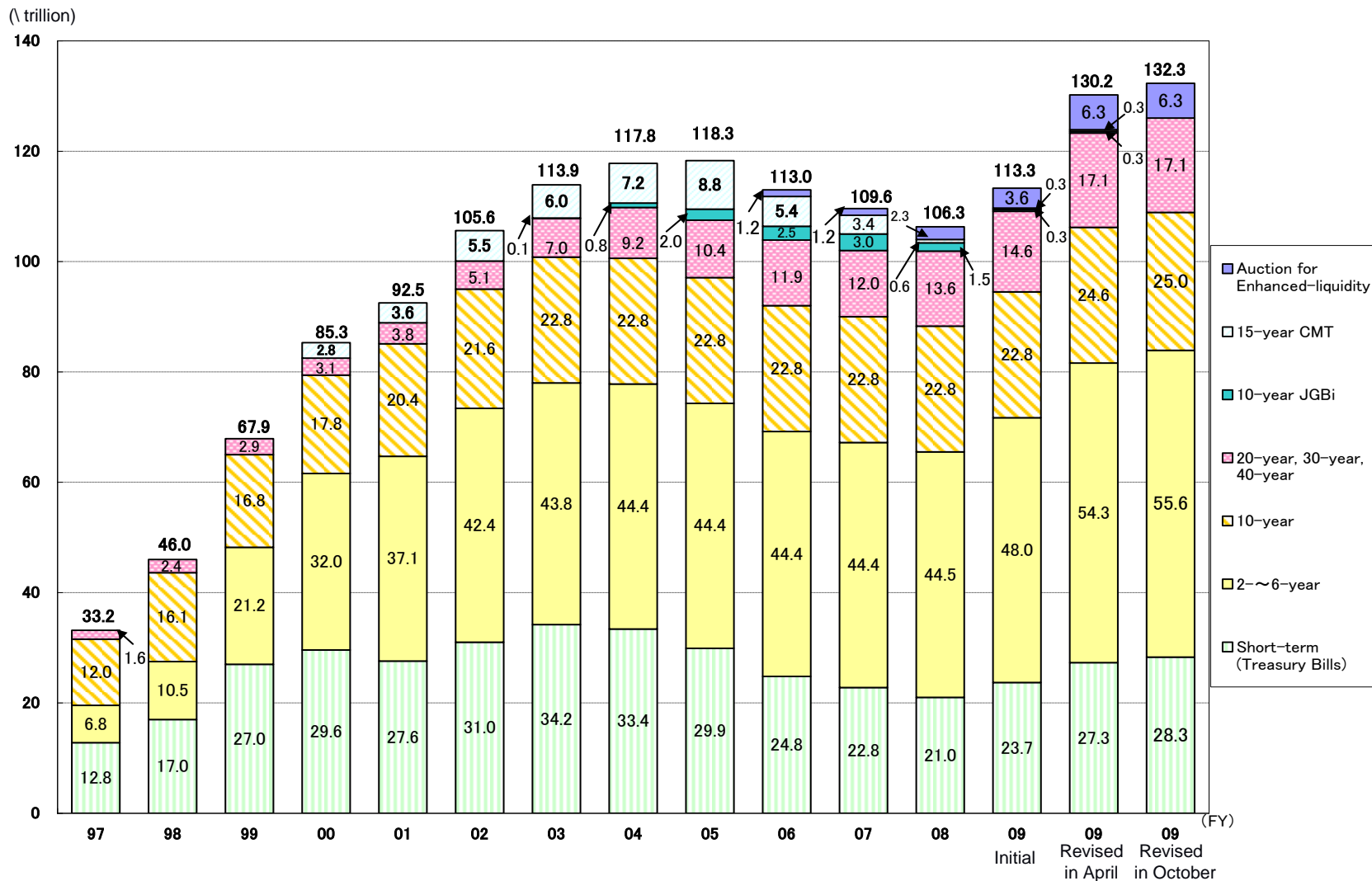


(Note1) Figures are based on nominal amount. FY1997-FY2007: settlement, FY2008: estimate, FY2009: estimate (based on the revised issuance plan at April 2009)

(Note2) The figure of Special Deficit-Financing Bonds includes government bonds converted from Japan National Oil bonds, etc.



Market Issuance Plan by JGB Types



(Note) FY1997~2008: Actual figures

FY2009: Figure based on the revised issuance plan announced in Oct. 2009.

Revised JGB Issuance Plan for FY2009 (Revised on October 30)



(unit: billion yen)

	FY2009 (Initial)	FY2009 (Supplementary budget)		FY2009 (Revised in October)	
	(a)	(b)	(b) - (a)	(c)	(c) - (b)
New Financial Resource Bonds	33,294.0	44,113.0	10,819.0	44,113.0	—
Construction Bonds	7,579.0	14,911.0	7,332.0	14,911.0	—
Special Deficit-financing Bonds	25,715.0	29,202.0	3,487.0	29,202.0	—
Refunding Bonds	90,991.4	90,991.4	—	90,991.4	—
FILP Bonds	8,000.0	14,100.0	6,100.0	14,100.0	—
Total	132,285.4	149,204.4	16,919.0	149,204.4	—

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

(Note2) JGB Market Issuance (Calendar Base) refers to JGBs issued by scheduled auctions from April to next March.

(unit: billion yen)

	FY2009 (Initial)	FY2009 (Supplementary budget)		FY2009 (Revised in October)	
	(a)	(b)	(b) - (a)	(c)	(c) - (b)
JGB Market Issuance (Calendar Base)	113,300.0	130,200.0	16,900.0	132,300.0	2,100.0
Non-price Competitive Auction II	3,870.0	3,870.0	—	3,870.0	—
Adjustment by Depleting Front-loaded Issuance	209.3	228.3	19.0	228.3	—
Subtotal Financed in the Market	117,379.3	134,298.3	16,919.0	136,398.3	2,100.0
Nonmarketable JGBs for Retail-Investors	2,400.0	2,400.0	—	1,300.0	▲1,100.0
OTC Sales for Households	1,800.0	1,800.0	—	800.0	▲1,000.0
Subtotal for Households	4,200.0	4,200.0	—	2,100.0	▲2,100.0
Public Sector (Bank of Japan)	10,706.0	10,706.0	—	10,706.0	—
Total	132,285.4	149,204.4	16,919.0	149,204.4	—

Revised Market Issuance Plan by JGB Types in FY2009



	FY2009 (Initial)		FY2009 (Revised in April)			FY2009 (Revised in October)		
	(a)		(b)		(b)-(a)	(c)		(c)-(b)
40-year	¥0.2 trillion × 4	¥0.8 trillion	¥0.2 trillion × 1 ¥0.3 trillion × 3	¥1.1 trillion	+ ¥0.3 trillion	¥0.2 trillion × 1 ¥0.3 trillion × 3	¥1.1 trillion	—
30-year	¥0.5 trillion × 6	¥3.0 trillion	¥0.5 trillion × 2 ¥0.6 trillion × 4	¥3.4 trillion	+ ¥0.4 trillion	¥0.5 trillion × 2 ¥0.6 trillion × 4	¥3.4 trillion	—
20-year	¥0.9 trillion × 12	¥10.8 trillion	¥0.9 trillion × 3 ¥1.1 trillion × 9	¥12.6 trillion	+ ¥1.8 trillion	¥0.9 trillion × 3 ¥1.1 trillion × 9	¥12.6 trillion	—
10-year	¥1.9 trillion × 12	¥22.8 trillion	¥1.9 trillion × 3 ¥2.1 trillion × 9	¥24.6 trillion	+ ¥1.8 trillion	¥1.9 trillion × 3 ¥2.1 trillion × 5 ¥2.2 trillion × 4	¥25.0 trillion	+ ¥0.4 trillion
5-year	¥2.0 trillion × 12	¥24.0 trillion	¥2.0 trillion × 3 ¥2.3 trillion × 9	¥26.7 trillion	+ ¥2.7 trillion	¥2.0 trillion × 3 ¥2.3 trillion × 4 ¥2.4 trillion × 5	¥27.2 trillion	+ ¥0.5 trillion
2-year	¥2.0 trillion × 12	¥24.0 trillion	¥2.0 trillion × 3 ¥2.4 trillion × 9	¥27.6 trillion	+ ¥3.6 trillion	¥2.0 trillion × 3 ¥2.4 trillion × 5 ¥2.6 trillion × 4	¥28.4 trillion	+ ¥0.8 trillion
TBs(1-year)	¥1.9 trillion × 12	¥22.8 trillion	¥1.9 trillion × 3 ¥2.3 trillion × 9	¥26.4 trillion	+ ¥3.6 trillion	¥1.9 trillion × 3 ¥2.3 trillion × 4 ¥2.5 trillion × 5	¥27.4 trillion	+ ¥1.0 trillion
TBs(6-month)		¥0.9 trillion		¥0.9 trillion	—		¥0.9 trillion	—
15-year Floating-rate	¥0.3 trillion × 1	¥0.3 trillion	¥0.3 trillion × 1	¥0.3 trillion	—			▲ ¥0.3 trillion
10-year Inflation-indexed	¥0.3 trillion × 1	¥0.3 trillion	¥0.3 trillion × 1	¥0.3 trillion	—			▲ ¥0.3 trillion
Auctions for Enhanced-liquidity	¥0.15 trillion × 24	¥3.6 trillion	¥0.15 trillion × 6 ¥0.3 trillion × 18	¥6.3 trillion	+ ¥2.7 trillion	¥0.15 trillion × 6 ¥0.3 trillion × 18	¥6.3 trillion	—
Total to the Market	¥113.3 trillion		¥130.2 trillion		+ ¥16.9 trillion	¥132.3 trillion		+ ¥2.1 trillion

