JAPANESE GOVERNMENT BONDS

Quarterly Newsletter of the Ministry of Finance of Japan

July 2011

Contents

WHAT'S NEW

< Warning against the fictitious certificate named *"Kanpukin Zandaka Kakuninsho"* (*"Refund Outstanding Certificate"*) >

A *"Kanpukin Zandaka Kakuninsho"* (*"Refund Outstanding Certificate"*) is a fictitious certificate which has allegedly been issued by the Japanese Minister of Finance to certify the existence of a remaining balance on a Japanese government bond refund. It claims to confirm that the Japanese Minister of Finance will exchange the amount specified for an equivalent amount of Japanese government bonds.

Some of the perpetrators who attempted to receive money by using this certificate have already been arrested by the police since 1984, however, the fraudulent use of such fictitious certificate continues to be reported. Ministry of Finance even today receives numerous inquiries in this regard.

Please note that the Ministry of Finance has never issued such certificate, nor does such certificate have a legal foundation for its existence.

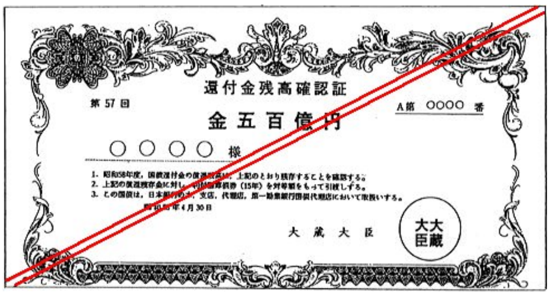
Please consult the police, if you hear the moneymaking scheme using such a fictitious certificate.

【An example of the fictitious certificate *"Kanpukin Zandaka Kakuninsho"*】

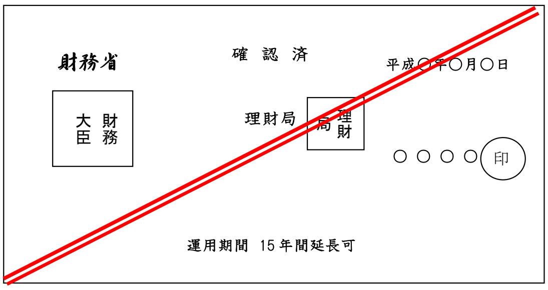
(Note)

The face value of fictitious certificates vary: 10 billion yen("100億円"), 500billion yen ("5000億円") etc. On some certificates, falsified endorsements of Financial Bureau, Ministry of Finance may be found.

〔An example of obverse side〕



〔An example of reverse side with falsified endorsements〕



2　JGB PRIMARY MARKET

Auction Results

（Bonds）

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)
4/ 5/2011	10-year	313	3/20/2021	1.3%	7,946.9	2,000.7	1.305%	1.303%	8.544	189.6	320.8
4/12/2011	30-year	34	3/20/2041	2.2%	2,156.3	636.4	2.247%	2.241%	-	62.7	0.0
4/14/2011	5-year	96	3/20/2016	0.5%	7,792.7	2,187.8	0.533%	0.529%	4.151	207.3	14.3
4/21/2011	20-year	126	3/20/2031	2.0%	2,928.3	1,002.5	2.035%	2.028%	-	96.7	11.2
4/26/2011	2-year	304	5/15/2013	0.2%	12,361.3	2,408.6	0.210%	0.208%	2.969	187.4	350.5
5/12/2011	10-year	314	3/20/2021	1.1%	5,466.0	1,999.2	1.131%	1.128%	7.418	192.7	200.0
5/17/2011	40-year	4	3/20/2051	2.2%	1,250.4	399.8	2.225%	-	-	-	6.7
5/19/2011	5-year	96	3/20/2016	0.5%	7,121.1	2,193.2	0.451%	0.447%	1.792	203.9	0.0
5/26/2011	20-year	127	3/20/2031	1.9%	3,890.3	1,000.7	1.917%	1.910%	-	99.1	11.9
5/30/2011	2-year	305	6/15/2013	0.2%	12,815.2	2,412.2	0.174%	0.173%	2.700	184.4	347.1
6/ 1/2011	10-year	315	6/20/2021	1.2%	5,397.9	2,001.9	1.177%	1.173%	8.951	188.2	14.0
6/ 7/2011	30-year	34	3/20/2041	2.2%	2,009.4	636.7	2.051%	2.038%	-	62.7	0.0
6/ 9/2011	5-year	97	6/20/2016	0.4%	7,034.2	2,190.4	0.416%	0.414%	4.919	203.7	0.0
6/15/2011	20-year	128	6/20/2031	1.9%	2,495.5	1,017.0	1.934%	1.920%	-	82.5	3.0
6/23/2011	2-year	306	7/15/2013	0.2%	9,551.6	2,425.0	0.157%	0.152%	3.061	171.4	0.0

Auction Results

（Treasury Discount 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)
4/ 1/2011	3-month	182	7/ 4/2011	15,230.00	4,501.92	0.1057%	0.1041%	340.00
4/ 5/2011	3-month	183	7/11/2011	17,836.50	4,541.01	0.1083%	0.1079%	298.90
4/ 6/2011	6-month	184	10/11/2011	12,731.40	3,261.37	0.1204%	0.1204%	238.50
4/12/2011	Approx,. 2-month	185	6/ 2/2011	15,006.90	2,338.64	0.1064%	0.1049%	161.30
4/13/2011	3-month	186	7/19/2011	22,509.20	4,419.57	0.1071%	0.1059%	390.40
4/15/2011	1-year	187	4/20/2012	8,338.46	2,346.55	0.1438%	0.1408%	153.40
4/20/2011	3-month	188	7/25/2011	21,112.00	4,445.76	0.1043%	0.1031%	347.20
4/22/2011	3-month	189	8/ 1/2011	21,527.70	4,449.82	0.1045%	0.1038%	350.10
4/27/2011	3-month	190	8/ 8/2011	18,055.50	4,503.40	0.1043%	0.1039%	330.50
5/10/2011	6-month	191	11/10/2011	13,646.96	3,262.44	0.1109%	0.1109%	237.50
5/11/2011	3-month	192	8/15/2011	19,727.00	4,452.92	0.1023%	0.1007%	357.00
5/17/2011	1-year	193	5/21/2012	7,800.20	2,325.41	0.1344%	0.1314%	174.50
5/18/2011	3-month	194	8/22/2011	21,106.20	4,458.28	0.1043%	0.1023%	361.60
5/19/2011	Approx,. 2-month	195	7/25/2011	21,861.10	2,805.67	0.1047%	0.1035%	194.20
5/25/2011	3-month	196	8/29/2011	22,471.90	4,416.08	0.1043%	0.1039%	353.80
6/ 1/2011	3-month	197	9/ 5/2011	23,888.20	4,471.35	0.1043%	0.1039%	347.50
6/ 7/2011	6-month	198	12/ 9/2012	16,856.50	3,284.40	0.1103%	0.1083%	215.50
6/ 8/2011	3-month	199	9/12/2011	26,626.12	4,404.36	0.1043%	0.1027%	365.50
6/10/2011	Approx,. 2-month	200	8/ 3/2011	23,220.80	2,326.30	0.1005%	0.1005%	173.60
6/13/2011	1-year	201	6/20/2012	8,848.50	2,318.62	0.1318%	0.1308%	181.30
6/15/2011	3-month	202	9/20/2011	30,592.20	4,407.39	0.1011%	0.1011%	372.50
6/22/2011	3-month	203	9/26/2011	24,392.70	4,400.76	0.0922%	0.0918%	349.20
6/29/2011	3-month	204	10/ 3/2011	15,697.13	4,501.78	0.0982%	0.0902%	261.20

