

JAPANESE GOVERNMENT BONDS

Quarterly Newsletter of the Ministry of Finance of Japan

October 2005

WHAT'S NEW

The Ministry of Finance must issue JGBs smoothly and stably while large-scale JGB issuance is expected to continue. We consider it important to diversify the JGB holders in order to achieve the end as to smooth and stable issuance. However our current situation shows that financial institutions hold the major portion of JGBs and on the other hand individual investors account for very small percent. Therefore we recognize it as our essential task to promote purchases of JGBs by individual investors.

The Ministry of Finance started issuing JGBs for individual investors at March 2003 from the viewpoint of building up individual JGB holders. Please see page 5 for sales of JGBs for individual investors and sales breakdown of JGBs for individual investors.

Now we increase product variety for individual investors by introducing new kind of JGBs. We will issue this new type of JGBs which bears fixed-rate coupon with maturity of 5 years since January 2006, in addition to existing type which bears floating-rate coupon with maturity of 10 years.

The main features of new product, when compared with current issued type, are to bear fixed-rate interest rate and to have shorter maturity of 5 years.

Its interest rate is set in the following manners; a) interest is paid with fixed-rate semiannually, b) interest rate is determined as key rate minus 0.05%, c) key rate is the average yield of the successful bids at the auction of 5-year fixed-rate JGB, which held immediately before the public offering of JGBs for individual investors, d) interest rate has floor of 0.05%. Please see next page's chart for more detailed information on this new product.

We are going to carry out public offering of new product in this December for the same term as current product. Hereafter we will carry out public offering and issue new products quarterly like existing products. That means public offer is carried in March, June, September, December and products are issued in April, July, October, January and the issue date of the new products is on 15th of each issue month.

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JGB Market Special Participants

We provide information about instruments, interest rate, issue schedule and financial institutions on our website for JGBs for individual investors.
(<http://www.mof.go.jp/jouhou/kokusai/kojinmuke/index.html> (Japanese Only))

We also run the e-mail service (JGBs for individual investors information mailing service) and send latest information concerning to JGBs for individual investors. By this service, you can get notice on current rate for interest paying and schedule for public offering.
(<http://www.mof.go.jp/haisin/kokusai/resist.html> (Japanese Only))

Please visit these our websites.

[Existing type (Floating-rate) and New type (Fixed-rate) of JGBs for Individual Investors]

	Existing type (Floating-rate) of JGBs for Individual Investors	New type (Fixed-rate) of JGBs for Individual Investors
Purchasers	Limited to individual investors	
Minimum face value unit	10,000 yen	
Subscription price	100 yen per 100 yen face value	
Maturity	10-year	5-year
Coupon payment	Semiannually variable interest payment (Every six months)	Semiannually fixed interest payment (Every six months)
Interest rate	Key rate minus 0.8% (The key rate is the median yield of 10-year fixed-rate coupon-bearing bonds at the auction the month prior to the commencement of the interest calculation period.)	Key rate minus 0.05% (The key rate is the median yield of 5-year fixed-rate coupon-bearing bonds at the auction held immediately before the public offering.)
Guaranteed minimum interest rate	0.05%	
Redemption before maturity	As a rule, the bondholder is able to wholly or partially redeem the bond at any time after the second interest payment period (1 year following issue) at the financial institution at which he or she holds the account. However, redemption before maturity prior to the second payment period is possible in the event of the death of the account holder.	The bondholder will be able to wholly or partially redeem the bond at any time after the fourth interest payment period (2 years following issue) at the financial institution at which he or she holds the account. However, redemption before maturity prior to the fourth interest payment period will be possible in the event of the death of the account holder.
Penalty for redemption before maturity	Face value plus a proportionate amount of accrued interest minus already paid interest to a value corresponding to the most recent 2 interest payments	Face value plus a proportionate amount of accrued interest minus already paid interest to a value corresponding to 4 interest payments

Note : As from 1st December 2005, those who hold JGBs for individual investors will be entitled to redeem their bonds at any time if they suffer from extensive disasters.

Planned Bond Issuance for FY2005

Less FLIP bonds are needed for financing Fund than initially estimated because FLIP agencies have repaid the debts before maturity to the Fiscal Loan Fund. Therefore, the Ministry of Finance decided to decrease planned issuance of the Fiscal Loan Bonds (transitional measures) as followings for FY2005.