(Note1) In addition to the above plan, 40-year, 30-year, 20-year, 10-year, 5-year, 2-year, 15-year floating-rate and 10-year inflation-indexed bonds will be issued via Non-competitive price Auction II, which will be held for JGB Market Special Participants after the price(yield)-competitive auction(the amount assignable to each Market Special Participant will not exceed 15% of the amount awarded to it in the Competitive price Auction and Non-Competitive price Auction I or the yield-Competitive Auction).

(Note2) With regard to 6-month TBs, only the total amount is listed because TBs and FBs are issued as unified bills (Treasury Discount Bills) since Feb. 2009.

Changes of Market Issuance Plan by JGB types in FY2008



	FY2008 (Initial)			FY2008 (revised in August)			FY2008 (revised in September)			FY2008 (revised in October)			FY2008 (revised in December)		
	(a)	(b)	(b)-(a)	(c)	(c)-(b)	(d)	(d)-(c)	(e)	(e)-(d)	(e)-(a)					
40-year Bonds	¥0.2 trillion × 2 ¥0.4 trillion	¥0.2 trillion × 2 ¥0.4 trillion	—	¥0.2 trillion × 2 ¥0.4 trillion	—	¥0.2 trillion × 2 ¥0.4 trillion	—	¥0.2 trillion × 3 ¥0.6 trillion	+¥0.2 trillion	+¥0.2 trillion					
30-year Bonds	¥0.6 trillion × 4 ¥2.4 trillion	¥0.6 trillion × 4 ¥2.4 trillion	—	¥0.6 trillion × 4 ¥2.4 trillion	—	¥0.6 trillion × 4 ¥2.4 trillion	—	¥0.6 trillion × 4 ¥2.9 trillion ¥0.5 trillion × 1	+¥0.5 trillion	+¥0.5 trillion					
20-year Bonds	¥0.8 trillion × 12 ¥9.6 trillion	¥0.8 trillion × 12 ¥9.6 trillion	—	¥0.8 trillion × 12 ¥9.6 trillion	—	¥0.8 trillion × 7 ¥10.1 trillion ¥0.9 trillion × 5	+¥0.5 trillion	¥0.8 trillion × 7 ¥10.1 trillion ¥0.9 trillion × 5	—	+¥0.5 trillion					
10-year Bonds	¥1.9 trillion × 12 ¥22.8 trillion	¥1.9 trillion × 12 ¥22.8 trillion	—	¥1.9 trillion × 12 ¥22.8 trillion	—	¥1.9 trillion × 12 ¥22.8 trillion	—	¥1.9 trillion × 12 ¥22.8 trillion	—	—					
5-year Bonds	¥1.9 trillion × 12 ¥22.8 trillion	¥1.9 trillion × 12 ¥22.8 trillion	—	¥1.9 trillion × 12 ¥22.8 trillion	—	¥1.9 trillion × 12 ¥22.8 trillion	—	¥1.9 trillion × 9 ¥23.1 trillion ¥2.0 trillion × 3	+¥0.3 trillion	+¥0.3 trillion					
2-year Bonds	¥1.7 trillion × 12 ¥20.4 trillion	¥1.7 trillion × 6 ¥21.0 trillion ¥1.8 trillion × 6	+¥0.6 trillion	¥1.7 trillion × 6 ¥21.0 trillion ¥1.8 trillion × 6	—	¥1.7 trillion × 6 ¥21.0 trillion ¥1.8 trillion × 6	—	¥1.7 trillion × 6 ¥21.4 trillion ¥1.8 trillion × 4 ¥2.0 trillion × 2	+¥0.4 trillion	+¥1.0 trillion					
TBs (1-year)	¥1.4 trillion × 12 ¥16.8 trillion	¥1.4 trillion × 6 ¥17.4 trillion ¥1.5 trillion × 6	+¥0.6 trillion	¥1.4 trillion × 6 ¥17.4 trillion ¥1.5 trillion × 6	—	¥1.4 trillion × 6 ¥17.4 trillion ¥1.5 trillion × 6	—	¥1.4 trillion × 6 ¥18.0 trillion ¥1.5 trillion × 3 ¥1.7 trillion × 3	+¥0.6 trillion	+¥1.2 trillion					
TBs (6-month)	¥3.3 trillion	¥3.3 trillion	—	¥3.3 trillion	—	¥3.3 trillion	—	¥3.0 trillion	▲¥0.3 trillion	▲¥0.3 trillion					
15-year Floating-rate Bonds	¥0.6 trillion × 4 ¥2.4 trillion	¥0.6 trillion × 2 ¥1.2 trillion	▲¥1.2 trillion	¥0.6 trillion × 2 ¥1.2 trillion	—	¥0.6 trillion × 2 ¥1.2 trillion	—	¥0.6 trillion × 1 ¥0.6 trillion	▲¥0.6 trillion	▲¥1.8 trillion					
10-year Inflation-Indexed Bonds	¥0.5 trillion × 6 ¥3.0 trillion	¥0.5 trillion × 6 ¥3.0 trillion	—	¥0.5 trillion × 5 ¥2.8 trillion ¥0.3 trillion × 1	▲¥0.2 trillion	¥0.5 trillion × 4 ¥2.0 trillion ¥0.8 trillion	▲¥0.8 trillion	¥0.5 trillion × 3 ¥1.5 trillion	▲¥0.5 trillion	▲¥1.5 trillion					
Auctions for Enhanced-liquidity	¥0.1 trillion × 12 ¥1.2 trillion	¥0.1 trillion × 12 ¥1.2 trillion	—	¥0.1 trillion × 14 ¥1.4 trillion	+¥0.2 trillion	¥0.1 trillion × 11 ¥1.7 trillion ¥0.15 trillion × 4	+¥0.3 trillion	¥0.1 trillion × 8 ¥2.3 trillion ¥0.15 trillion × 10	+¥0.6 trillion	+¥1.1 trillion					
Total to the Market	¥105.1 trillion	¥105.1 trillion	—	¥105.1 trillion	—	¥105.1 trillion	—	¥106.3 trillion	+¥1.2 trillion	+¥1.2 trillion					

(Note1) In addition to the above plan, 40-year, 30-year, 20-year, 10-year, 5-year, 2-year, 15-year floating-rate and 10-year inflation-indexed bonds will be issued via Non-competitive price Auction II, which will be held for JGB MarketSpecial Participants after the price(yield)-competitive auction(the amount assignable to each Special Participant will not exceed 10% of the amount awarded to it in the Competitive price Auction and Non-Competitive price Auction I or the yield-Competitive Auction [10%→15% from Jan. 2009]).