Auction Calendar for Jul. – Sep. 2011

Auction Date	Issue	Auction Date	Issue	Auction Date	Issue	Auction Date	Issue
7/ 5 (Tue)	T-Bills(6-month)	7/26 (Tue)	Auction for Enhanced-liquidity	8/16 (Tue)	T-Bills(1-year)	9/ 8 (Thu)	5-year
7/ 5 (Tue)	10-year	7/27 (Wed)	T-Bills(3-month)	8/17 (Wed)	T-Bills(3-month)	9/13 (Tue)	T-Bills(1-year)
7/ 6 (Wed)	T-Bills(3-month)	7/28 (Thu)	2-year	8/23 (Tue)	Auction for Enhanced-liquidity	9/13 (Tue)	20-year
7/ 7 (Thu)	30-year	8/ 2 (Tue)	10-year	8/24(Wed)	T-Bills(3-month)	9/14 (Wed)	T-Bills(3-month)
7/11 (Mon)	Auction for Enhanced-liquidity	8/ 3 (Wed)	T-Bills(3-month)	8/25 (Thu)	20-year	9/15 (Thu)	Auction for Enhanced-liquidity
7/13 (Wed)	T-Bills(3-month)	8/ 4 (Thu)	T-Bills(6-month)	8/30 (Tue)	2-year	9/16 (Fri)	T-Bills(Approx.2-month)
7/14 (Thu)	T-Bills(1-year)	8/ 4 (Thu)	Auction for Enhanced-liquidity	8/31 (Wed)	T-Bills(3-month)	9/20 (Tue)	T-Bills(3-month)
7/14 (Thu)	5-year	8/ 9 (Tue)	T-Bills(3-month)	9/ 1 (Thu)	10-year	9/21(Wed)	Auction for Enhanced-liquidity
7/19 (Tue)	T-Bills(3-month)	8/ 9 (Tue)	40-year	9/ 5 (Mon)	T-Bills(6-month)	9/27 (Tue)	2-year
7/20 (Wed)	T-Bills(Approx.2-month)	8/10 (Wed)	T-Bills(Approx.2-month)	9/ 6 (Tue)	T-Bills(3-month)	9/28 (Wed)	T-Bills(3-month)
7/21 (Thu)	20-year	8/11 (Thu)	5-year	9/ 6(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.
Note 3：The issue date of the Treasury Discount Bills auctioned on July 20,2011 is July 25,2011, and the maturity date is September 22,2011.
Note 4：The issue date of the Treasury Discount Bills auctioned on August 10,2011 is August 15,2011, and the maturity date is October 4,2011.
Note 5：The issue date of the Treasury Discount Bills auctioned on September 16,2011 is September 22,2011, and the maturity date is November 25,2011.

Total Bidding Amount of JGBs（Calculated by Duration）Top 10

（Jan.2011 ～ Jun. 2011）

1	Nomura Securities Co., Ltd.	6	Barclays Capital Japan Limited
2	Goldman Sachs Japan Co., Ltd.	7	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
3	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	8	RBS Securities Japan Limited
4	Mizuho Securities Co., Ltd.	9	Daiwa Securities Capital Markets Co. Ltd.
5	Deutsche Securities Inc.	10	SMBC Nikko Securities Inc.

3 THE AUCTION FOR ENHANCED-LIQUIDITY AND JGB BUY-BACK

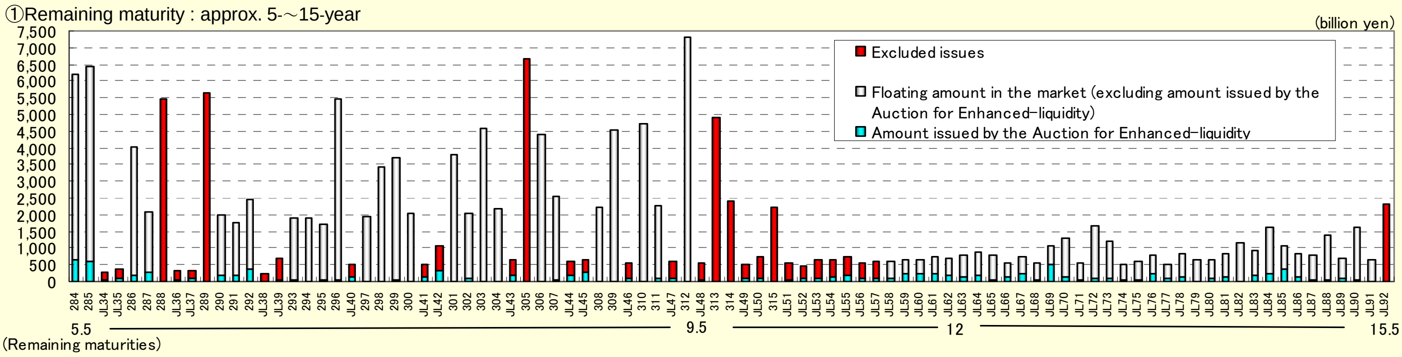
Issues Re-opened through the Recent Auctions for Enhanced-liquidity

Auction Date	Securities	Issue Numbers / Re-opened Amounts（billion yen. face value）																		
6/21/2011	10-year 20-year	#282	#283	#284	#285	#287	#295	#61	#62	#67	#68	#69	#71	#73	#74	#76	#79	#80	#81	#84
		23.7	5.5	107.7	58.8	12.9	25.3	12.4	3.0	0.5	0.1	13.1	2.0	10.5	2.4	0.3	0.5	0.1	1.6	8.3
		#85	#87	#89	#90															
		1.6	1.1	7.0	0.6															
6/3/2011	20-year 30-year	#119	#120	#122	#6	#7	#8	#9	#10	#13	#15	#17	#18	#19	#20	#21	#22	#23	#25	#29
		0.2	5.3	1.0	30.2	33.2	7.0	4.5	25.9	22.8	43.9	12.7	8.5	1.8	0.4	23.6	6.4	4.5	8.5	29.0
		#30	#31	#33																
		12.2	7.5	10.9																
5/24/2011	10-year 20-year	#282	#283	#284	#285	#286	#287	#290	#291	#294	#300	#304	#307	#311	#61	#62	#69	#71	#76	#78
		0.9	3.1	20.5	19.2	2.5	62.8	44.5	10.5	5.5	3.5	6.0	6.2	71.8	3.3	16.3	2.0	4.2	5.0	5.0
		#84	#89																	
		2.1	4.0																	
5/10/2011	20-year 30-year	#93	#100	#109	#118	#119	#120	#121	#6	#7	#8	#9	#10	#11	#13	#16	#17	#18	#19	#20
		0.3	3.1	3.1	8.7	0.2	4.1	23.4	32.5	20.5	0.5	0.1	5.1	5.9	22.8	3.0	3.0	38.8	24.9	10.0
		#22	#23	#28	#30	#33														
		0.9	5.0	61.0	0.2	21.4														
4/19/2011	10-year 20-year	#287	#290	#291	#292	#304	#307	#308	#61	#62	#63	#64	#66	#68	#76	#78	#81	#85	#86	
		20.0	81.1	52.3	6.0	3.0	19.1	5.0	11.8	4.3	0.5	0.5	37.3	1.2	25.1	0.9	0.9	16.6	14.0	
4/8/2011	20-year 30-year	#92	#93	#100	#109	#117	#118	#121	#122	#7	#14	#15	#17	#18	#20	#21	#23	#26	#28	#29
		0.5	8.0	5.0	5.3	0.5	0.5	5.5	2.0	30.0	32.5	0.5	1.0	30.0	39.3	3.3	32.0	31.0	2.0	56.8
		#30	#31	#33																
		1.0	8.0	5.0																