Postal Savings	1,100 billion yen
Pension Reserves	1,500 billion yen
Postal Life Insurance	450 billion yen

< Classification by Funding Purpose >

(Billion yen)

	Planned Issuance for FY2005 Initial Budget (a)	Planned Issuance for FY2005 Revision (b)	(b)-(a)
New Financial Resource Bonds	34,390.0	34,390.0	-
Construction Bonds	6,180.0	6,180.0	-
Special Deficit-financing Bonds	28,210.0	28,210.0	-
Refunding Bonds	103,815.1	103,815.1	-
Fiscal Loan Bonds	31,300.0	28,250.0	▲ 3,050.0
(public offering)	(12,000.0)	(12,000.0)	(-)
(transitional measures)	(19,300.0)	(16,250.0)	(▲ 3,050.0)
TOTAL	169,505.1	166,455.1	▲ 3,050.0

< Classification by Issuance Methods and Maturity >

(Billion yen)

	Planned Issuance for FY2005 Initial Budget (a)	Planned Issuance for FY2005 Revision (b)	(b)-(a)
Fiscal Loan Bonds (transitional measures)	19,300.0	16,250.0	▲ 3,050.0
Postal Savings	12,300.0	11,200.0	▲ 1,100.0
Pension Reserves	5,200.0	3,700.0	▲ 1,500.0
Postal Life Insurance	1,800.0	1,350.0	▲ 450.0

Auction Calendar for October - December 2005

Auction Date	Issue
Oct. 4	Treasury Bills (6-month)
4	10-year
5	Financing Bills (13-week)
12	Financing Bills (13-week)
13	5-year
17	Treasury Bills (1-year)
18	30-year
19	Financing Bills (13-week)
25	20-year
26	Financing Bills (13-week)
27	2-year
Nov. 1	Financing Bills (13-week)
1	10-year
7	Treasury Bills (6-month)
8	5-year
9	Financing Bills (13-week)
15	Treasury Bills (1-year)

Auction Date	Issue
Nov. 16	Financing Bills (13-week)
17	15-year Floating-rate
22	Financing Bills (13-week)
22	20-year
29	2-year
30	Financing Bills (13-week)
Dec. 1	10-year
6	Treasury Bills (6-month)
6	10-year Inflation-Indexed Bonds
7	Financing Bills (13-week)
8	5-year
13	20-year
14	Financing Bills (13-week)
15	Treasury Bills (1-year)
20	Financing Bills (13-week)
21	2-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.
 2: Each issue amount will be announced about one week prior to each auction date.

Auction Results Bonds and Treasury Bills

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)
9/27/2005	2-year	237	10/15/2007	0.2%	6,085.40	1,552.60	0.187%	0.186%	11.510	135.10	0
9/22/2005	20-year	81	9/20/2025	2.0%	1,539.60	650.70	2.017%	2.004%	—	48.90	0
9/15/2005	15-year Floating-rate	36	9/20/2020	-0.950%	5,270.80	1,403.30	—	—	—	95.40	0
9/13/2005	5-year	49	9/20/2010	0.6%	5,587.90	1,818.90	0.629%	0.629%	19.712	160.50	139.7
9/13/2005	Treasury Bills(1-year)	385	9/20/2006	—	7,268.40	1,391.14	0.0129%	0.0119%	—	108.80	—
9/ 6/2005	10-year Inflation-Indexed Bonds	5	9/10/2015	0.8%	1,703.00	499.60	0.860%	—	—	—	43.9
9/ 6/2005	Treasury Bills(6-month)	384	3/10/2006	—	32,654.90	1,848.49	0.0010%	0.0006%	—	151.40	—
9/ 1/2005	10-year	272	9/20/2015	1.4%	4,891.10	1,700.80	1.326%	1.325%	9.108	—	—
8/30/2005	2-year	236	9/20/2007	0.2%	7,096.50	1,556.60	0.162%	0.159%	13.245	129.00	147.9
8/23/2005	20-year	80	6/20/2025	2.1%	2,114.30	646.90	2.121%	2.119%	—	52.10	64.2
8/16/2005	Treasury Bills(1-year)	383	8/21/2006	—	6,368.40	1,397.24	0.0130%	0.0120%	—	102.71	—
8/11/2005	5-year	48	6/20/2010	0.7%	6,055.20	1,826.90	0.674%	0.672%	18.058	153.70	4.7
8/ 5/2005	Treasury Bills(6-month)	382	2/10/2006	—	23,592.40	1,831.62	0.0009%	0.0007%	—	168.30	—
8/ 2/2005	10-year	270	6/20/2015	1.3%	4,817.30	1,701.34	1.349%	1.348%	8.611	—	—
7/28/2005	2-year	235	8/20/2007	0.1%	5,649.80	1,585.20	0.117%	0.114%	11.598	102.40	104.1
7/26/2005	20-year	79	6/20/2025	2.0%	1,804.80	648.90	1.965%	1.960%	—	50.70	0
7/21/2005	15-year Floating-rate	35	7/20/2020	-0.950%	4,214.90	1,379.50	—	—	—	118.80	0
7/14/2005	30-year	19	6/20/2035	2.3%	1,430.60	499.80	2.355%	—	—	—	38.2
7/14/2005	Treasury Bills(1-year)	381	7/20/2006	—	15,491.40	1,385.54	0.0029%	0.0029%	—	114.40	—
7/12/2005	5-year	47	6/20/2010	0.5%	7,018.60	1,816.10	0.460%	0.458%	17.873	164.90	0
7/ 5/2005	10-year	271	6/20/2015	1.2%	4,214.00	1,701.46	1.213%	1.211%	8.437	—	—
7/ 5/2005	Treasury Bills(6-month)	380	1/12/2006	—	36,540.60	1,833.99	0.0009%	0.0007%	—	165.90	—