(Note2) With regard to 6-month TBs, only the total amount is listed because TBs and FBs are expected to be issued as unified bills (Treasury Discount Bills) starting in Feb. 2009.



Basic Philosophy of the JGB Issuance Plan

◆ Predictability

The JGB issuance plan for the fiscal year is to be formulated and announced at the end of the previous year, which provide market participants with the predictability for the market issuance.

◆ Transparency

The JGB issuance plan is to be formulated in consultation with the market participants, including primary dealers and investors, so that the plan could reflect market needs properly. The record of such consultation is to be made public on the JGB web-pages.

◆ Flexibility

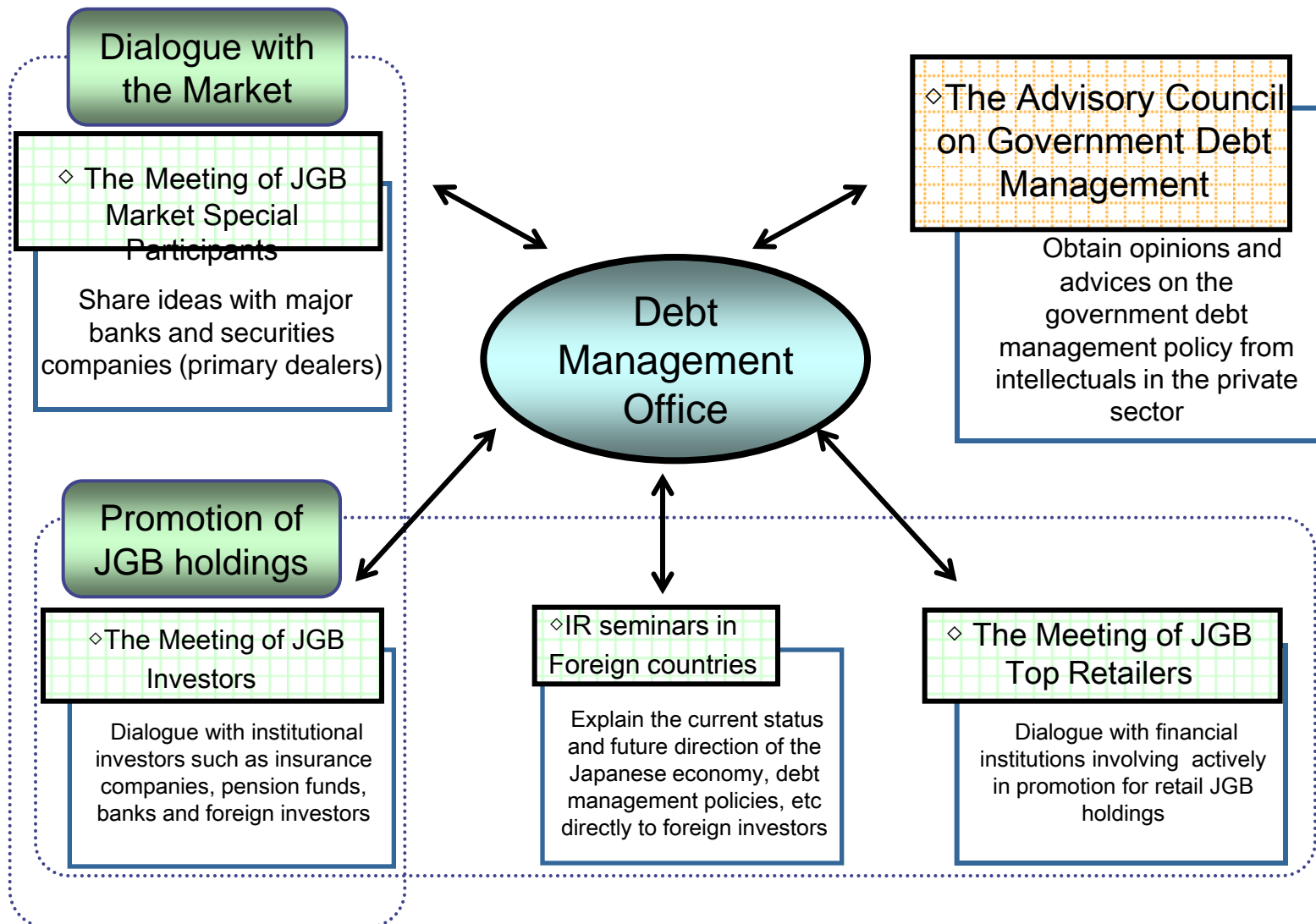
Responding to the change of the market conditions after formulating the issuance plan, we would flexibly review and revise the plan by conferring with the market participants.



