

JAPANESE GOVERNMENT BONDS

Monthly Newsletter of the Ministry of Finance, Japan

JGB Newsletter Renewal!

We will enhance dissemination of information to JGB investors!

- ✧ Increasing the frequency (from Quarterly to Monthly)
- ✧ Enriching the contents (covering a broad range of macroeconomic policies)

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

WHAT'S NEW

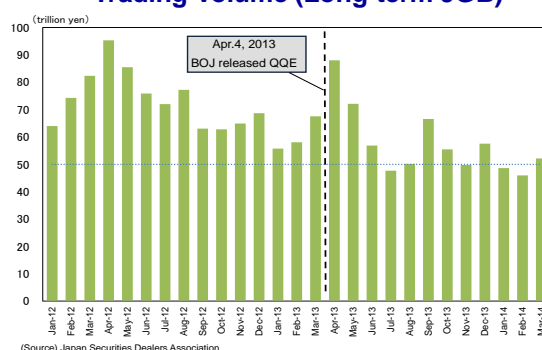
<Measures to provide liquidity>

The MOF has adopted measures taking account of market participants' concerns about declining JGB market liquidity since the BOJ started QE. The main points of the measures are as follows.

Auctions for Enhanced-Liquidity

- Increasing the issuance volume by 1.2 trillion yen to 8.4 trillion yen in FY2014
- Expanding the eligible bonds (to all bonds except for on-the-run issues)
- Introducing the minimum bidding requirement (3% of auction amount) to PDs

Trading Volume (Long-term JGB)



Reopening

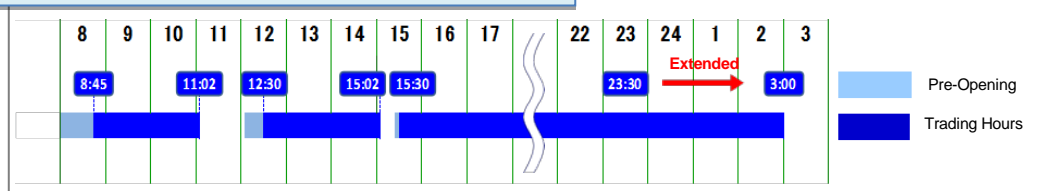
- 20-year bonds are reopened twice after a new issue in FY2014.
- 10-year bonds are reopened as far as the difference between their coupon rates and the market rate stays within a certain range (This procedure is reviewed every 3 months.).

Detail: http://www.mof.go.jp/english/jgbs/topics/press_release/20140326-03e.htm

<Development of JGB Futures (JPX)>

Japan Exchange Group, Inc. (JPX) has taken two important measures for foreign investors regarding to JGB Futures in this month. Both of them should help improve the efficiency of the futures' market.

Extending Trading Hours (from Mar. 24, 2014)



Re-Launching Super-Long-Term (20-year) JGB Futures (from Apr.7, 2014)

Detail: <http://www.ose.or.jp/e/derivative/JGBfutures>

We welcome these developments and expect they will contribute to broaden the investor base not only for the JGB futures market, but also for the whole JGB market.

The Ministry of Finance

www.mof.go.jp

Apr. 2014

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< Consumption Tax Hike and Impact on the Japanese Economy >

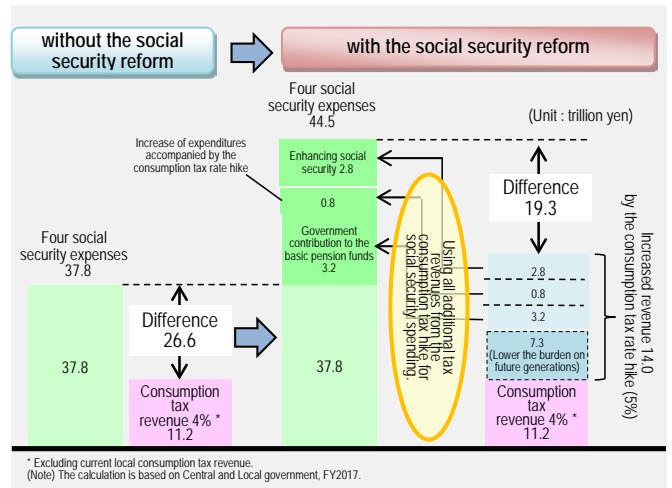
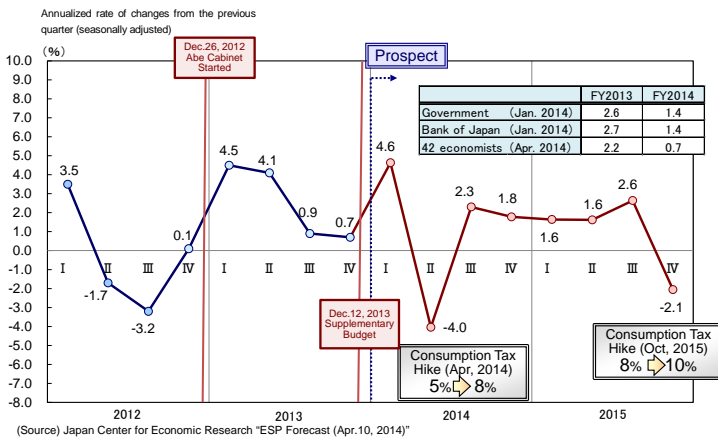
Impact of the consumption tax hike is temporary and limited.

On April 1st, Japan raised the consumption tax rate (national and local) from 5% to 8%. This is for the first time in 17 years since 1997. The objective of this hike is to cover social security expenses, which are to grow significantly under the declining birth rate and an aging population. And at the same time, it will contribute to fiscal consolidation.

Some of the market participants are concerned about the downside risks to the economy. However, according to the predictive values Japan calculated by a private-sector institution, the recoil reduction in demand associated with the hike in the consumption tax rate will be only temporary and GDP growth rate will recovery thereafter.

Impact of the Consumption Tax Hike

Real GDP Forecast (42 Economists average) (Apr. 10, 2014)



Not only to address downside risks for the economy, but also to improve the growing economic strength and realize virtuous cycles leading to sustainable economic growth, the Government formulated FY2013 supplementary budget, which size was 1.1% of GDP (5.5 trillion yen). And we will do our best to quickly implement the budget.