Note : (*)This column for 15-year Floating-rate bonds indicates the spread from the reference rate.

Financing Bills

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)
9/28/2005	13-week	356	1/11/2006	21,011.60	3,512.49	0.0010%	0.0010%	315.4
9/20/2005	13-week	355	12/26/2005	36,026.40	3,607.46	0.0000%	0.0000%	220.5
9/14/2005	13-week	354	12/19/2005	64,444.20	3,512.85	0.0000%	0.0000%	324.0
9/ 7/2005	13-week	353	12/12/2005	66,866.40	3,520.08	0.0000%	0.0000%	281.8
8/31/2005	13-week	352	12/ 5/2005	60,092.50	3,599.82	0.0000%	0.0000%	201.1
8/24/2005	13-week	351	11/28/2005	66,742.10	3,820.14	0.0007%	0.0007%	283.8
8/17/2005	13-week	350	11/21/2005	47,568.70	3,814.68	0.0015%	0.0015%	299.2
8/10/2005	13-week	349	11/14/2005	41,197.50	3,741.21	0.0015%	0.0015%	357.7
8/ 3/2005	13-week	348	11/ 7/2005	68,919.80	3,876.01	0.0000%	0.0000%	249.9
7/27/2005	13-week	347	10/31/2005	66,062.80	3,859.08	0.0000%	0.0000%	265.8
7/20/2005	13-week	346	10/24/2005	70,464.20	4,082.53	0.0000%	0.0000%	287.4
7/13/2005	13-week	345	10/17/2005	78,077.20	4,079.61	0.0000%	0.0000%	305.3
7/ 6/2005	13-week	344	10/11/2005	83,238.80	4,046.71	0.0000%	0.0000%	353.2

Buy-back Results

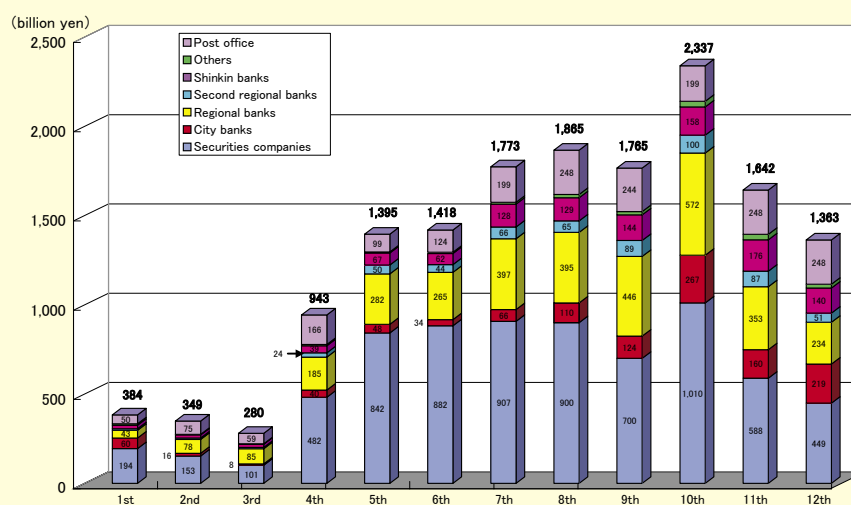
(billion yen)