Process of the JGB Issuance Plan FY2009

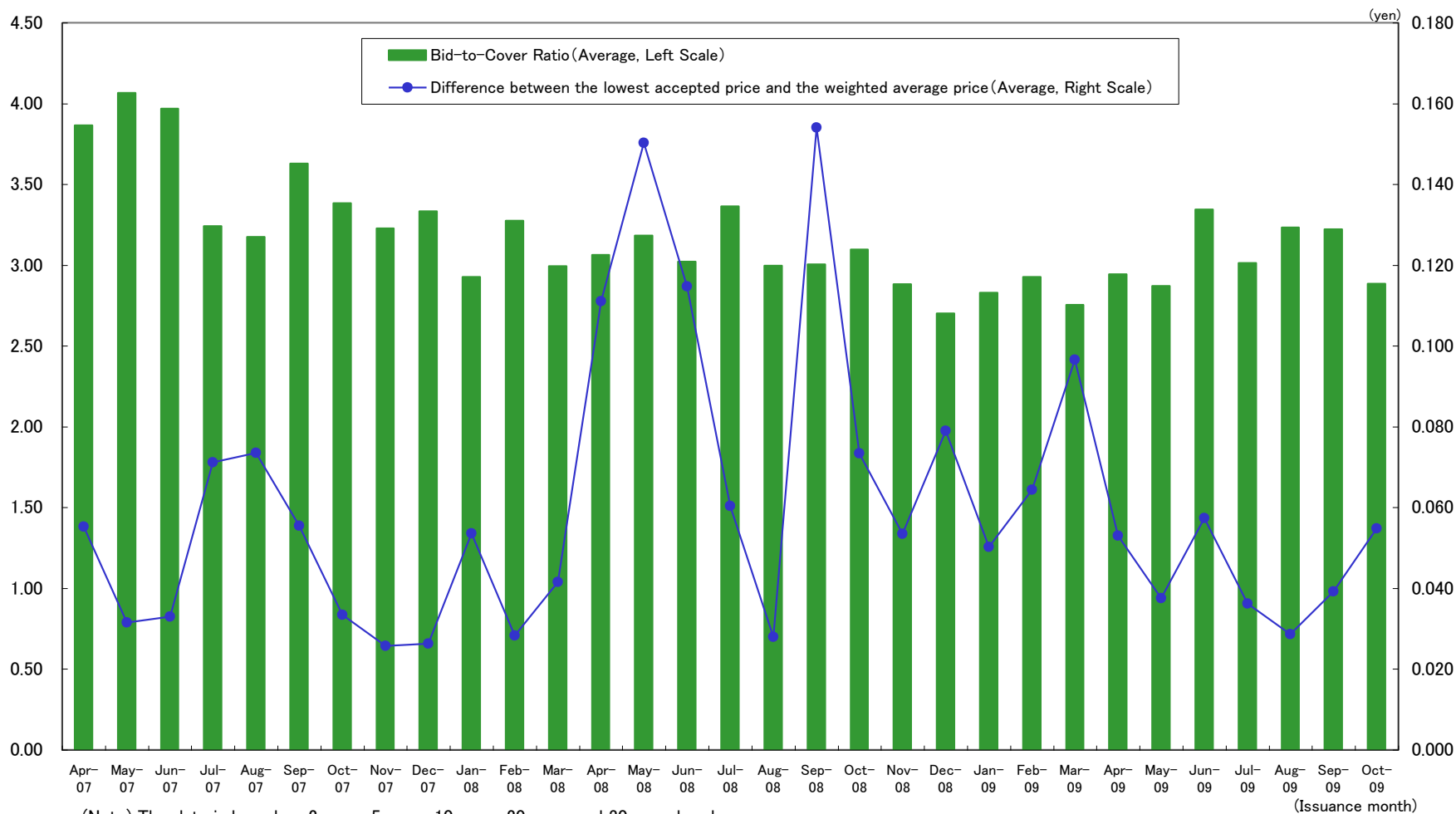


Dialogue with the Markets





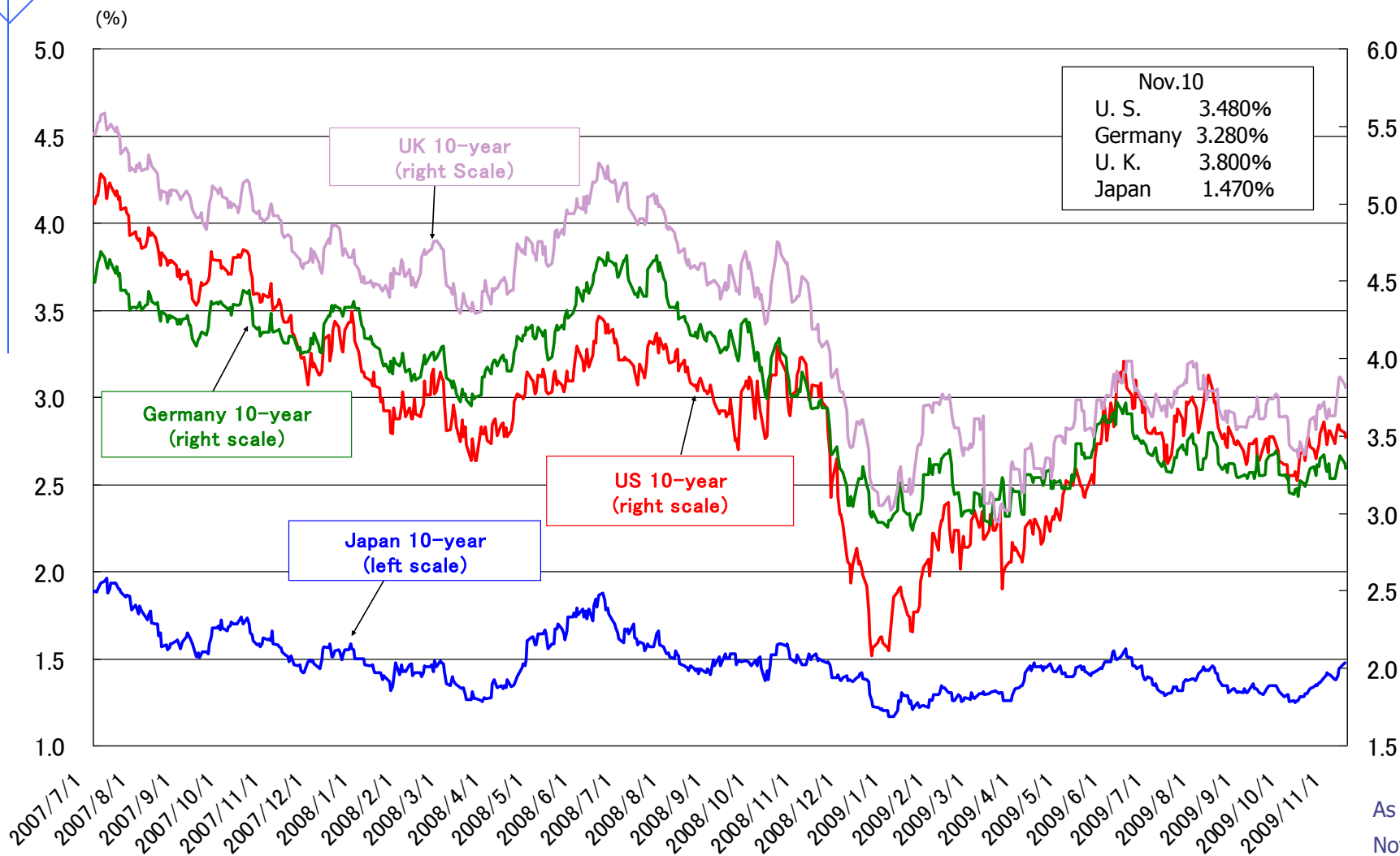
Bid-to-Cover Ratio and Tail



(Note) The data is based on 2-year, 5-year, 10-year, 20-year and 30-year bonds.