Financial resources are secured by tax revenues, non-tax revenues and preceding year surplus received etc., without relying on the issuance of additional National Government bonds.

Outline of the FY2013 Supplementary Budget

(Central government expenditures)

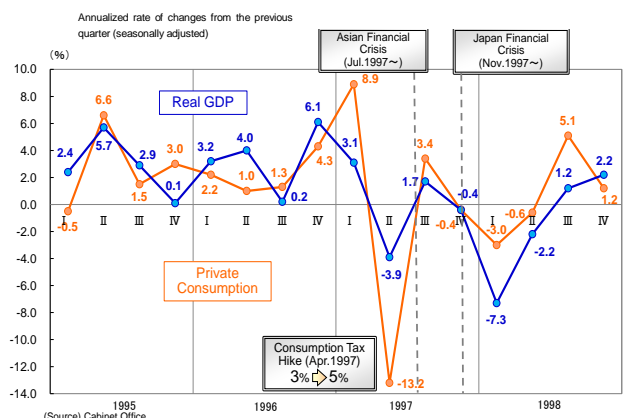
I Measures to strengthen competitiveness	1.4
II Policies for women, young people, the elderly and the disabled	0.3
III Acceleration of measures for reconstruction, disaster prevention and safer society	3.1
IV Measures to reduce impacts on low-income earners and child-rearing households and moderating the rush demand and following reversal	0.6
	(trillion yen) 5.5

The environment is different from previous hike in 1997.

Looking back on the previous consumption tax hike to 5% from 3% in 1997, the economy had entered a recession. Some people are concerned about a similar situation occurring by this consumption tax hike. However, it is generally considered that the recession was mainly due to Asian Financial Crisis and Japanese Financial Crisis.

Upon the economic conditions and others, the Government will judge within this year whether Japan will raise its consumption tax to 10% from 8% in 2015.

Consumption Tax Hike in 1997



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)
1/7/2014	10-year	332	12/20/2023	0.6%	8,366.9	2,177.7	0.720%	0.719%	4.797	216.7	354.3
1/9/2014	10-year Inflation-Indexed Bonds	17	9/10/2023	0.1%	860.4	299.5	▲0.482%	-	-	-	3.5
1/15/2014	30-year	41	12/20/2043	1.7%	1,832.9	548.2	1.672%	1.665%	-	50.7	5.7
1/21/2014	5-year	116	12/20/2018	0.2%	9,226.1	2,477.0	0.208%	0.206%	2.736	219.5	0.0
1/23/2014	20-year	147	12/20/2033	1.6%	5,795.3	1,089.7	1.540%	1.538%	-	109.4	139.0
1/30/2014	2-year	337	2/15/2016	0.1%	19,069.5	2,658.0	0.084%	0.083%	1.715	239.3	0.0
2/4/2014	10-year	332	12/20/2023	0.6%	7,051.6	2,194.1	0.600%	0.596%	4.094	201.2	0.0
2/6/2014	30-year	41	12/20/2043	1.7%	1,567.1	457.4	1.600%	1.587%	-	42.4	10.3
2/14/2014	5-year	116	12/20/2018	0.2%	10,196.3	2,502.3	0.187%	0.185%	1.413	195.6	100.2
2/19/2014	20-year	147	12/20/2033	1.6%	4,029.6	1,096.8	1.469%	1.459%	-	102.4	0.0
2/25/2014	40-year	6	3/20/2053	1.9%	1,471.3	399.2	1.725%	-	-	-	58.8
2/27/2014	2-year	338	3/15/2016	0.1%	13,687.6	2,659.0	0.074%	0.073%	2.186	237.7	95.6
3/4/2014	10-year	333	3/20/2024	0.6%	7,693.3	2,188.0	0.600%	0.597%	5.570	205.7	52.5
3/6/2014	30-year	42	3/20/2044	1.7%	2,373.7	554.6	1.647%	1.635%	-	45.0	0.0
3/14/2014	5-year	117	3/20/2019	0.2%	9,350.6	2,456.7	0.204%	0.204%	2.492	239.9	401.1
3/18/2014	20-year	148	3/20/2034	1.5%	4,051.7	1,097.8	1.542%	1.527%	-	101.7	22.1
3/27/2014	2-year	339	4/15/2016	0.1%	16,387.6	2,491.1	0.084%	0.082%	1.270	206.4	16.8

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)
1/7/2014	3-month	421	4/7/2014	33,633.20	5,330.08	0.0601%	0.0584%	409.80
1/9/2014	3-month	422	4/14/2014	27,772.60	5,215.28	0.0628%	0.0612%	484.60
1/10/2014	6-month	423	7/10/2014	19,459.10	3,205.27	0.0601%	0.0580%	294.64
1/15/2014	1-year	424	1/20/2015	13,219.20	2,300.25	0.0580%	0.0570%	199.70
1/16/2014	3-month	425	4/21/2014	31,684.20	5,214.79	0.0661%	0.0637%	455.12
1/21/2014	Approx. 2-month	426	3/25/2014	17,098.60	2,304.85	0.0638%	0.0626%	195.09
1/23/2014	3-month	427	4/28/2014	33,167.80	5,258.46	0.0581%	0.0581%	461.40
1/30/2014	3-month	428	5/7/2014	30,956.60	5,170.47	0.0510%	0.0486%	479.50
2/5/2014	6-month	429	8/11/2014	23,773.60	3,254.69	0.0501%	0.0501%	245.23
2/6/2014	3-month	430	5/12/2014	36,655.40	5,302.70	0.0501%	0.0493%	427.20
2/13/2014	3-month	431	5/19/2014	32,045.90	5,245.80	0.0421%	0.0413%	454.10
2/17/2014	1-year	432	2/20/2015	12,747.90	2,346.72	0.0390%	0.0390%	153.25
2/20/2014	3-month	433	5/26/2014	24,576.10	5,239.34	0.0581%	0.0541%	460.53
2/27/2014	3-month	434	6/2/2014	34,562.60	5,299.90	0.0401%	0.0389%	440.00
3/5/2014	6-month	435	9/10/2014	23,201.60	3,215.45	0.0357%	0.0337%	284.50
3/6/2014	3-month	436	6/9/2014	33,315.50	5,314.13	0.0340%	0.0328%	405.80
3/13/2014	3-month	437	6/16/2014	22,549.80	5,199.27	0.0340%	0.0288%	470.70
3/18/2014	1-year	438	3/20/2015	15,332.60	2,313.60	0.0380%	0.0350%	186.35
3/19/2014	3-month	439	6/23/2014	29,706.50	5,252.66	0.0381%	0.0381%	417.30
3/20/2014	Approx. 2-month	440	5/23/2014	16,602.20	2,317.66	0.0371%	0.0346%	182.30
3/26/2014	3-month	441	6/30/2014	30,396.80	5,272.70	0.0330%	0.0326%	457.24