Type of Security	10-year									20-year					Total
Issue Number	203	204	205	206	207	208	209	210		7	8	9	10		
FY 2002	0.0	17.0	0.0	0.0	21.5	0.0	15.2	92.7	146.4	39.9	19.5	10.2	3.0	72.6	219.0
FY 2003	176.6	197.8	404.1	30.0	89.7	0.0	0.0	40.8	939.0	24.1	13.1	7.9	13.1	58.2	997.2
FY 2004	394.3	641.0	95.5	37.3	716.2	1.7	0.0	105.9	1,991.9	7.8	0.4	0.0	0.0	8.2	2,000.1
Apr.-Jun. 2005	254.1	11.9	0.0	7.9	254.7	1.2	0.0	18.9	548.7	0.0	0.0	0.0	1.8	1.8	550.5
Jul. 2005	0.0	0.0	0.0	0.0	200.1	0.0	0.0	0.0	200.1	0.0	0.0	0.0	0.0	0.0	200.1
Aug. 2005	0.0	0.0	0.0	0.0	10.0	0.0	0.0	40.0	50.0	0.0	0.0	0.0	0.0	0.0	50.0
Sep. 2005	250.0	0.0	0.0	0.0	50.0	0.0	0.0	0.0	300.0	0.0	0.0	0.0	0.0	0.0	300.0
FY 2005	504.1	11.9	0.0	7.9	514.8	1.2	0.0	58.9	1,098.8	0.0	0.0	0.0	1.8	1.8	1,100.6

Sales of JGBs for Individual Investors

Issue Number		FY2004		FY2005		
		8	9	10	11	12
Issue Conditions	Flotation Term	9-28 Sep.04	9-24 Dec.04	10-29 Mar.05	9-28 Jun.05	8-27 Sep.05
	Issue Date	12 Oct.04	11 Jan.05	11 Apr.05	11 Jul.05	11 Oct.05
	Initial Coupon (Reference Rate)	0.74% (1.54%)	0.67% (1.47%)	0.73% (1.53%)	0.45% (1.25%)	0.55% (1.35%)
Financial Institutions	Number of Institutions	728	745	799	810	834
	Sales (billion yen)	1,617	1,521	2,138	1,394	1,115
Post Office	Sales (billion yen)	248	244	199	248	248
Total (billion yen)		1,865	1,765	2,337	1,642	1,363

Sales Breakdown of JGBs for Individual Investors



Note : Figure in "Others" indicates trust banks, the Norinchukin Bank and agricultural cooperatives, credit cooperatives and labor credit associations (10th ~).

JAPANESE FINANCIAL MARKET

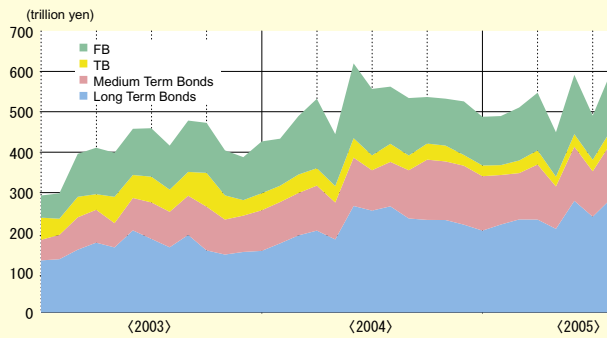
10-year JGB Yield



JGB Yield Curve

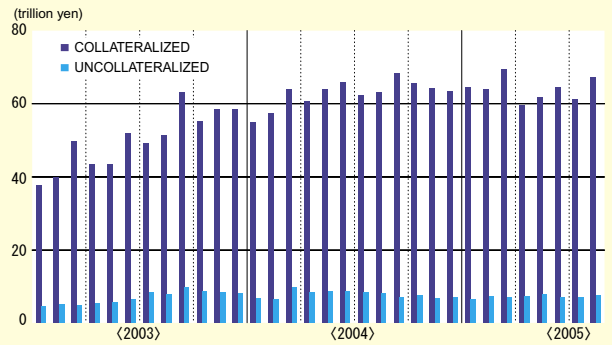


JGB Trading Volume of Over-the-Counter(Tokyo)