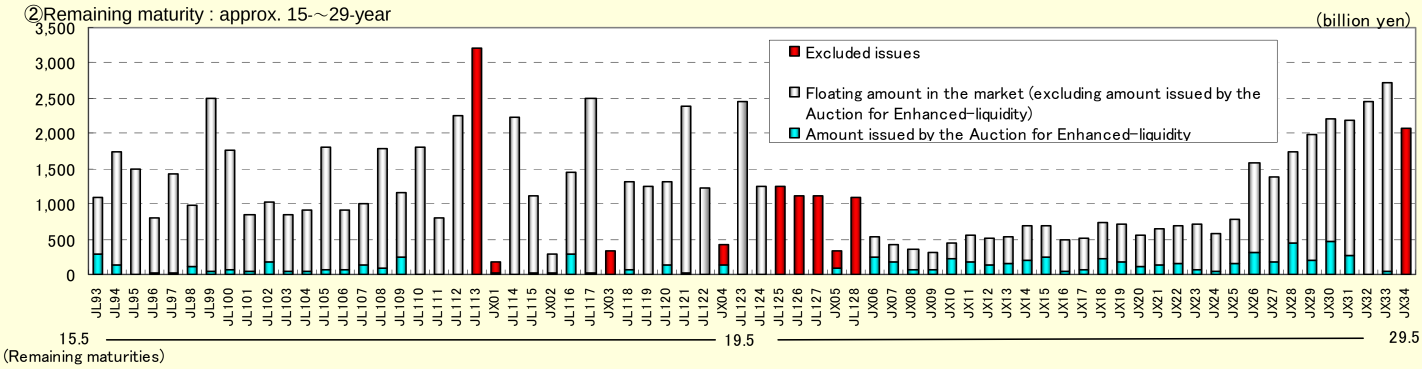
Note：Red shows 10-year, black shows 20-year and blue shows 30-year coupon-bearing bonds.

Target Zones of the Auction for Enhanced-liquidity for the Second Quarter of FY 2011

①Remaining maturity : approx. 5-～15-year



②Remaining maturity : approx. 15-～29-year

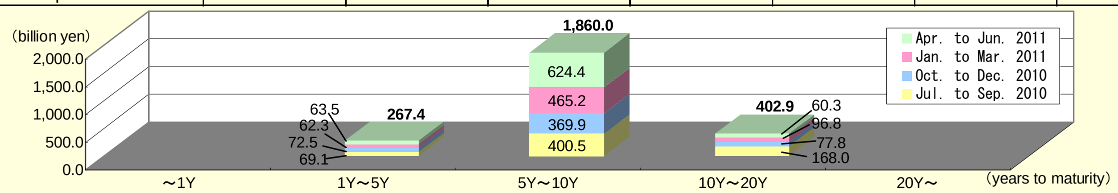


Note ：JL shows 20-year JGBs. JX shows 30-year JGBs. Outstanding amount is at the end of June 2011.

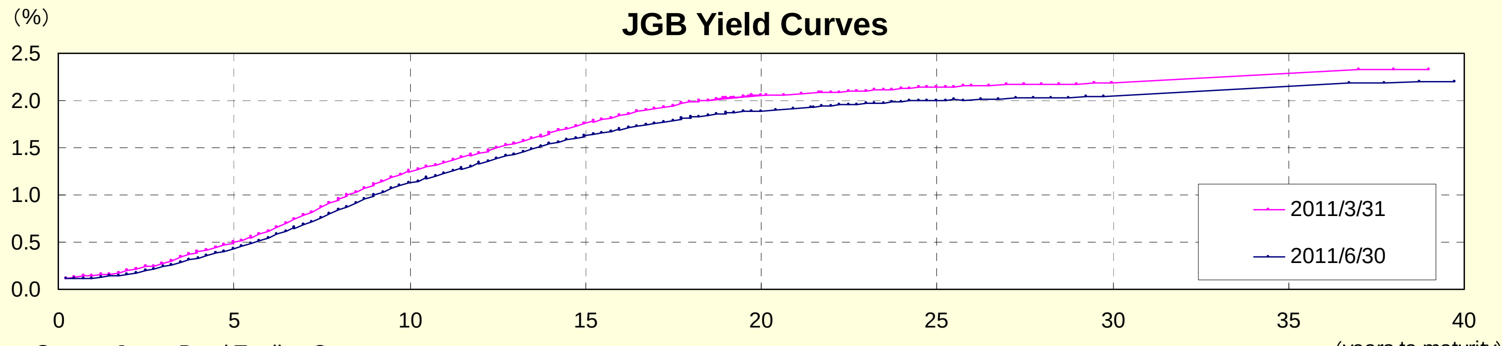
JGB Buy-back Results

(billion yen)

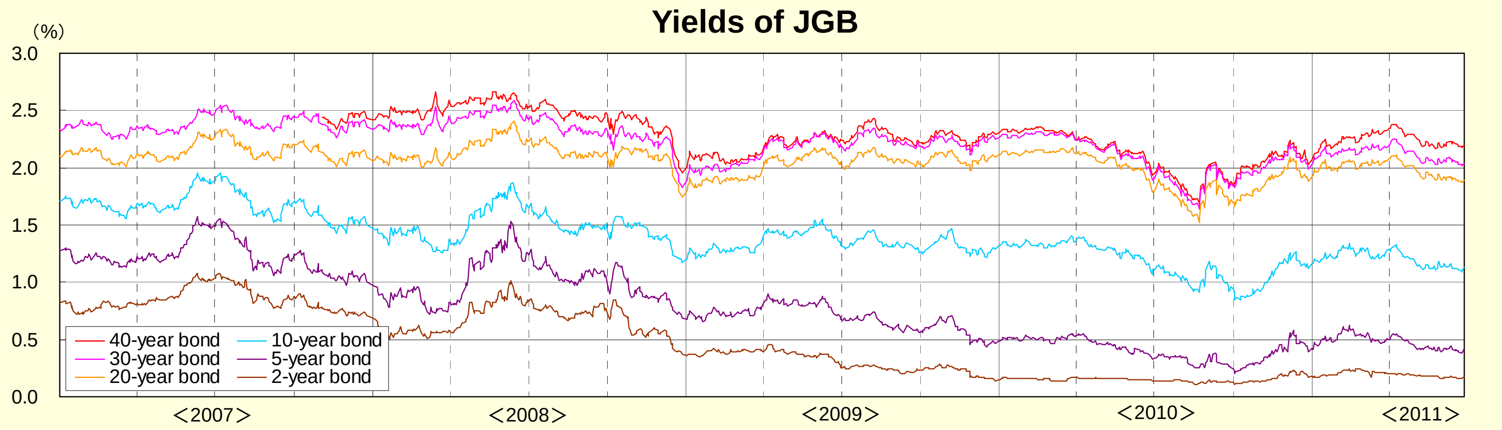
Remaining Years to Maturity	～1yr	1yr～5yr	5yr～10yr	10yr～20yr	20yr～	Coupon STRIPS	Total
June 2011	-	17.9	183.8	6.3	-	-	208.0
May 2011	-	33.6	244.9	51.0	-	-	329.5
April 2011	-	12.0	195.7	3.0	-	-	210.7