Auction Calendar for Apr. – Jun. 2014

Auction Date	Issue	Auction Date	Issue	Auction Date	Issue	Auction Date	Issue
4/1 (Tue)	10-year	4/22 (Tue)	Auctions for Enhanced-liquidity	5/20 (Tue)	T-Bills (Approx.2-month)	6/11 (Wed)	T-Bills (Approx.2-month)
4/3 (Thu)	T-Bills (3-month)	4/24 (Thu)	T-Bills (3-month)	5/20 (Tue)	20-year	6/12 (Thu)	T-Bills (3-month)
4/3 (Thu)	10-year Inflation-Indexed Bonds	4/24 (Thu)	2-year	5/22 (Thu)	T-Bills (3-month)	6/12 (Thu)	5-year
4/7 (Mon)	T-Bills (6-month)	5/1 (Thu)	T-Bills (3-month)	5/22 (Thu)	Auctions for Enhanced-liquidity	6/17 (Tue)	20-year
4/9 (Wed)	Auctions for Enhanced-liquidity	5/1 (Thu)	Auctions for Enhanced-liquidity	5/27 (Tue)	40-year	6/18 (Wed)	T-Bills (1-year)
4/10 (Thu)	T-Bills (3-month)	5/8 (Thu)	T-Bills (3-month)	5/29 (Thu)	T-Bills (3-month)	6/19 (Thu)	T-Bills (3-month)
4/11 (Fri)	T-Bills (Approx.2-month)	5/8 (Thu)	10-year	5/29 (Thu)	2-year	6/24 (Tue)	Auctions for Enhanced-liquidity
4/11 (Fri)	30-year	5/9 (Fri)	T-Bills (6-month)	6/3 (Tue)	10-year	6/26 (Thu)	T-Bills (3-month)
4/15 (Tue)	5-year	5/13 (Tue)	30-year	6/5 (Thu)	T-Bills (3-month)	6/26 (Thu)	2-year
4/16 (Wed)	T-Bills (1-year)	5/15 (Thu)	T-Bills (3-month)	6/5 (Thu)	30-year		
4/17 (Thu)	T-Bills (3-month)	5/15 (Thu)	5-year	6/6 (Fri)	T-Bills (6-month)		
4/17 (Thu)	20-year	5/16 (Fri)	T-Bills (1-year)	6/10 (Tue)	Auctions for Enhanced-liquidity		

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 Treasury Discount Bills auctioned on April 11, 2014 is April 15, 2014, and the maturity date is June 4, 2014.

Note 4: The issue date of Treasury Discount Bills auctioned on May 20, 2014 is May 23, 2014 and, the maturity date is July 25, 2014.

Note 5: The issue date of Treasury Discount Bills auctioned on June 11, 2014 is June 13, 2014 and, the maturity date is August 4, 2014.

Total Bidding Amount of JGBs (Calculated by Duration) Top 10 (Oct. 2013 ~ Mar. 2014)

1	Daiwa Securities Co. Ltd.	6	Merrill Lynch Japan Securities Co., Ltd.
2	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	7	Mizuho Bank, Ltd.
3	Nomura Securities Co., Ltd.	8	Goldman Sachs Japan Co., Ltd.
4	Mizuho Securities Co., Ltd.	9	JPMorgan Securities Japan Co., Ltd.
5	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10	SMBC Nikko Securities Inc.