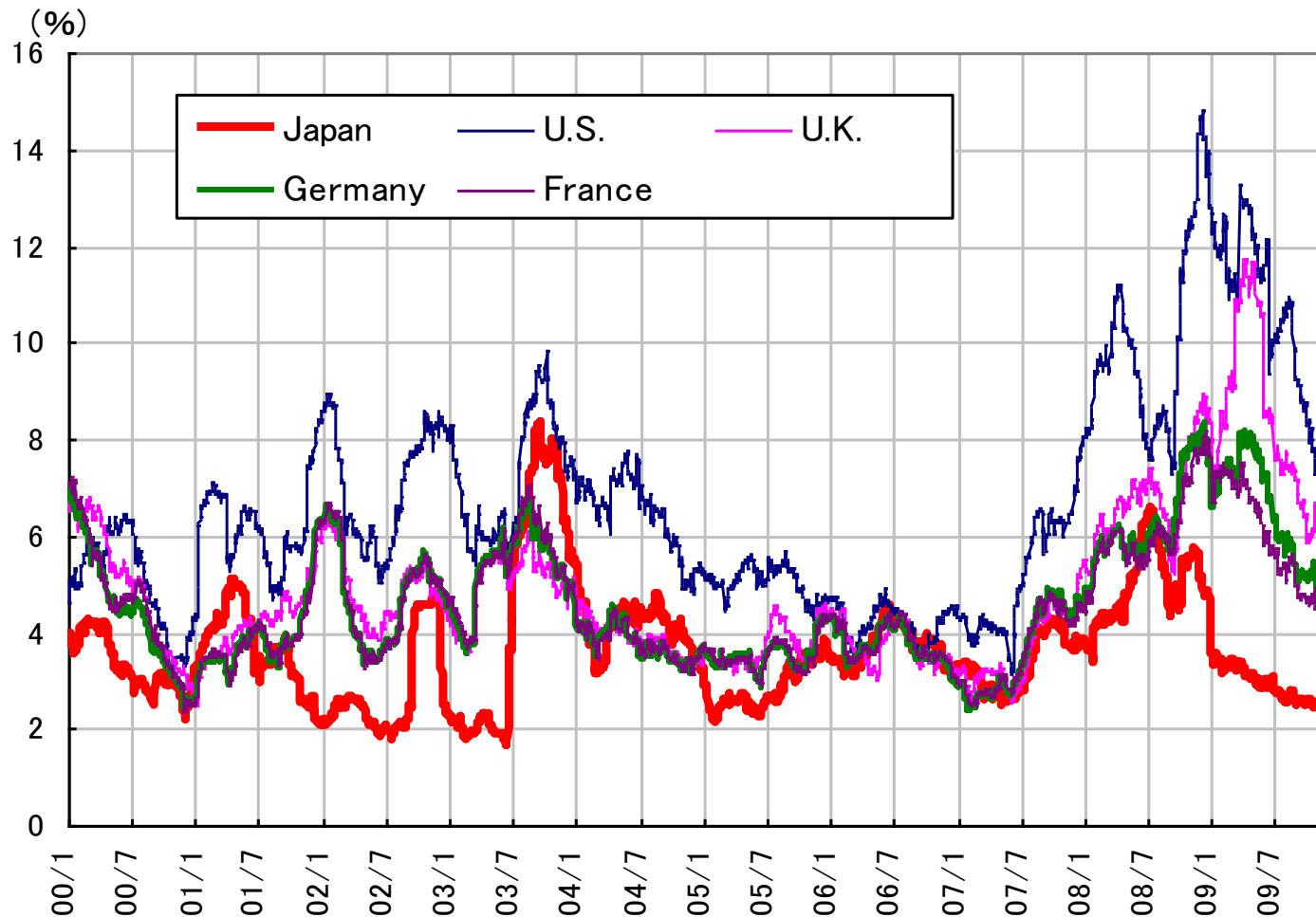
Long-term Interest Rate



As of
Nov.10



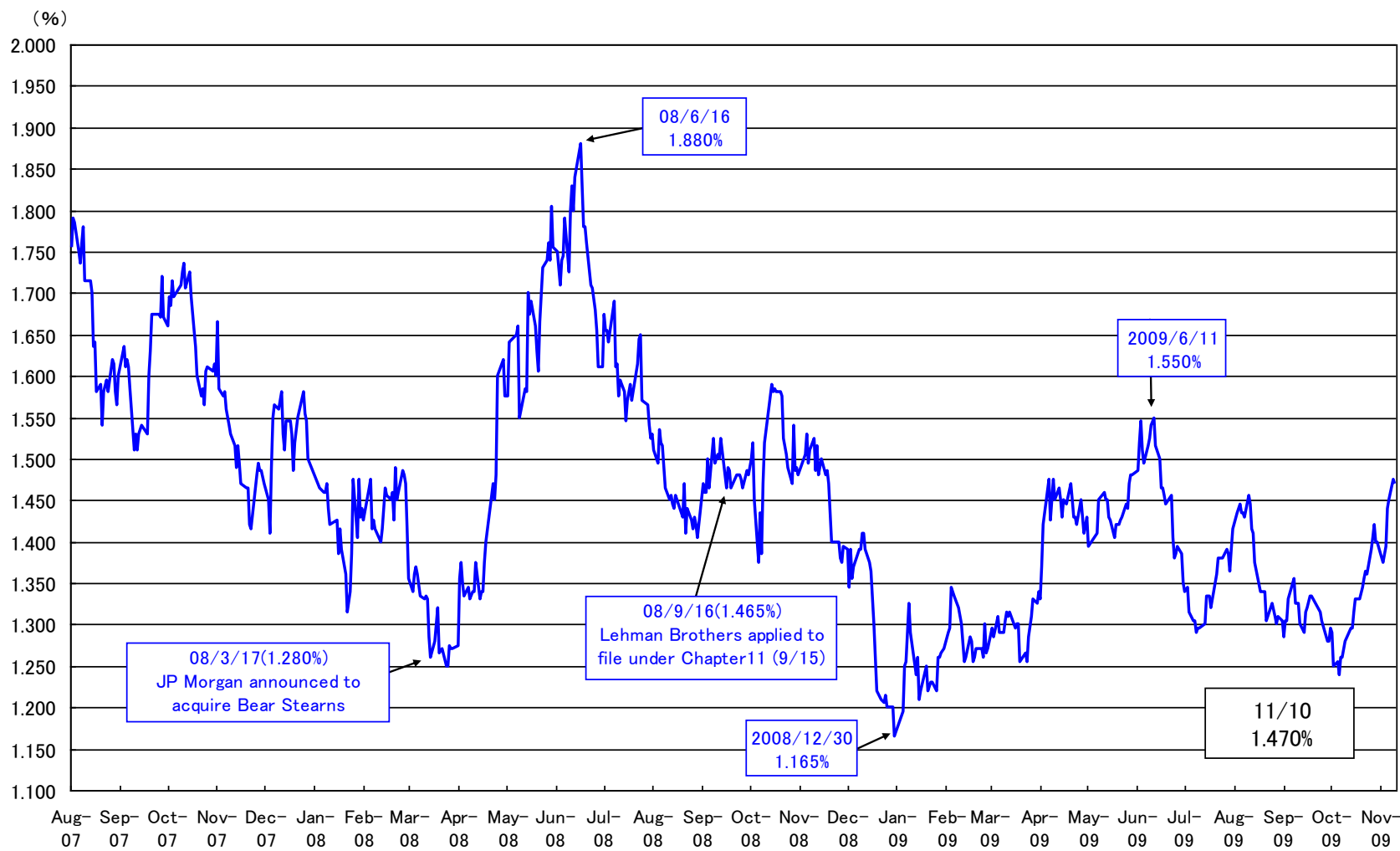
Volatility of the government bond markets



