

This study constructs and analyzes a dataset of Japanese government bond's maturity structure for the fiscal years 1965–2019. Using the maturity structure data at the end of each fiscal year for the past three decades, this study proposes extracting the bond supply factor from the maturity structure variables, and structurally estimates a canonical preferred-habitat term structure model. The results provide a debt maturity equation in the fiscal year cycle, and demonstrate that two yield factors (bond supply factor and short-term interest rate) can account for annual-frequency variations in Japanese bond yields. The supply factor also explains the continued decline in the long-term interest rate in a zero lower bound environment for the past two decades.