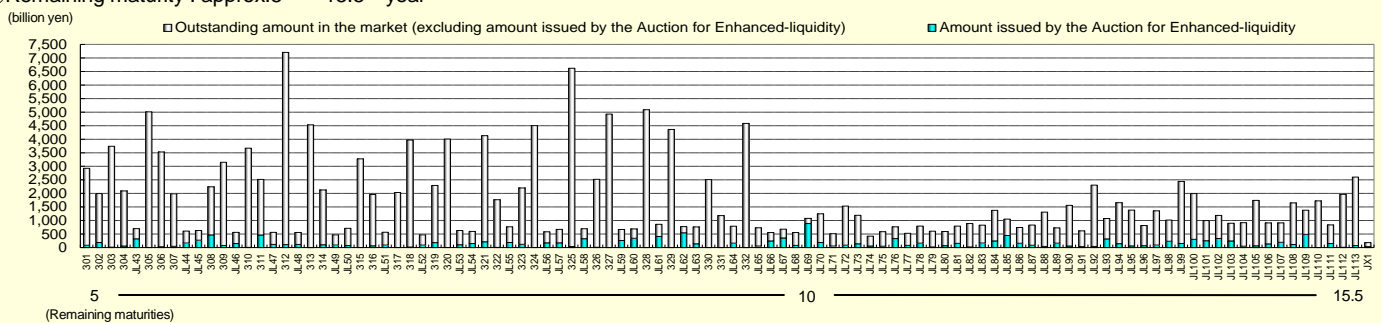
3 THE AUCTIONS FOR ENHANCED-LIQUIDITY AND JGB BUY-BACK

Results of Auctions for Enhanced-Liquidity

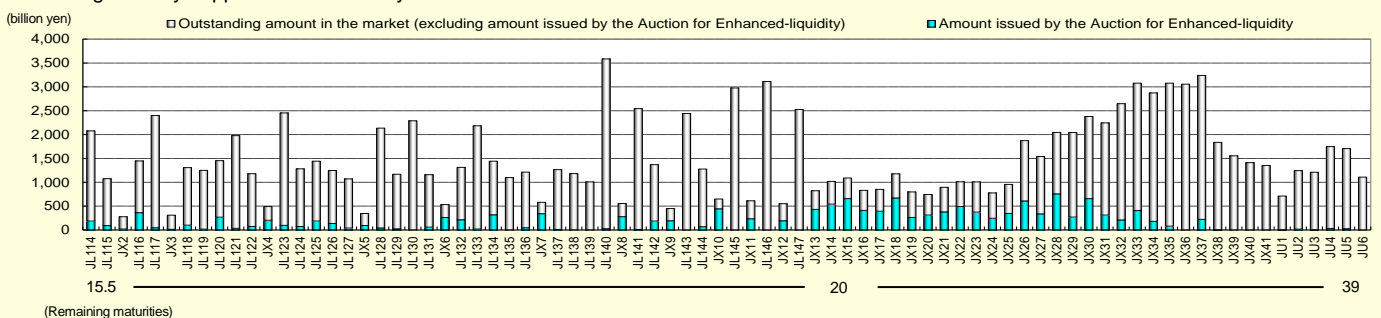
Auction Date	Amounts of Competitive Bids (billion yen)	Amounts of Bids Accepted (billion yen)	Average Accepted Spread	Highest Accepted Spread	Issues Re-opened
1/17/2014	783.3	299.6	▲0.003%	+0.004%	20-year(113,121,128,132,137,141,144) 30-year(9,10,26,27,28,32,33,34,35,37) 40-year(4,5)
1/28/2014	1,380.4	299.2	▲0.014%	▲0.013%	10-year(299) 20-year(42,43,44,47,62,66,69,77)
2/12/2014	764.0	299.3	+0.013%	+0.015%	20-year(113,114,115,120,132,141,142) 30-year(7,9,14,28,32,33,34,35,37,38) 40-year(1,2,3,4,5)
2/21/2014	1,428.0	299.7	▲0.009%	▲0.007%	10-year(299,300) 20-year(41,42,43)
3/12/2014	905.0	299.6	▲0.001%	+0.004%	20-year(113,114,117,119,122,123,124,125,126,131,132,137,144) 30-year(4,10,13,14,15,17,18,21,22,23,26,27,28,30,32,34,35,37) 40-year(4,5)
3/25/2014	1,009.2	298.9	▲0.007%	▲0.003%	10-year(299,300,301,303,304) 20-year(47,62,71,73,75,76)

Target Zones of the Auction for Enhanced-Liquidity for the First Quarter of FY 2014

① Remaining maturity : approx.5 ~ 15.5 - year



② Remaining maturity : approx.15.5 ~ 39 - year



Note1 : JL shows 20 - year JGBs. JX shows 30 - year JGBs. JU shows 40 - year JGBs. Outstanding amount is as of the end of March 2014.

Note2 : Based on the result of the consultation to the JGB Market Special Participants which takes place at the time of each auction,60 issues from each of the above 2 groups are selected as targeted issues.

Buy-back Results

10-Year Inflation-Indexed

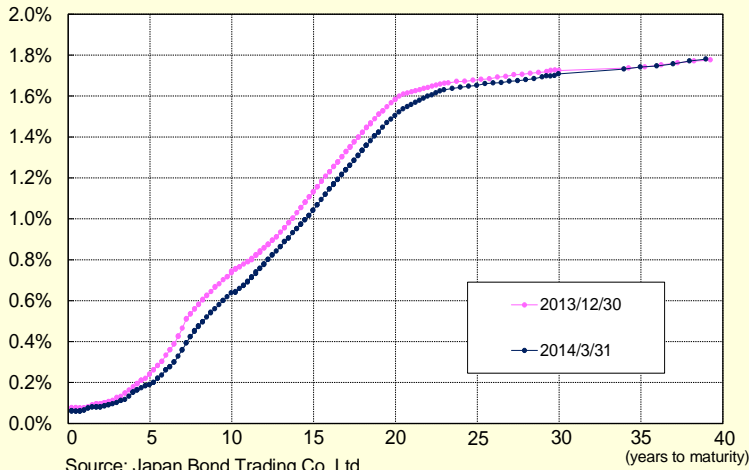
Auction Date	Amounts of Competitive Bids (billion yen)	Amounts of Bids Accepted (billion yen)	Average Accepted Spread (yen)	Highest Accepted Spread (yen)	Issue Numbers
1/9/2014	80.2	30.0	▲0.201	+0.200	1,2,3,4,6,8,10,12,14,16
1/9/2014	24.4	24.4	▲0.201	-	
2/13/2014	42.0	20.1	+0.488	+0.870	2,3,4,6,7,8,12,16
3/7/2014	51.6	20.0	+0.007	+0.2	2,3,4,7,8,10,12,14,15,16

15-Year Floating-Rate

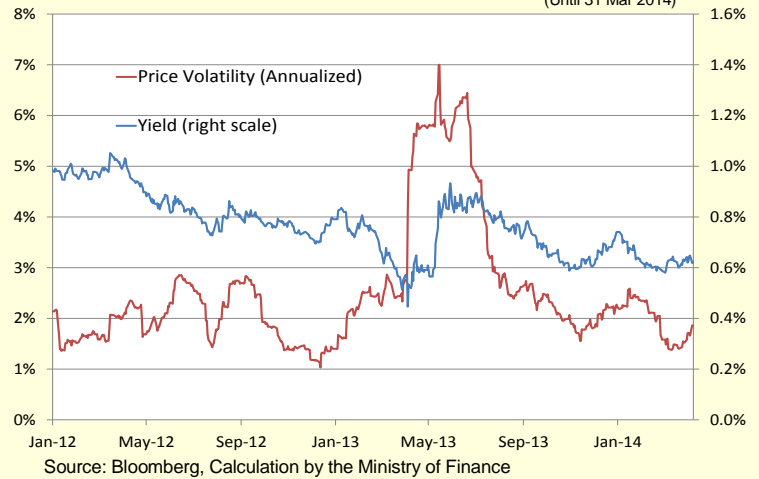
Auction Date	Amounts of Competitive Bids (billion yen)	Amounts of Bids Accepted (billion yen)	Average Accepted Spread (yen)	Highest Accepted Spread (yen)	Issue Numbers
1/20/2014	618.5	130.0	▲0.066	▲0.030	9,10,11,12,13,15,16,17,20,24,25,26,27,28,29,30,31,32,33,34,36,37,38,39,40,45,47
1/29/2014	571.7	130.3	▲0.056	▲0.030	
2/5/2014	556.5	130.2	▲0.048	▲0.020	9,12,14,16,19,20,23,24,28,29,30,31,32,33,34,35,36,37,39,45,46,47,48
3/6/2014	581.7	130.1	▲0.064	▲0.020	9,11,12,13,15,16,20,21,22,23,24,25,26,27,28,29,30,31,32,33,34,35,36,37,38,39,40,41,42,43,44,45,46,47
3/19/2014	430.9	130.1	▲0.024	+0.030	