(Source) Bloomberg

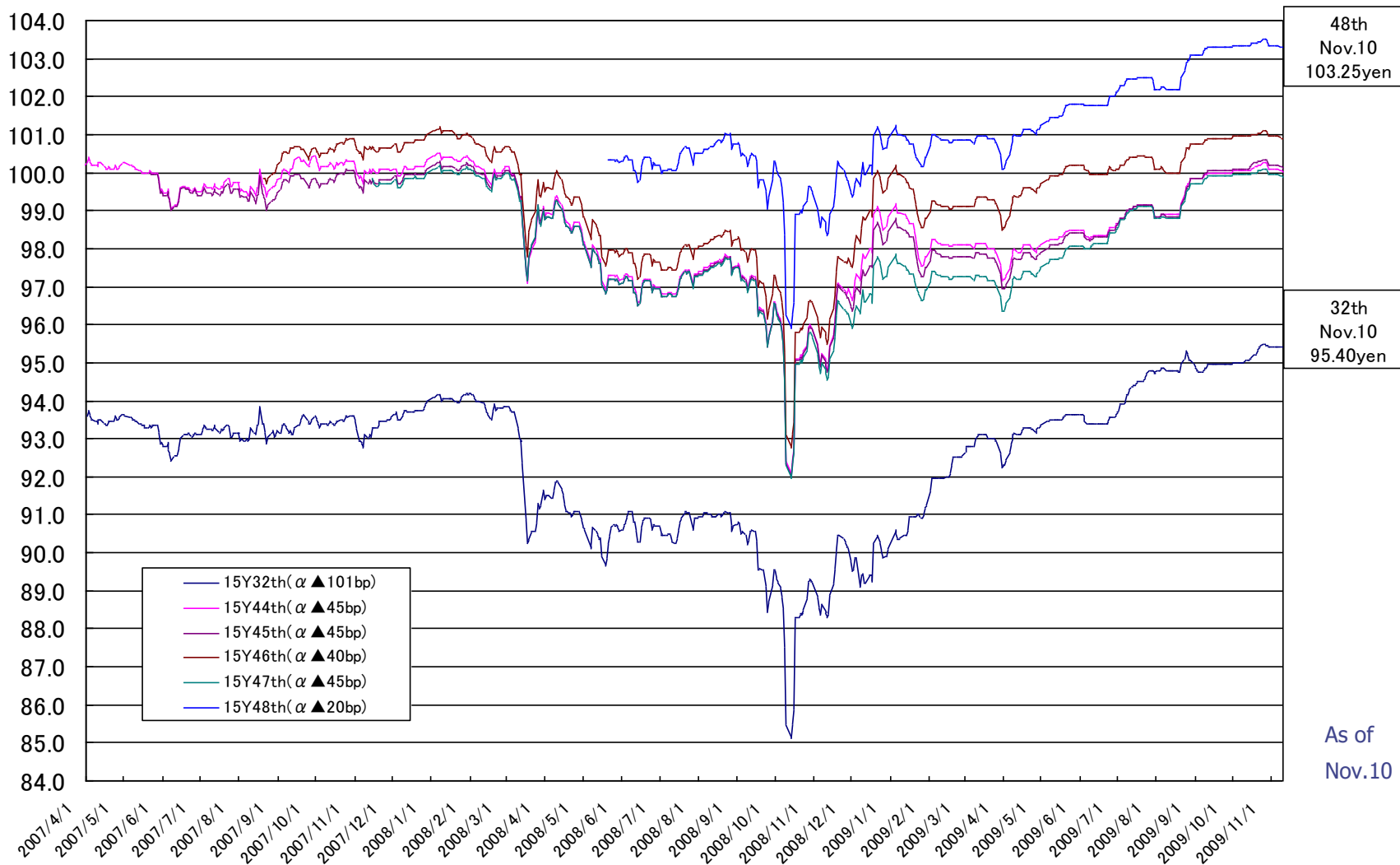


10-year JGB Yield



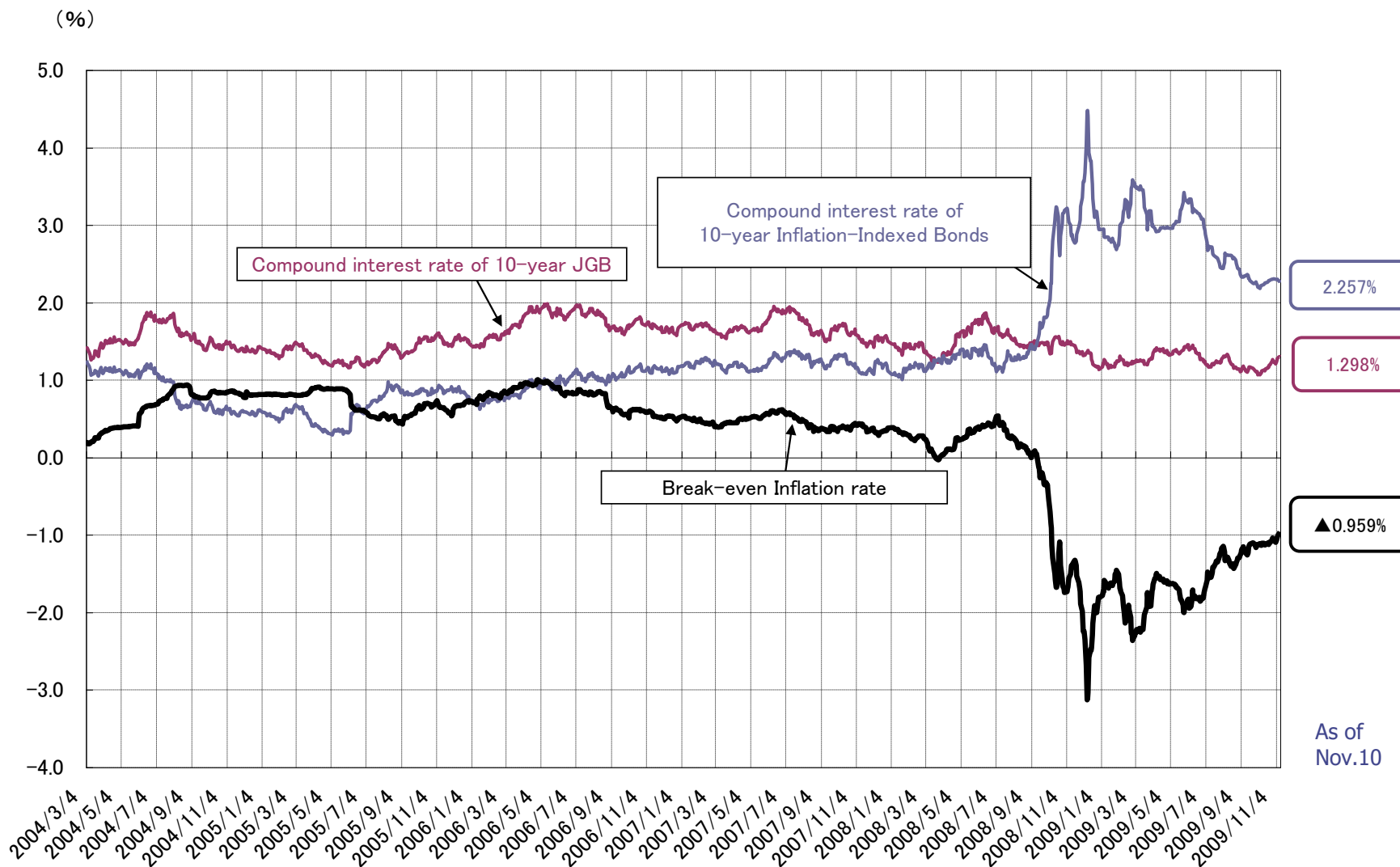


Market Price of 15-year Floating-rate Bonds





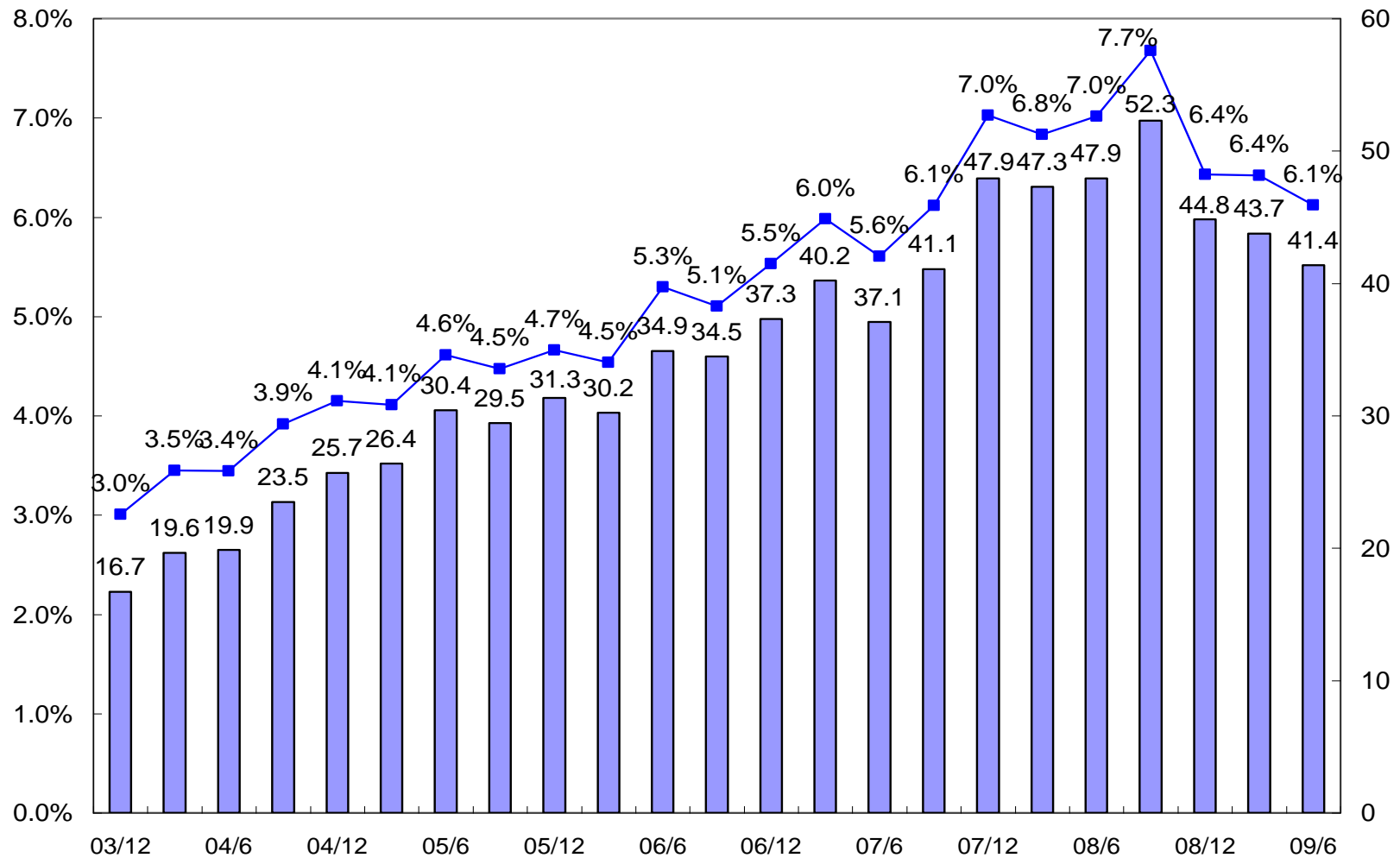
Interest Rate of 10-year Bonds and 10-year Inflation-Indexed Bonds, and the BEI rate





Foreign Investors JGB Holding

(trillion yen)