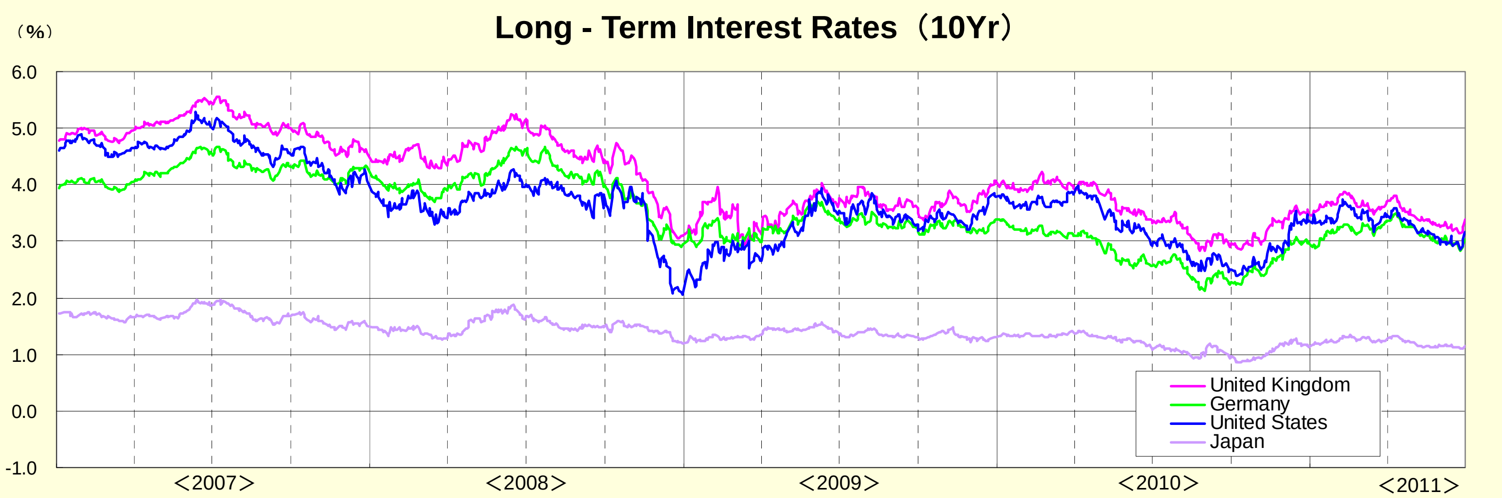
4 JGB SECONDARY MARKET



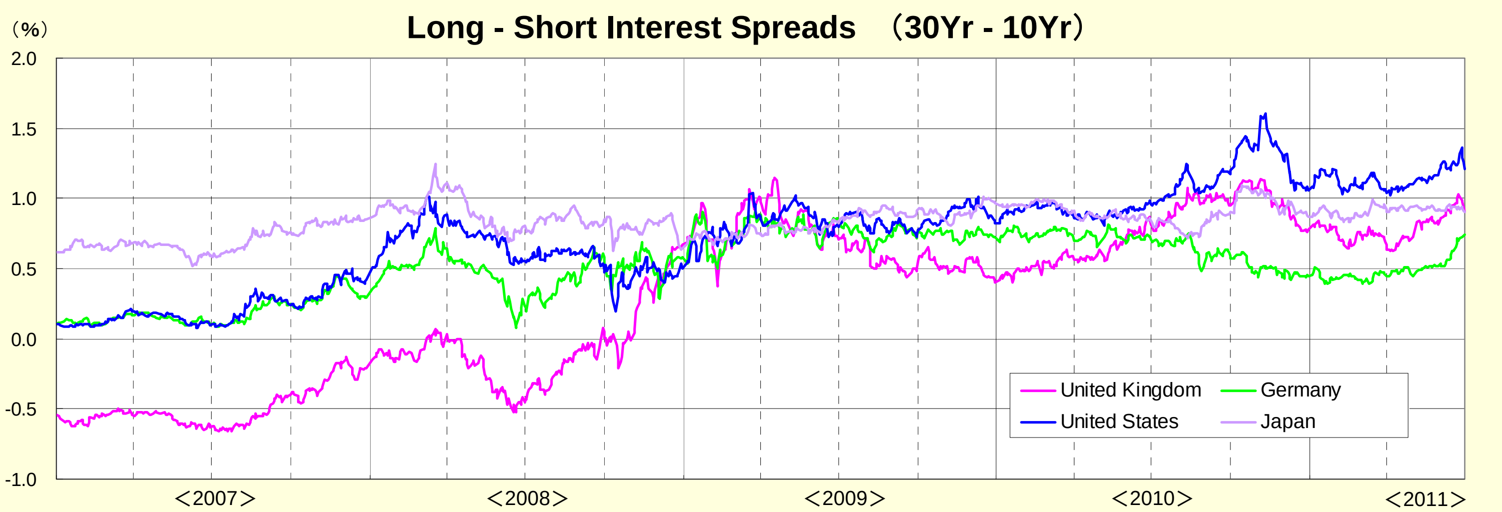
Source: Japan Bond Trading Co.



Source: Japan Bond Trading Co.