4 JGB SECONDARY MARKET

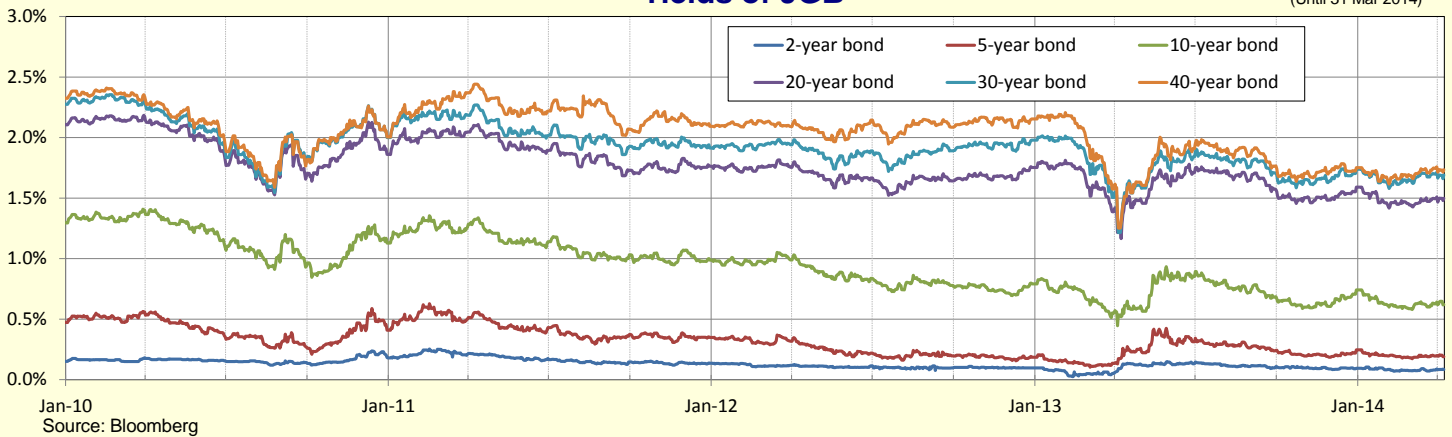
JGB Yield Curves



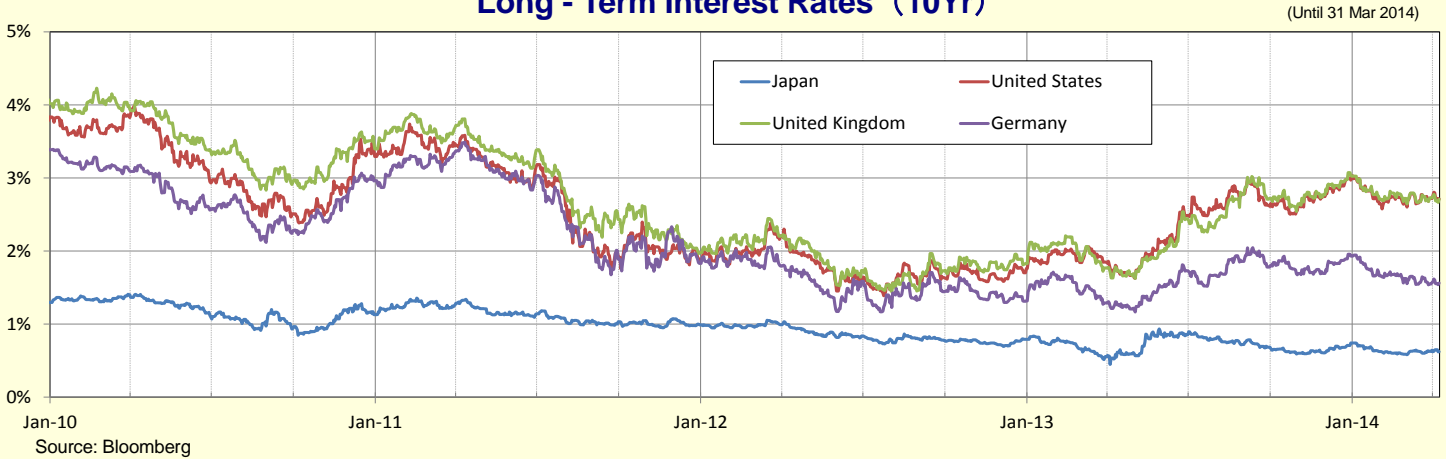
Yield and Volatility (10Yr)



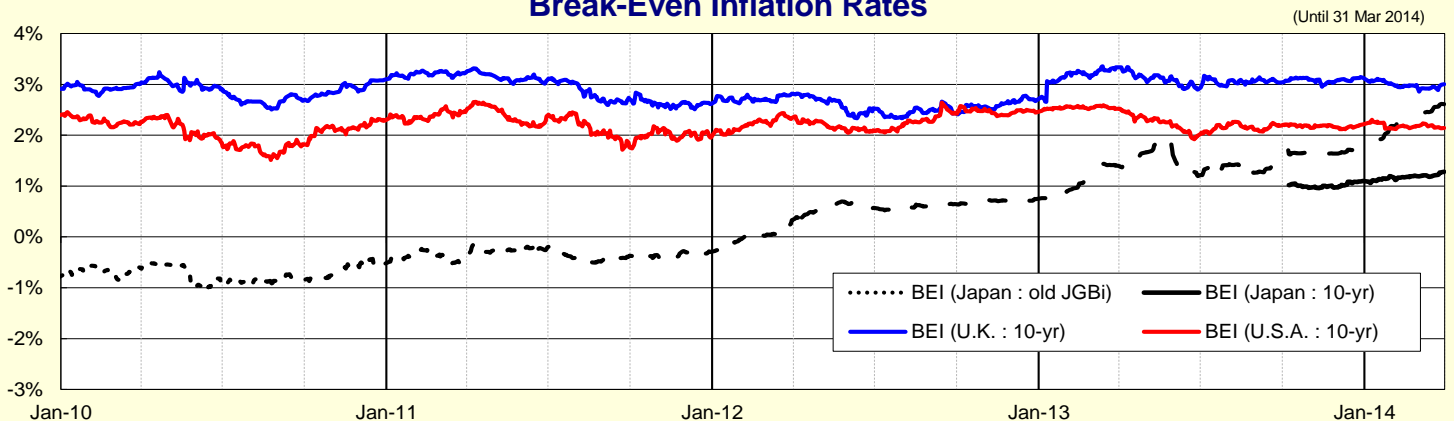
Yields of JGB



Long - Term Interest Rates (10Yr)