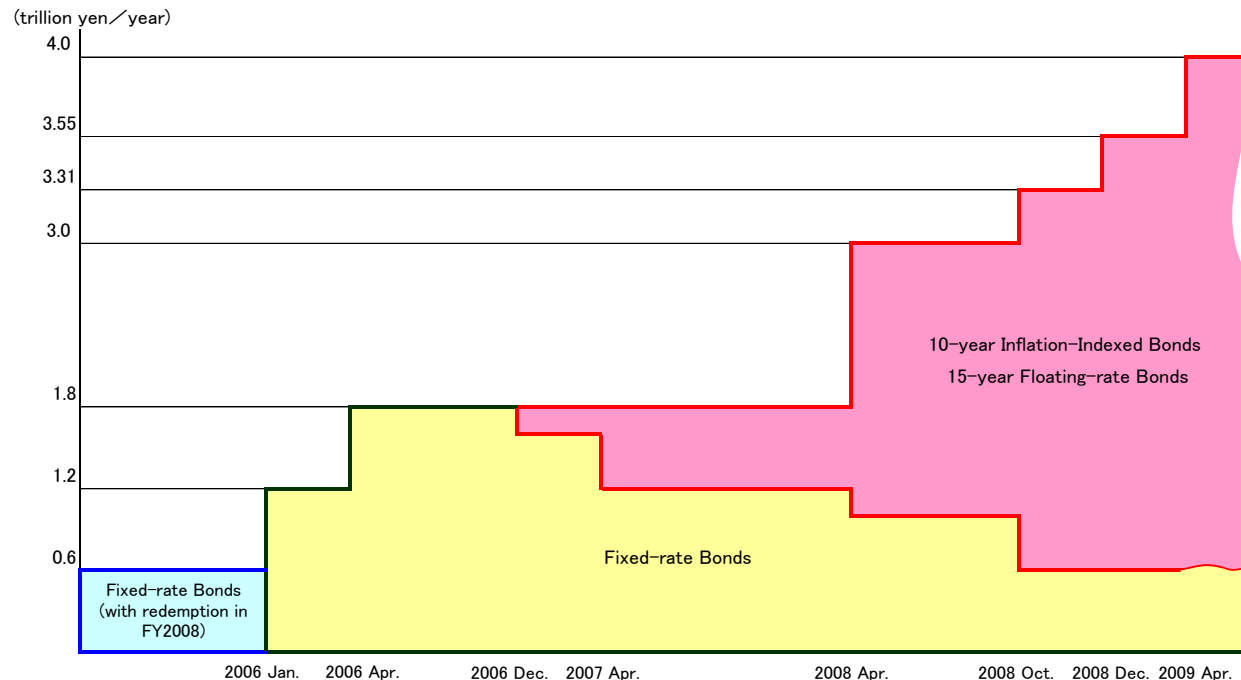


(Source) Flow of Funds Account (BOJ)



Buy-back Program

- ◆ Expanded to include all fixed-rate JGBs starting from Jan. 2006.
- ◆ Increased Buy-back amount from 1.2 trillion yen/year to 1.8 trillion yen/year from Apr. 2006.
- ◆ Expanded to include all 15-year Floating-rate bonds and 10-year Inflation-Indexed bonds from Dec. 2006.
- ◆ Increased Buy-back amount from 1.8 trillion yen/year to about 3.55 trillion yen/year, focusing on 15-year Floating-rate bonds and 10-year Inflation-Indexed bonds in FY2008.
- ◆ Increased Buy-back amount to about 4.0 trillion yen/year, focusing on 15-year Floating-rate bonds and 10-year Inflation-Indexed bonds in FY2009. Actual amount will be decided on a quarterly basis taking in the market conditions.



(Note) The Bonds listed below are excluded from the Buy-back program

1. 40-year JGBs
2. JGBs with remaining maturities equal to or less than 1 year
3. JGBs that have been successfully bid through the Auctions of Enhanced-Liquidity during the recent 6 months before the Buy-back month.
4. Non-Marketable Bonds.



Market Size of 10-year Inflation-indexed Bonds

◆ Total issue size of 10-year Inflation-indexed Bonds (Calendar Base)

FY2003	FY2004	FY2005	FY2006	FY2007
\0.1 tri.	\0.8 tri.	\2.0 tri.	\2.5 tri.	\3.0 tri.

FY2008 (Initial)	FY2008 (revised in Sep.)	FY2008 (revised in Oct.)	FY2008 (revised in Dec.)	FY2009 (Initial)	FY2009 (revised in Oct.)
\3.0 tri.	\2.8 tri.	\2.0 tri.	\1.5 tri.	\0.3 tri.	\0

◆ Buy-back amount of 10-year Inflation-indexed Bonds

FY2006 (Jan. 2007~)	FY2007	FY2008 (Initial)	FY2008 (revised in Sep.)	FY2008 (revised in Oct.)	FY2008 (revised in Dec.)	FY2009 (Apr.~Dec.)
\0.05 tri.	\0.16 tri.	\0.64 tri.	\0.8 tri.	\1.25 tri.	\1.49 tri.	\2.02 tri.

◆ Outstanding amount of 10-year Inflation-indexed Bonds

Mar.2004	Mar.2005	Mar.2006	Mar.2007	Mar.2008	Mar. 2009
\0.1 tri.	\0.9 tri.	\3.0 tri.	\5.5 tri.	\8.4 tri.	\8.5 tri.



Market Size of 15-year Floating-rate Bonds

◆ Total issue size of 15-year Floating-rate Bonds (Calendar Base)

FY2005 (Initial)	FY2005 (revised in Sep.)	FY2006 (Initial)	FY2006 (revised in Dec.)	FY2007 (Initial)	FY2007 (revised in Sep.)
\9.0 tri.	\8.8 tri.	\7.8 tri.	\5.5 tri.	\4.0 tri.	\3.4 tri.

FY2008 (Initial)	FY2008 (revised in Aug.)	FY2008 (revised in Dec.)	FY2009 (Initial)	FY2009 (revised in Oct.)
\2.4 tri.	\1.2 tri.	\0.6 tri.	\0.3 tri.	\0

◆ Buy-back amount of 15-year Floating-rate Bonds

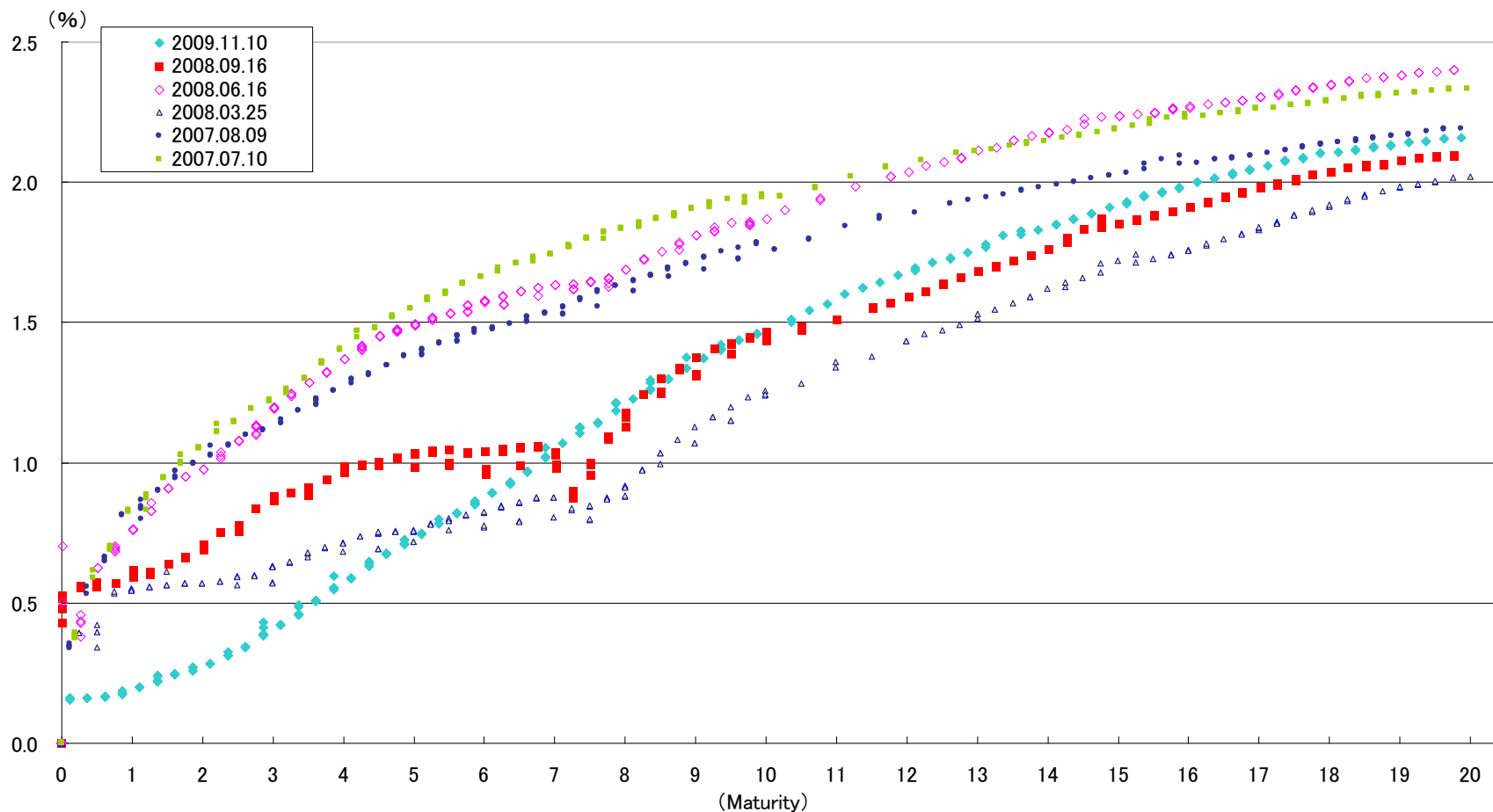
FY2006 (Dec. 2006~)	FY2007	FY2008 (Initial)	FY2008 (revised in Aug.)	FY2008 (revised in Oct.)	FY2009 (Apr.~Dec.)
\0.05 tri.	\0.48 tri.	\1.2 tri.	\1.4 tri.	\1.5 tri.	\0.98 tri.