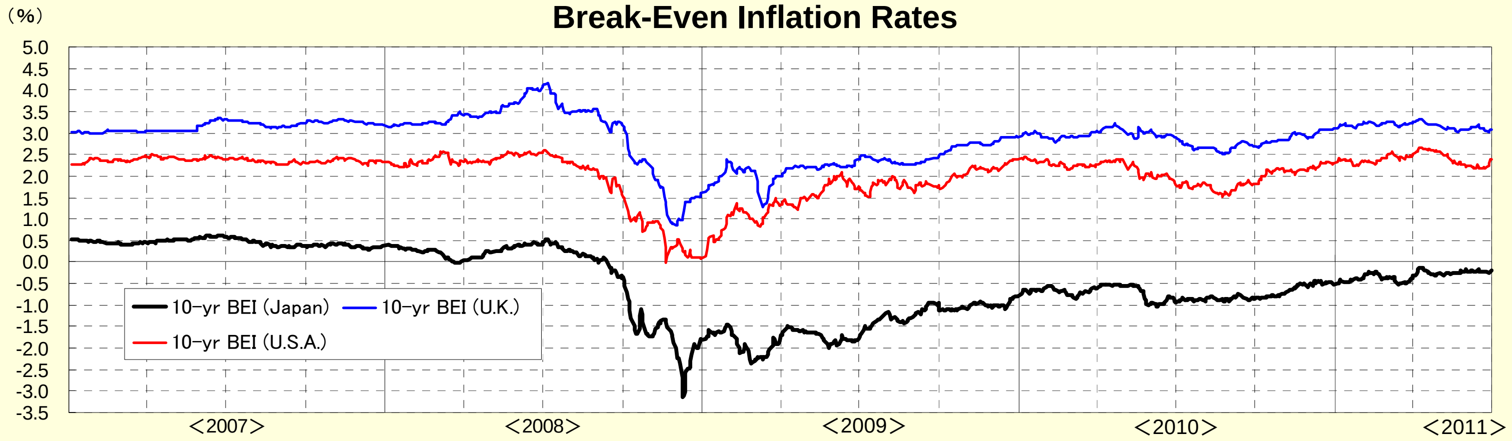


Source: Bloomberg



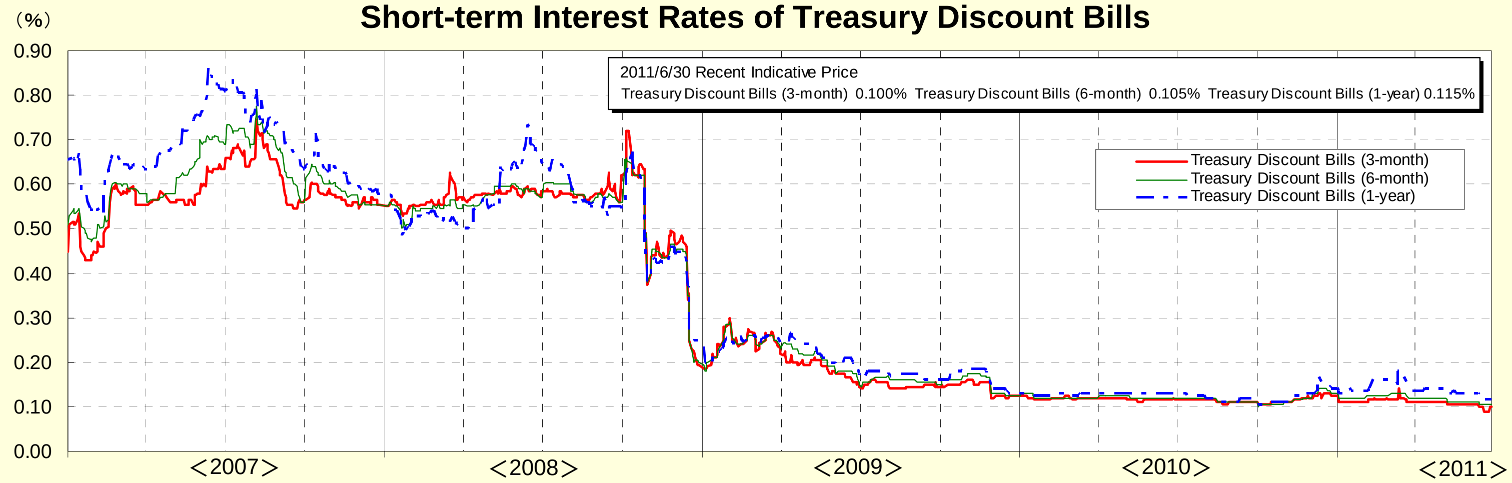
Source: Bloomberg

Break-Even Inflation Rates



Source: Japan; Japan Bond Trading Co., U.S.A., U.K.; Bloomberg

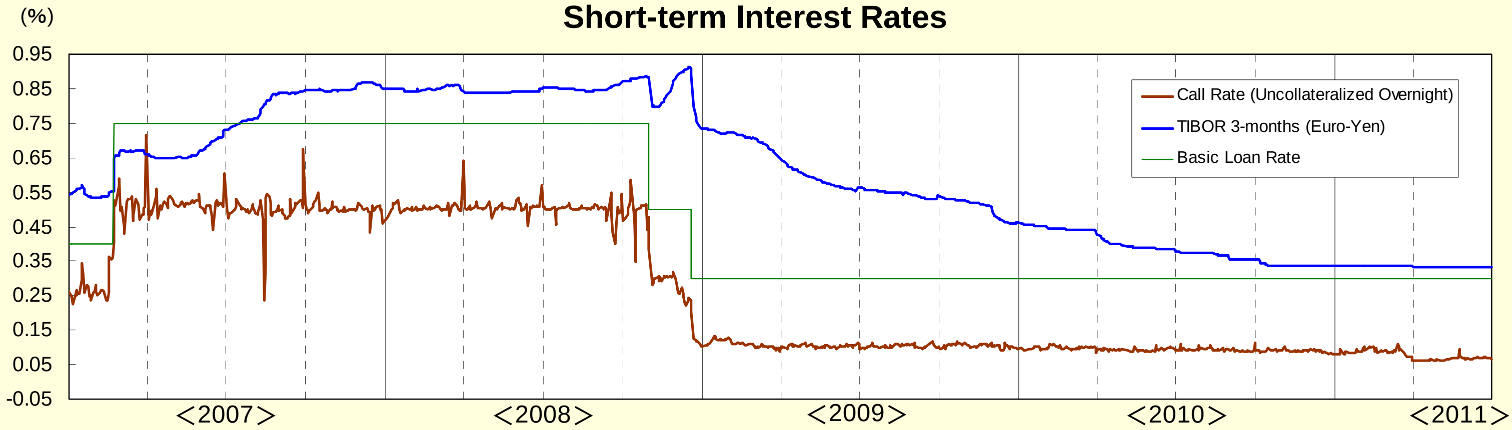
Short-term Interest Rates of Treasury Discount Bills



Note: The Interest rates of FBs (13-weeks, 6-months) and TBs (6-months, 1-year) are used up till Jan, 2009.

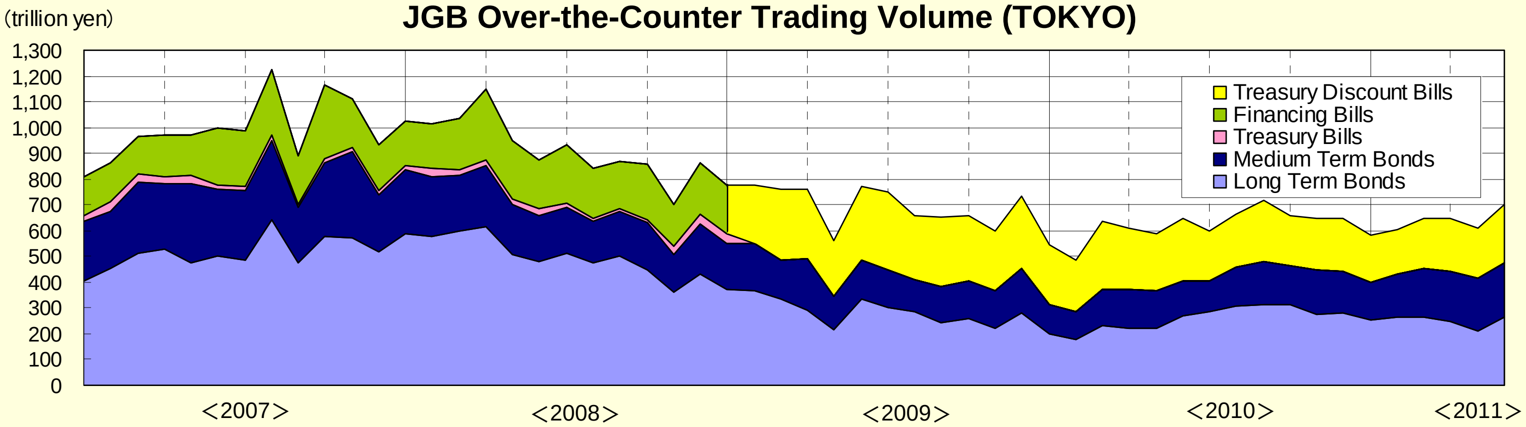
Source: Japan Bond Trading Co.