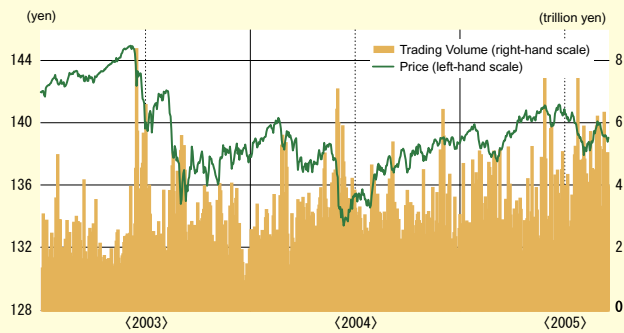
Source: Japan Securities Dealers Association

Transactions of Bond Margin Loan (Open Interest of Bond Borrowed)



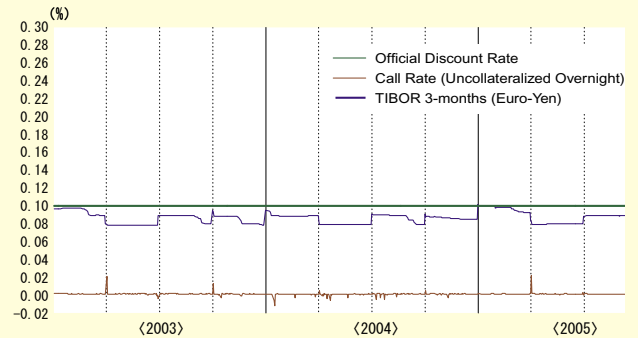
Source: Japan Securities Dealers Association

10-year JGB Futures



Source: Tokyo Stock Exchange

Short-term Interest Rates



Source: Bank of Japan ; Japanese Bankers Association

JAPANESE ECONOMY

Economic Indicator

(%)

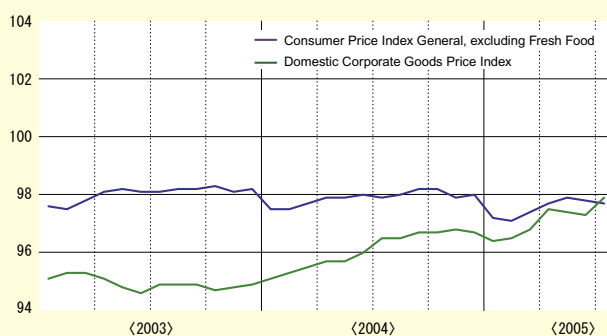
	FY2002	FY2003	FY2004	2004			2005	
				Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.
Real GDP (1995 prices)	0.8	2.0	1.9	-0.4	-0.1	0.1	1.4	0.8
Domestic Demand	(0.1)	(1.2)	(1.5)	(-0.6)	(0.0)	(0.2)	(1.5)	(0.6)
Private Consumption	0.7	0.5	1.2	0.0	0.0	-0.3	1.2	0.6
Residential Investment	-2.3	-0.3	2.1	1.3	0.7	0.6	-1.3	-2.3
Non-Resi. Investment	-3.7	8.3	5.2	2.5	0.3	0.4	3.1	3.6
Public Investment	-5.1	-9.0	-15.1	-16.7	-1.9	-0.5	-0.9	-2.6
Net Exports	(0.7)	(0.8)	(0.5)	(0.2)	(-0.2)	(0.0)	(-0.1)	(0.2)
Index of Industrial Production	2.8	3.5	4.1	1.9	-0.1	-0.9	1.7	-0.4
Unemployment Rate	5.4	5.1	4.6	4.6	4.8	4.6	4.6	4.3

Note 1: Figures excluding unemployment rate show percent changes from previous period (quarterly figures are seasonally adjusted).

2: The figures in () indicate the contribution to change in GDP.