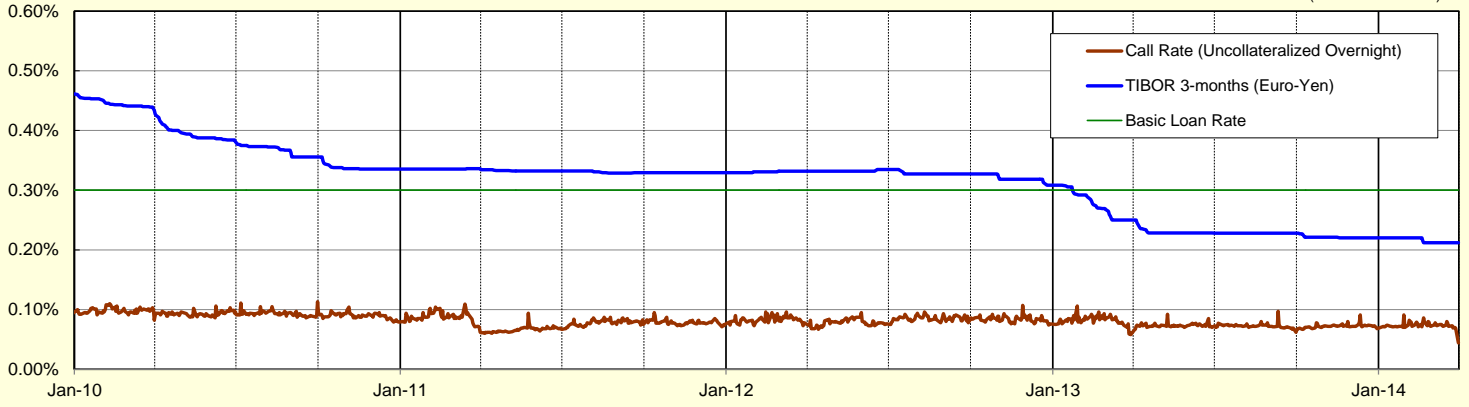
Break-Even Inflation Rates



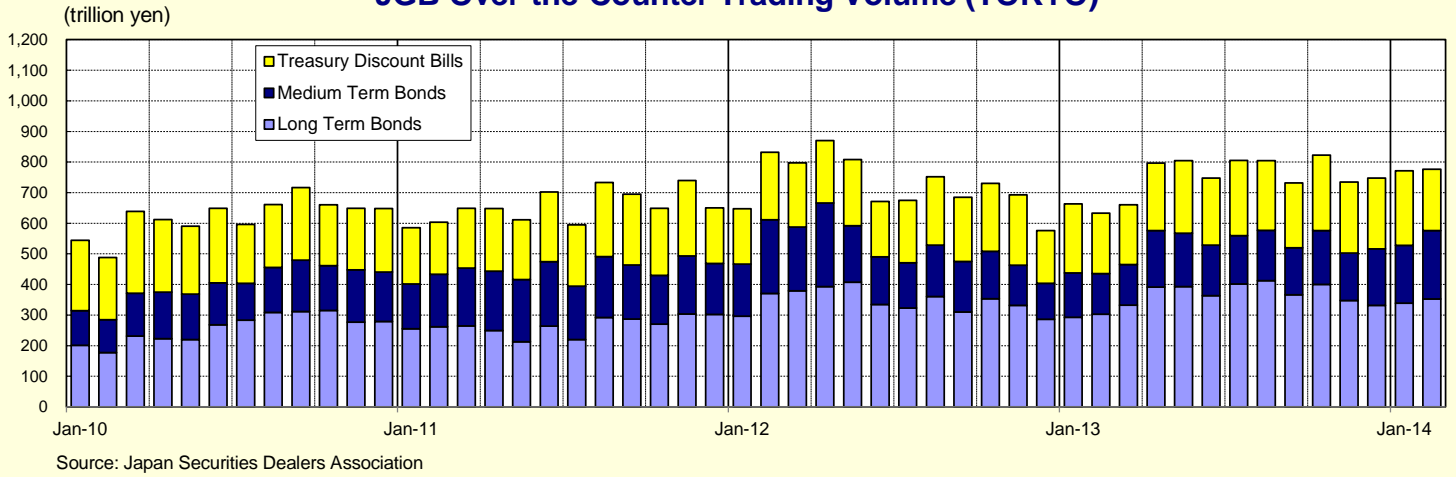
Note: BEI (Japan : old JGBi) is calculated based on compound interest rate of old Inflation-Indexed Bonds (issue number 16, current maturity 4-year and 3-month) and 10-year Bonds (issue number 293, current maturity 4-year and 3-month). BEI (Japan : 10-yr) is calculated based on compound interest rate of new Inflation-Indexed Bonds (issue number 17, current maturity 9-year and 6-month) and 10-year Bonds (issue number 330, current maturity 9-year and 6-month).