Short-term Interest Rates



Source: Bank of Japan, Japan Banker Association

JGB Over-the-Counter Trading Volume (TOKYO)

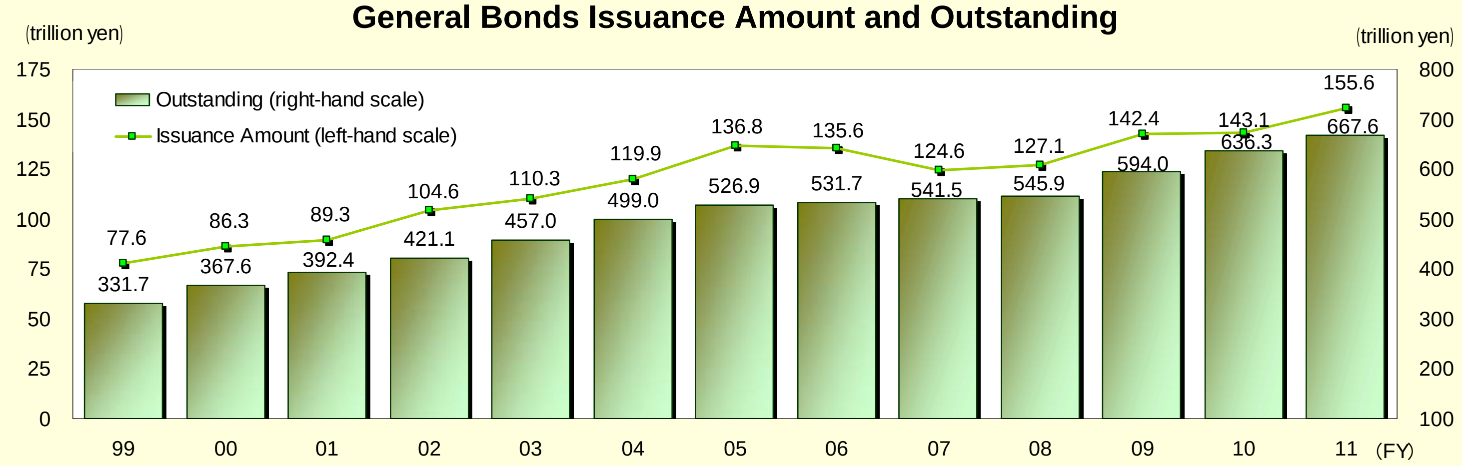


Note: In February 2009, FBs (approx 2-month, 13-weeks, 6-months) and TBs (6-months, 1-year) are integrated into the Treasury Discount Bills.

Source: Japan Securities Dealers Association

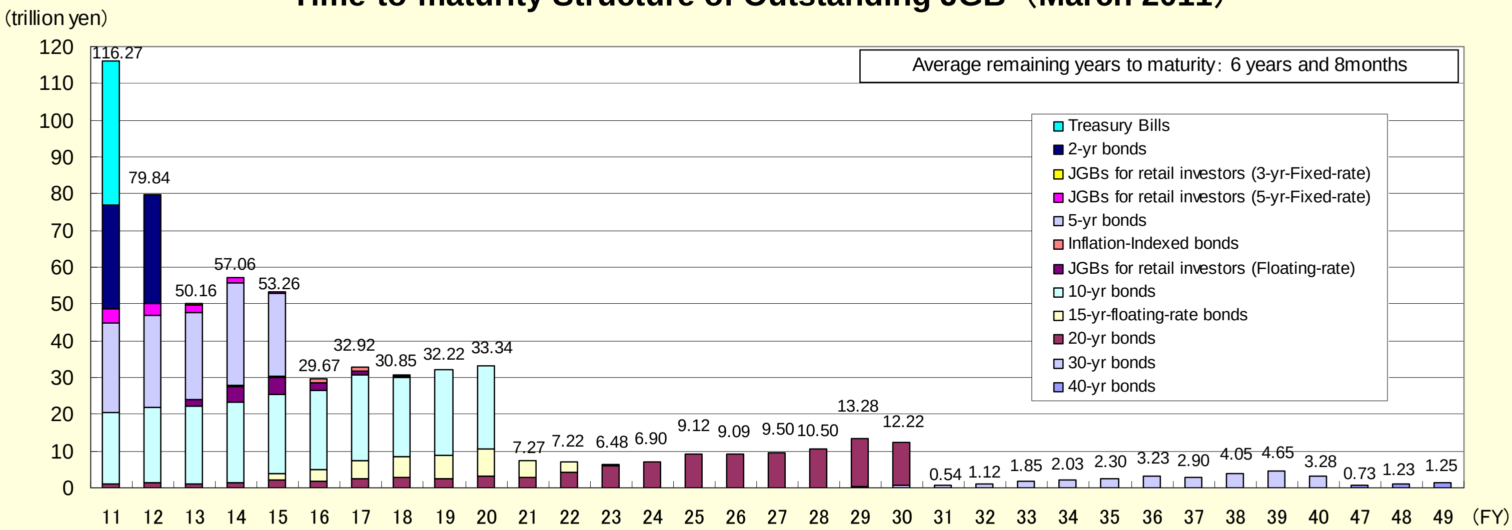
5 JGB OUTSTANDING

General Bonds Issuance Amount and Outstanding



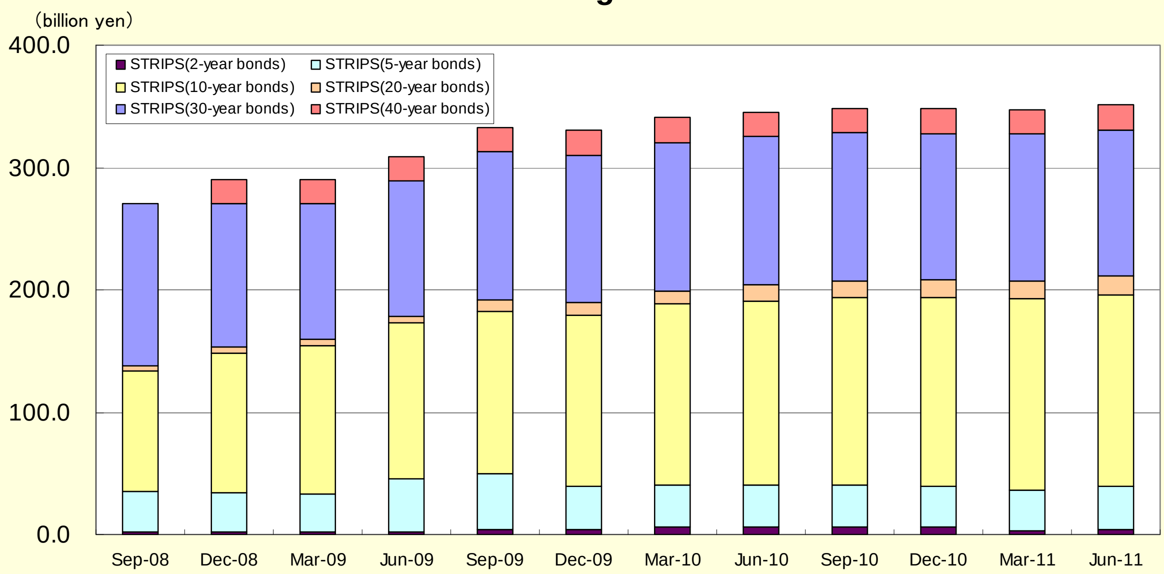
Note 1: Issuance Amount: revenue basis, FY1999-2010: actual, FY2011: first supplementary budget.
Note 2: Outstanding: nominal basis, FY1999-2010: actual, FY2011: estimates.
Source: Ministry of Finance