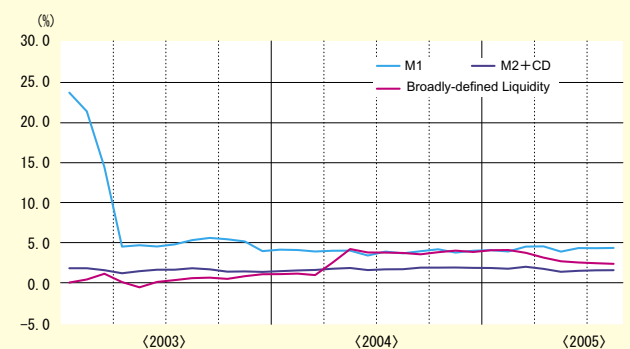
Source: Cabinet Office; Ministry of Economy, Trade and Industry; Ministry of Internal Affairs and Communications

Prices (2000 average = 100)



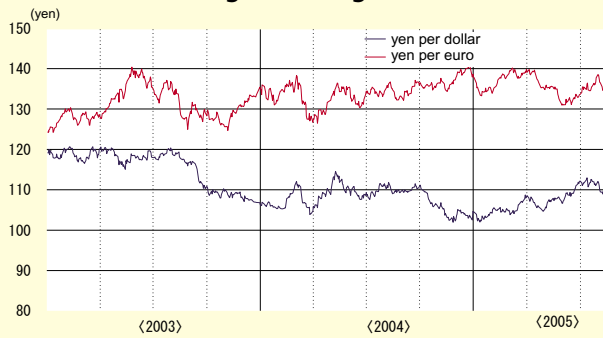
Source: Ministry of Internal Affairs and Communications; Bank of Japan

Money Stock



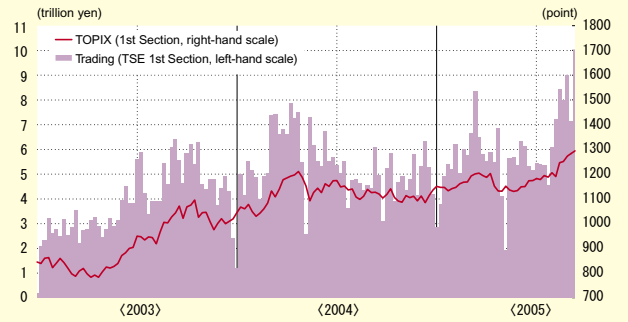
Source: Bank of Japan

Foreign Exchange Rates



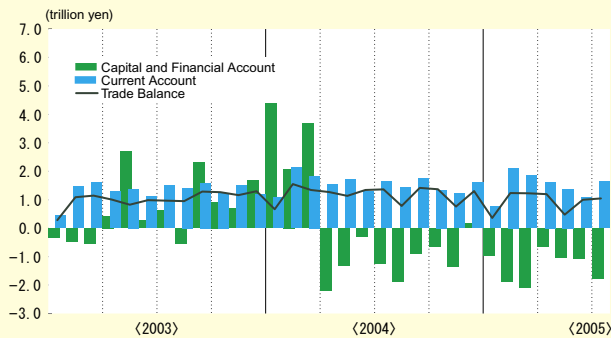
Source : Bank of Japan

Stock Market



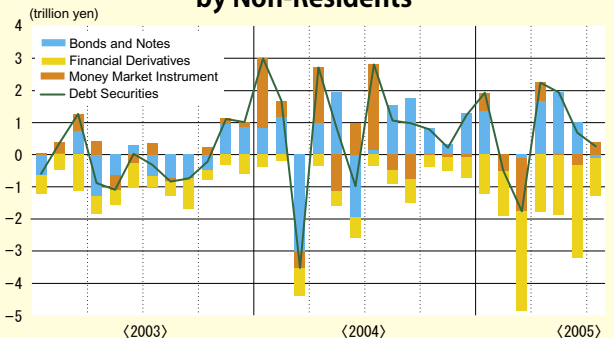
Source : Tokyo Stock Exchange

Balance of Payments



Source : Ministry of Finance

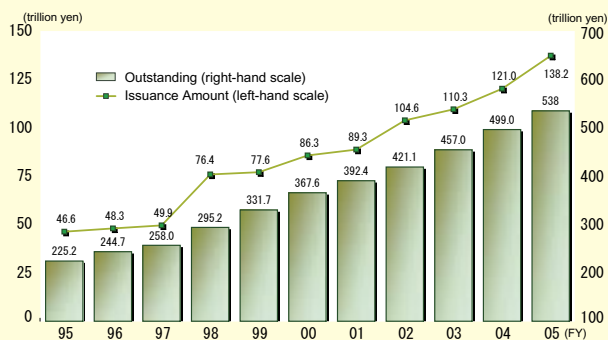
Debt Securities Investment in Japan by Non-Residents