Short-Term Interest Rates

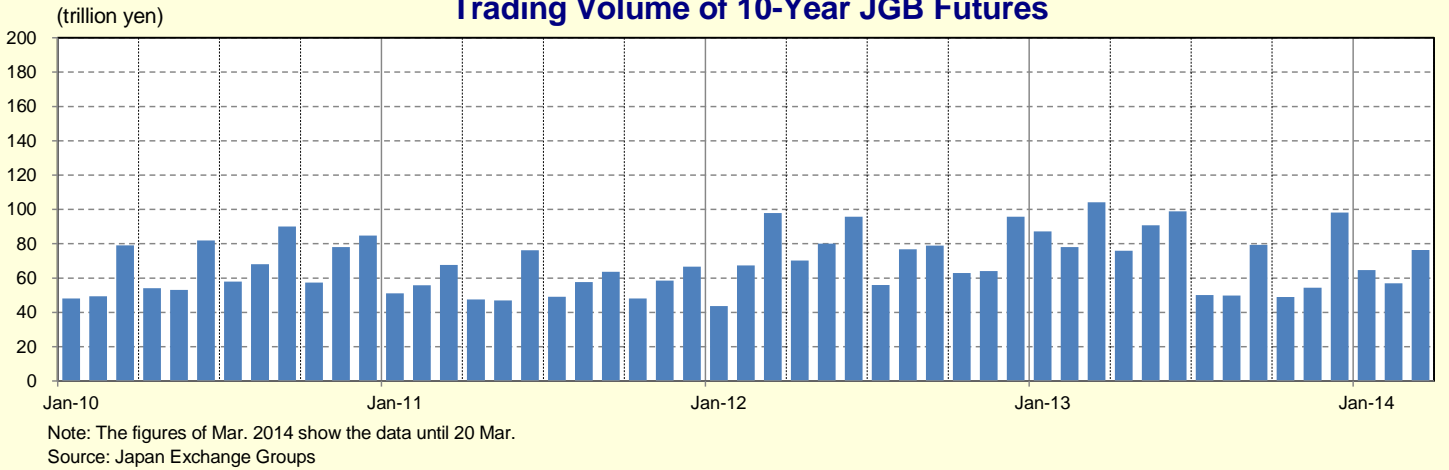
(Until 31 Mar 2014)



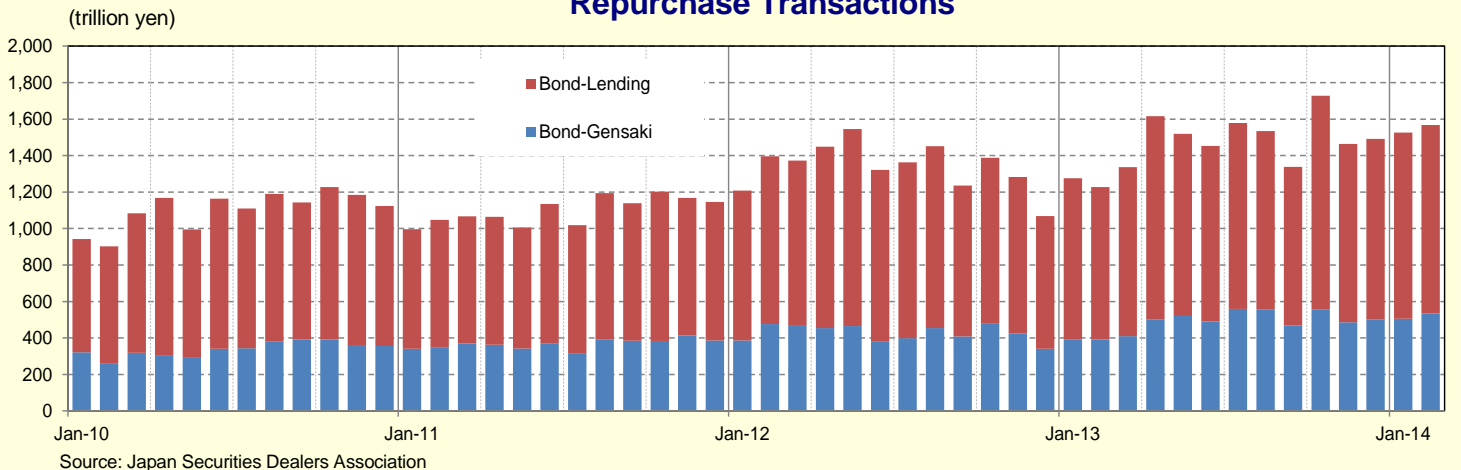
JGB Over-the-Counter Trading Volume (TOKYO)



Trading Volume of 10-Year JGB Futures

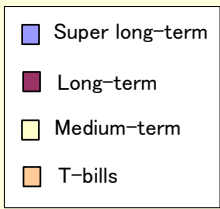
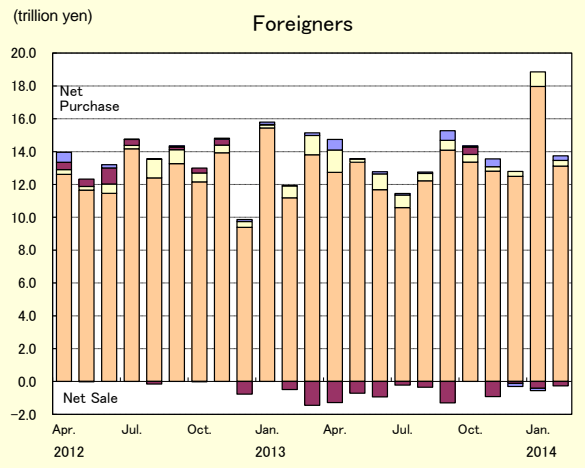
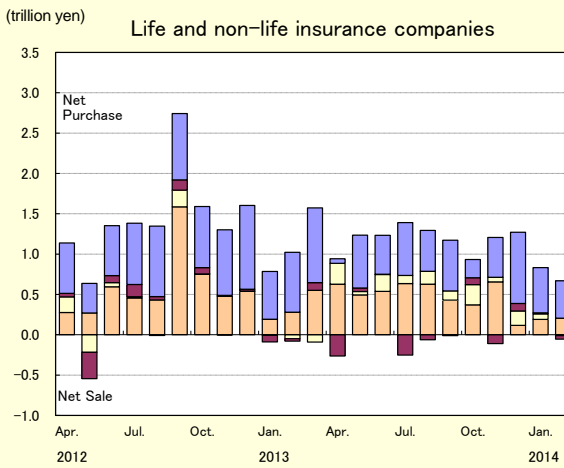
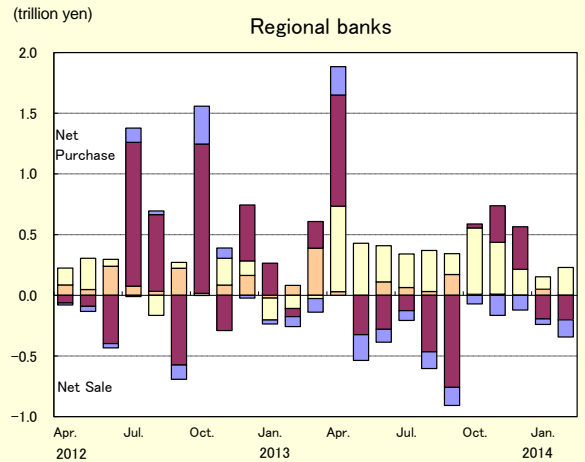
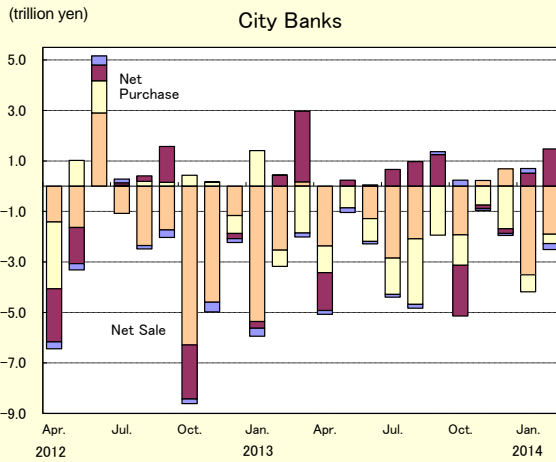