Time-to-maturity Structure of Outstanding JGB（March 2011）



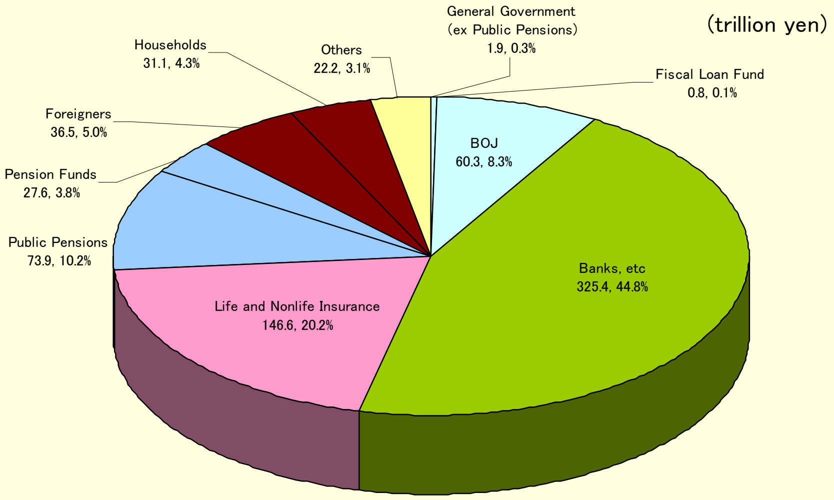
Source: Ministry of Finance

Outstanding STRIPS



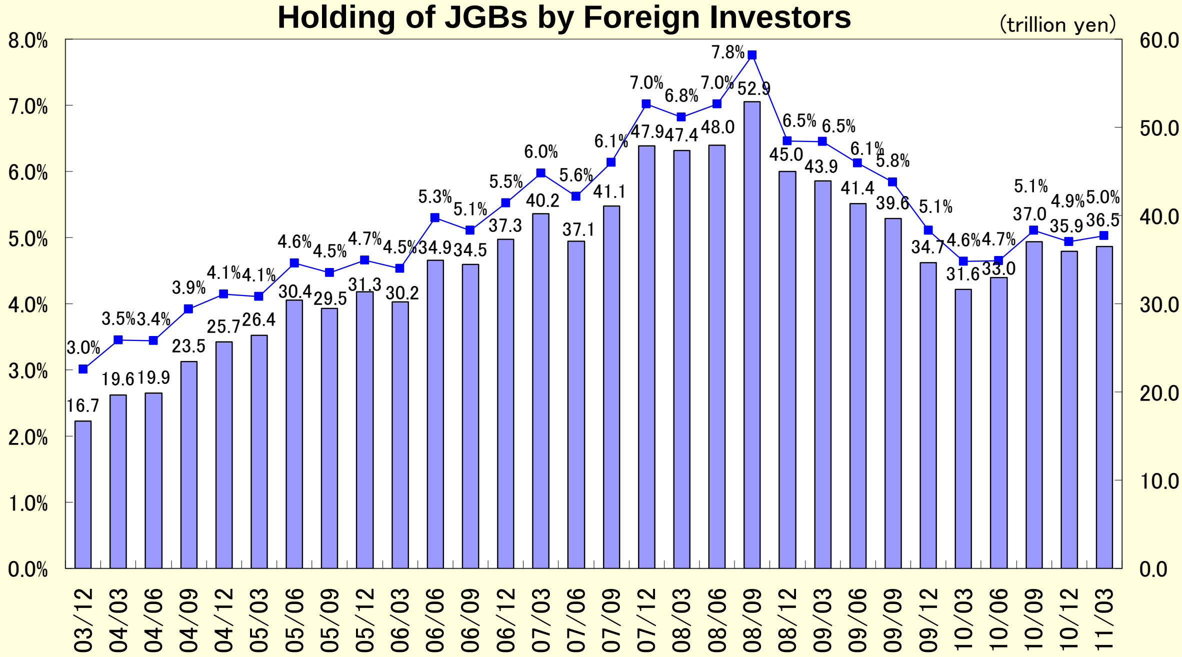
Note: Outstanding STRIPS means outstanding amount of principal of strippable JGBs held in stripped form.
Source: Ministry of Finance

Breakdown by JGB Holders（March 2011）



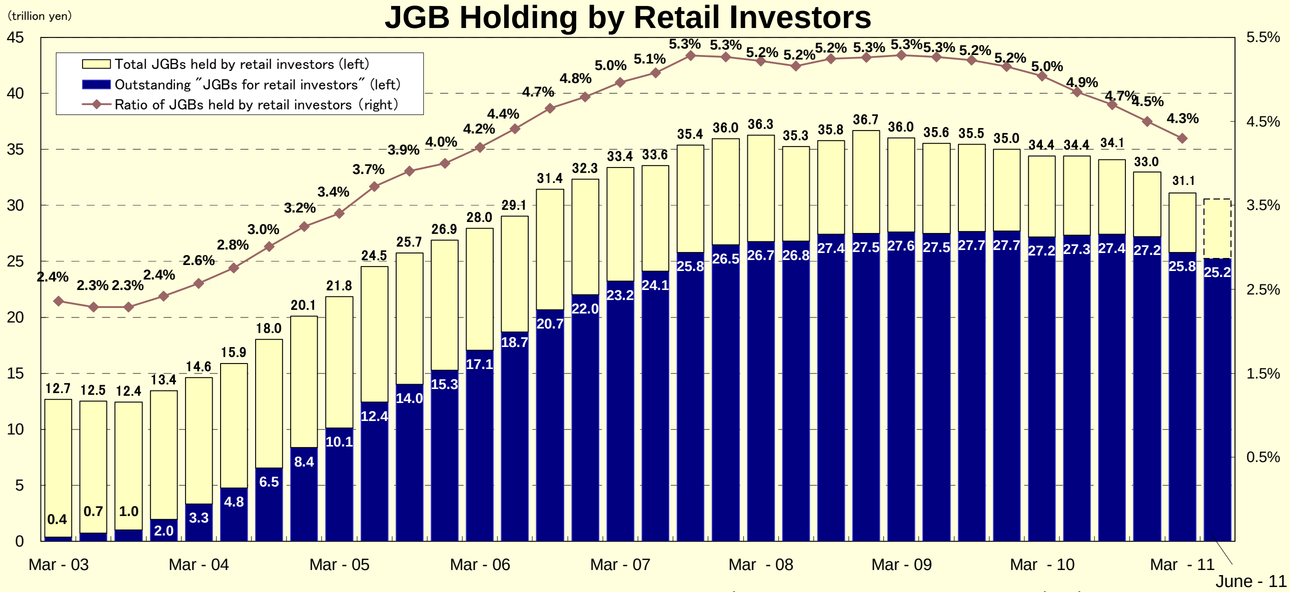
Note1 : "JGB" includes FILP Bonds, does not include T-Bills.
Note2 : "Banks, etc" includes Japan Post Bank, "Securities investment trust" and "Securities Companies"
Note3 : "Life and Nonlife insurance" includes Japan Post Insurance.
Source: Bank of Japan