Source : Ministry of Finance

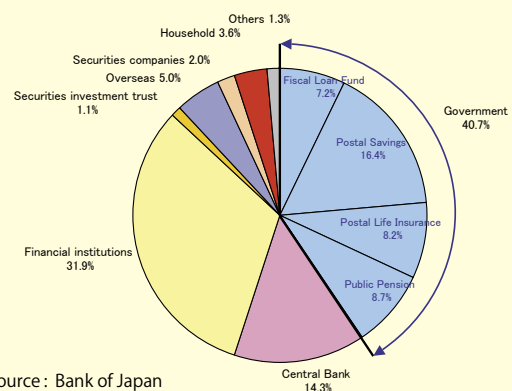
JGB OUTSTANDING

JGB Issuance Amount and Outstanding



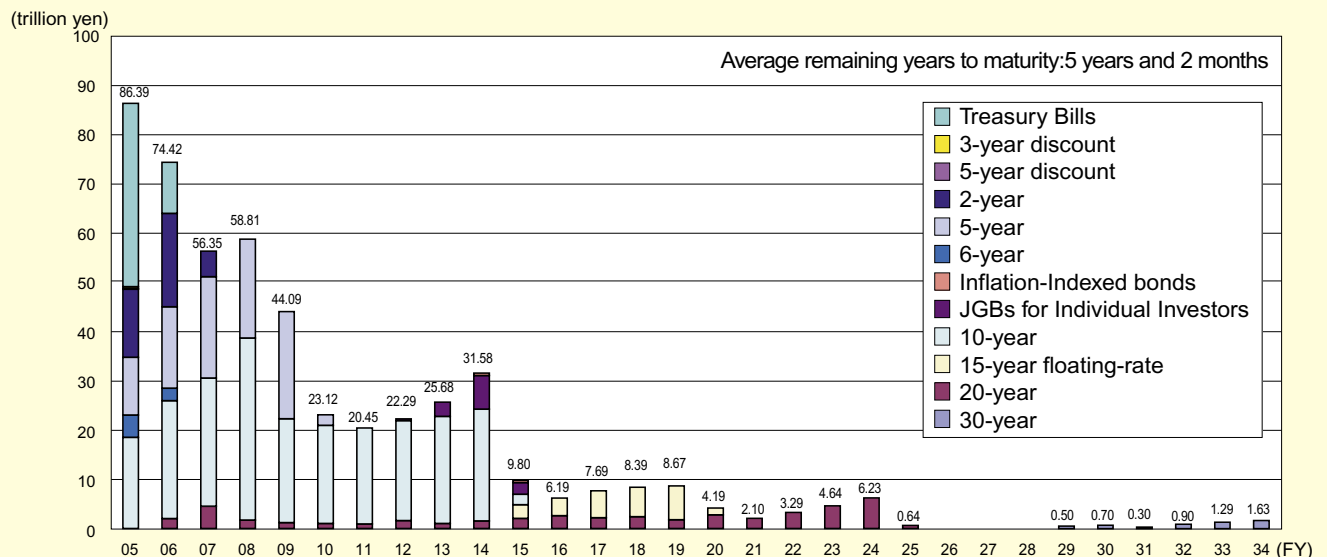
Note: Basis of estimate (FY2004 and FY2005)

Sectoral Holdings of JGB(June 2005)



Source : Bank of Japan

Time-to-maturity Structure of Outstanding JGB (June 2005)



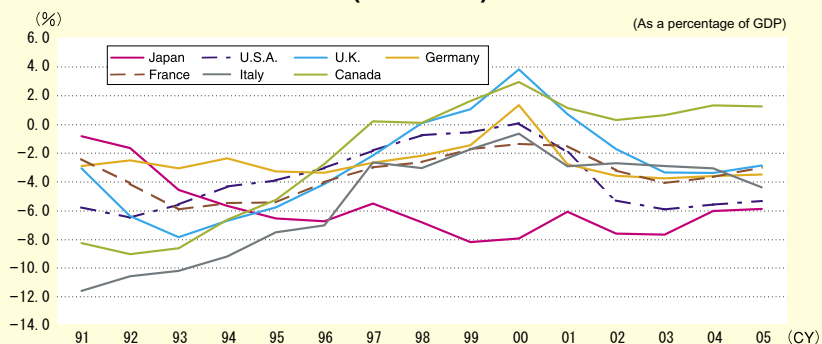
Central Government Debt Outstanding

(trillion yen)