◆ Outstanding amount of 15-year Floating-rate Bonds

Mar.2004	Mar.2005	Mar.2006	Mar.2007	Mar.2008	Mar. 2009
\17.9 tri.	\25.3 tri.	\34.2 tri.	\39.6 tri.	\42.7 tri.	\41.9 tri.



Distortion in the Yield Curve



【Yield Curve of 10-year and 20-year bonds】

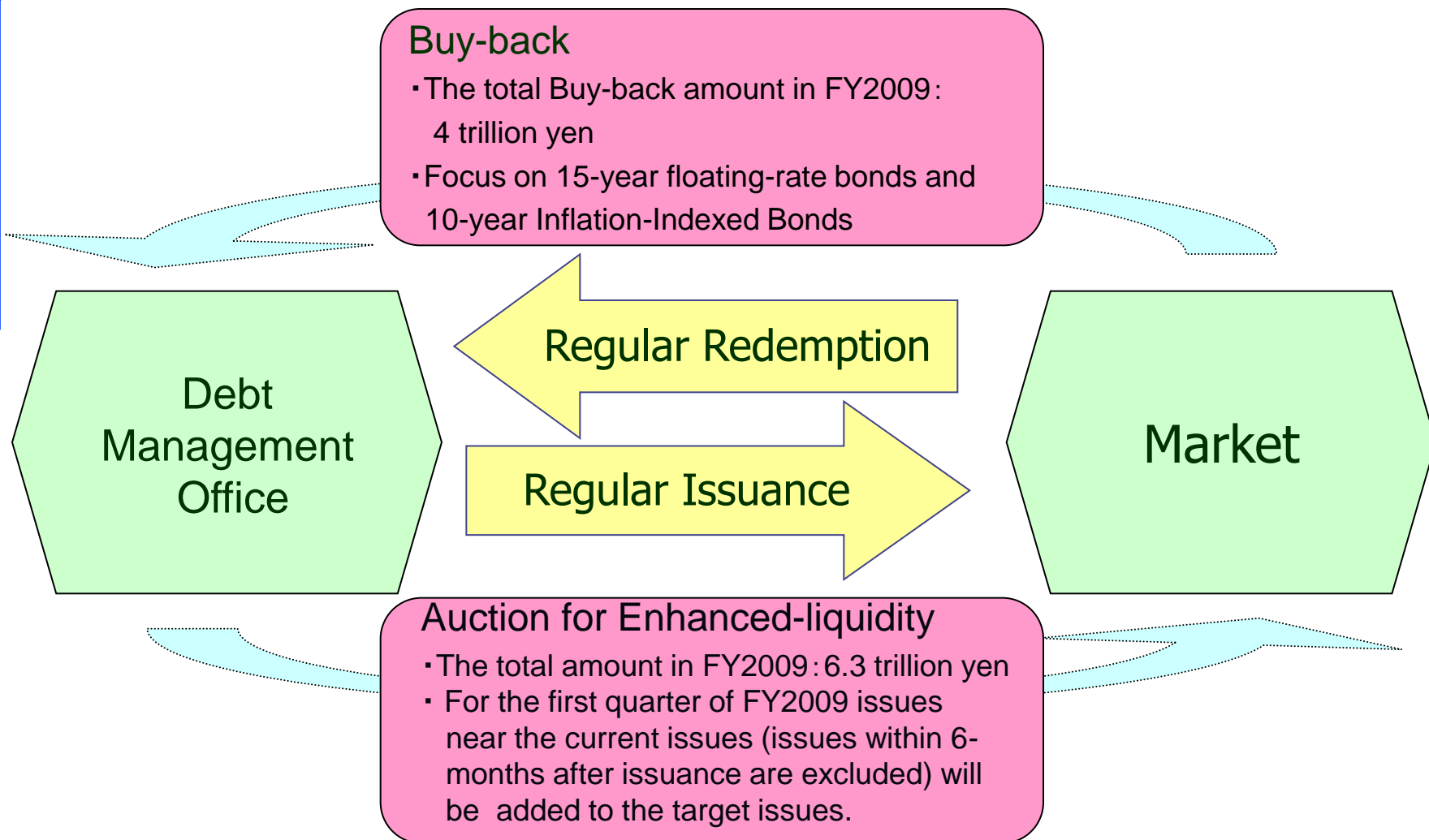


Liquidity Enhancing Measures

- Conducting the policies as below in response to the decrease of liquidity in the Government Bond market
 - The total amount of Auction for Enhanced-liquidity will be largely increased to 6.3 trillion yen (300 billion yen, twice every month), from 3.6 trillion yen (150 billion yen every month). Also, add zones near current issues, and as for the first quarter of FY2009 issues near the current issues (issues within 6-months after issuance are excluded) will be added to the target issues.
 - The total Buy-back amount from the market will be increased to 4 trillion yen, focusing on 10-year Inflation-Indexed Bonds and 15-year Floating-rate Bonds (actual amount will be decided on a quarterly basis taking in the market conditions).



Enhancing Market Liquidity





Auction for Enhanced-liquidity

- ◆ MOF started the Auction for Enhanced-liquidity in April 2006
- ◆ MOF conducts the Auction for Enhanced-liquidity
 - 1.2 trillion yen/year (FY2008 Initial)
 - 1.4 trillion yen/year (revised in Sep. 2008)
 - 1.7 trillion yen/year (revised in Oct. 2008)
 - 2.3 trillion yen/year (revised in Dec. 2008)
 - 3.6 trillion yen/year (FY2009 Initial)
 - 6.3 trillion yen/year (revised in Apr. 2009)
- ◆ Target Issues
 - ◆ JGBs with approx. 11-16 years remaining to maturity (Apr. 2006-)
 - ◆ Expanded to JGBs with remaining maturities from 6 to 29-year (Apr. 2008-)
 - ◆ In FY2009, target issue will be reviewed on a quarterly basis.
 - ◆ For the first quarter of FY2009 issues near the current issues (issues within 6-months after issuance are excluded) will be added to the target issues. (Apr. 2009-)
 - ◆ Further expanded the target zones to JGBs with remaining maturities from 5 -29 year. (Jul. 2009-)
- ◆ Special Auction for Enhanced-liquidity
 - Established a scheme of Special Auction for Enhanced-liquidity in FY2008 in order to respond to such temporal lack of market liquidity as seen in the squeezes.