Holding of JGBs by Foreign Investors



Source: Bank of Japan

JGB Holding by Retail Investors



Note: Outstanding "JGBs for retail investors" at June-11 is calculated to 〔aggregate issues of ¥34.3 trillion〕-〔redemption before maturity of ¥7.1trillion〕-〔aggegate redemption money of ¥1.9trillion〕.
Source: Ministry of Finance, Bank of Japan

6 ECONOMIC AND FINANCIAL TREND

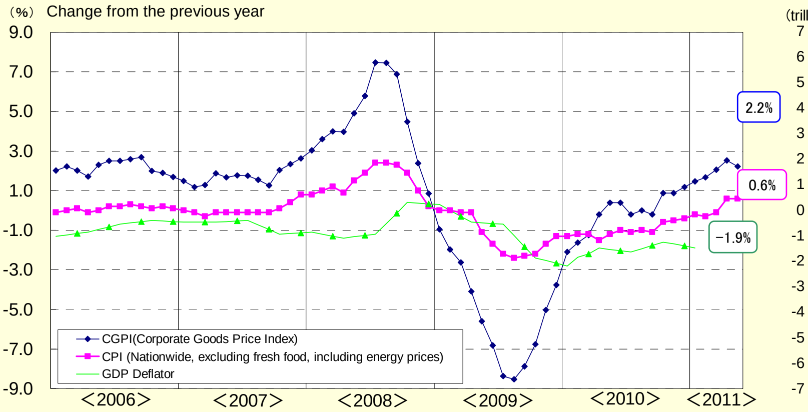
Economic Indicators

（%）

	FY2007	FY2008	FY2009	FY2010			
				Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.
Real GDP（chained 2000）	1.8	-4.1	-2.4	-0.0	0.9	-0.7	-0.9
Domestic Demand	(0.6)	(-2.9)	(-2.7)	(-0.2)	(1.0)	(-0.6)	(-0.7)
Private Consumption	1.4	-2.2	-0.0	-0.2	0.8	-1.0	-0.6
Residential Investment	-13.5	-3.6	-18.2	-0.6	1.9	3.2	0.7
Non-Resi. Investment	0.8	-6.9	-13.6	2.6	1.0	0.0	-1.3
Public Investment	-6.4	-6.8	14.2	-4.5	-2.5	-6.0	-1.4
Net Exports	(0.8)	(-1.2)	(0.3)	(0.2)	(-0.1)	(-0.1)	(-0.2)
Index of Industrial Production (2005 av.=100)	2.7	-12.7	-8.8	0.7	-1.0	-0.1	-2.0
Unemployment Rate	3.8	4.1	5.2	5.1	5.0	5.0	4.7

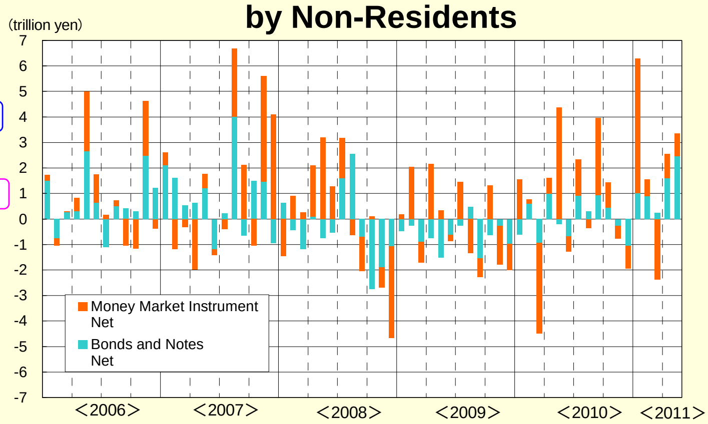
Note: Percent changes from previous period (quarterly figures are seasonally adjusted). The figures in（ ）indicate the contribution to change in GDP.
Source: Cabinet Office; Ministry of Economy, Trade and Industry; Ministry of Internal Affairs and Communications

Prices



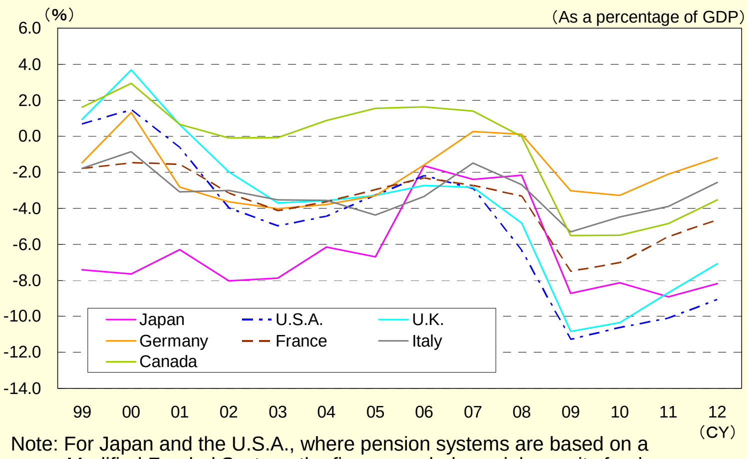
Source: Cabinet Office, Ministry of Internal Affairs and Communications, Bank of Japan

Debt Securities Investment in Japan by Non-Residents



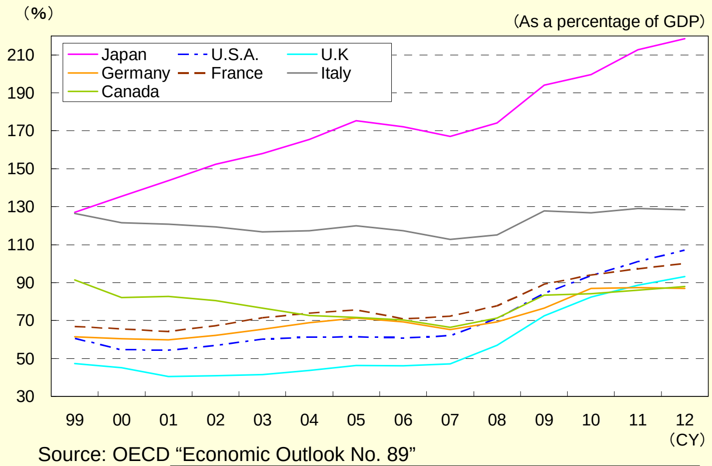
Source: Ministry of Finance

General Government Financial Balances（SNA Basis）



Note: For Japan and the U.S.A., where pension systems are based on a Modified Funded System, the figures exclude social security funds, which are regarded as future liabilities in real terms
Source: OECD “Economic Outlook No. 89”

General Government Gross Debts（SNA Basis）



Source: OECD “Economic Outlook No. 89”

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