Category	Amount			
	Mar. 2003	Mar. 2004	Mar. 2005	Jun. 2005
Government Bonds	504.3	556.4	626.4	640.4
General Bonds	421.1	457.0	499.0	510.3
Long-term (10 years or more)	279.8	293.8	317.2	324.1
Medium-term (from 2 to 6 years)	106.9	122.5	135.1	138.5
Short-term (one year or less)	34.4	40.6	46.6	47.7
Fiscal Loan Bonds	75.6	91.8	121.6	124.5
Long-term (10 years or more)	29.4	40.3	56.8	58.9
Medium-term (from 2 to 5 years)	46.1	51.5	64.8	65.6
Subsidy Bonds	0.2	0.3	0.3	0.3
Subscription/Contribution Bonds	2.1	2.2	2.1	2.1
Government Bonds converted from Japanese National Railways Settlement Corporation Bonds	5.2	5.2	3.3	3.2
Borrowings	107.0	60.6	59.1	58.3
Long-term (over one year)	58.3	10.4	7.1	6.8
Short-term (one year or less)	48.7	50.2	52.0	51.5
Financing Bills	57.5	86.1	96.1	97.2
TOTAL	668.8	703.1	781.6	795.8

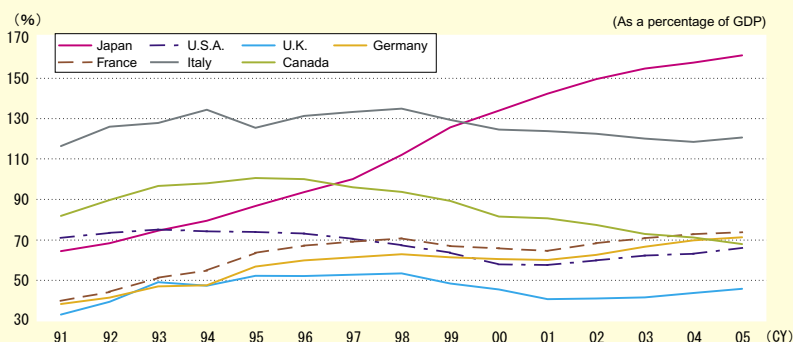
Note: Figures do not sum up to the total because of rounding.

GENERAL GOVERNMENT FINANCIAL BALANCE AND GROSS DEBT

General Government Financial Balances
(SNA Basis)

Note: As for Japan and the United States that have semi-funded pension systems, social security, which is thought to become a substantial future liability, has been excluded.

Source: OECD

General Government Gross Debt
(SNA Basis)

Source: OECD

JGB MARKET SPECIAL PARTICIPANTS

- ABN AMRO Securities (Japan) Limited
- Barclays Capital Japan Limited Tokyo Branch
- BNP PARIBAS Securities (Japan) Limited, Tokyo Branch
- Calyon Capital Markets Asia B.V.
- CREDIT SUISSE FIRST BOSTON SECURITIES (JAPAN) LIMITED
- Daiwa Securities SMBC Co. Ltd.
- Deutsche Securities Limited, Tokyo Branch
- Dresdner Kleinwort Wasserstein (Japan) Limited, Tokyo Branch
- Goldman Sachs (Japan) Ltd.
- J.P. Morgan Securities Asia Pte. Limited
- Lehman Brothers Japan Inc.
- Merrill Lynch Japan Securities Co., Ltd.
- Mitsubishi UFJ Securities Co., Ltd.
- Mizuho Bank, Ltd.
- Mizuho Corporate Bank, Ltd.
- Mizuho Investors Securities Co., Ltd.
- Mizuho Securities Co., Ltd.
- Morgan Stanley Japan Limited (Tokyo Branch)
- Nikko Citigroup Limited
- NOMURA SECURITIES CO., LTD.
- Okasan Securities Co., Ltd.
- Shinko Securities Co., Ltd.
- Sumitomo Mitsui Banking Corporation
- The Bank of Tokyo-Mitsubishi, Ltd.
- Tokai Tokyo Securities Co., Ltd.
- UBS Securities Co., Ltd.
- UFJ Bank Limited

We send notice to you by e-mail when new information on JGBs is updated on our website. For e-mail service, please visit our website (<http://www.mof.go.jp/english/ehaisin/etop.htm>) and register.

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