Repurchase Transactions



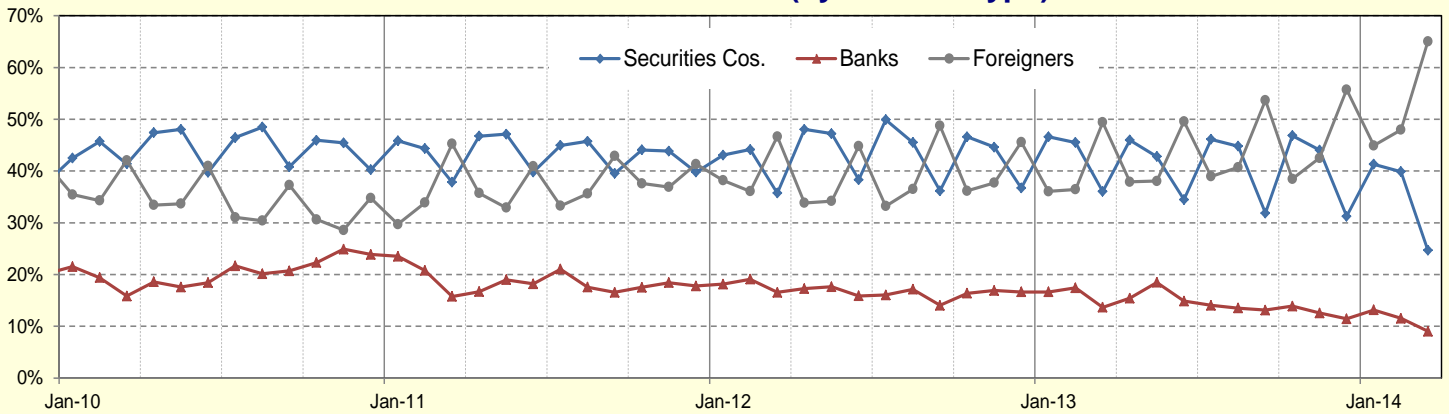
5 INVESTOR TRENDS AND JGB OUTSTANDING

Trends in JGBs Transactions (by investor type)



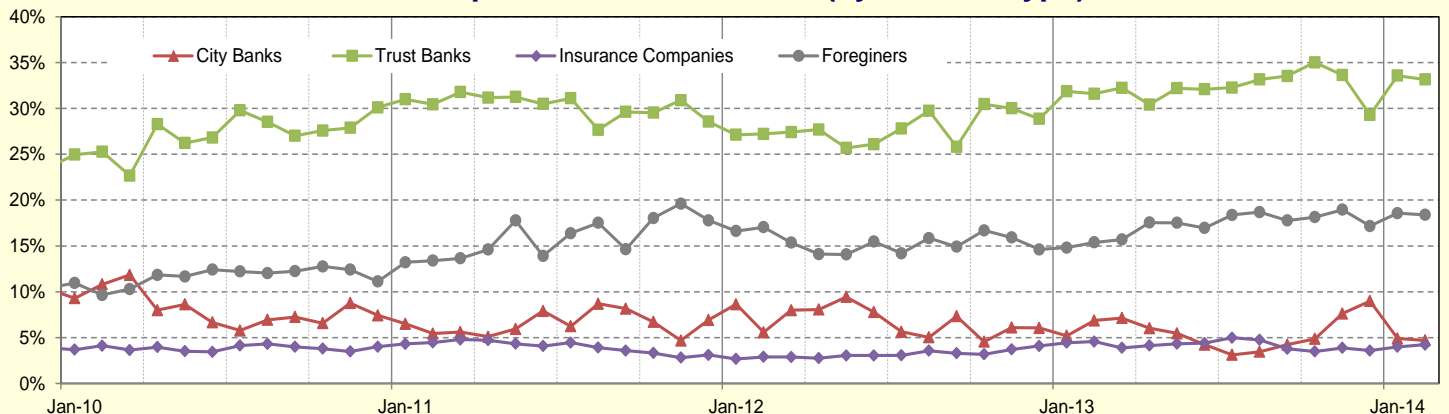
Source: Japan Securities Dealers Association

Futures Transactions (by investor type)



Note: The figures of Mar. 2014 show the data until 20 Mar.
Source: Japan Exchange Groups

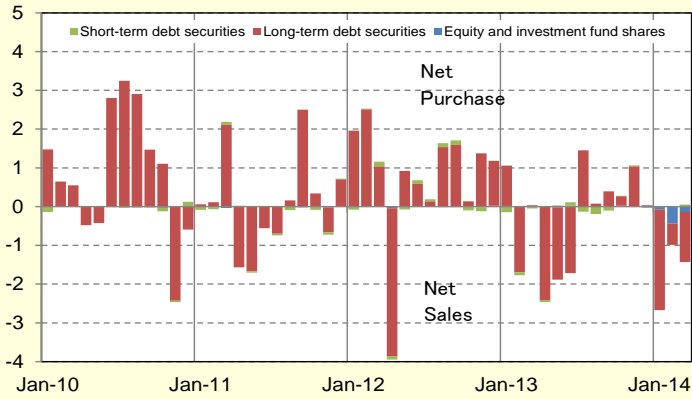
Repurchase Transactions (by investor type)



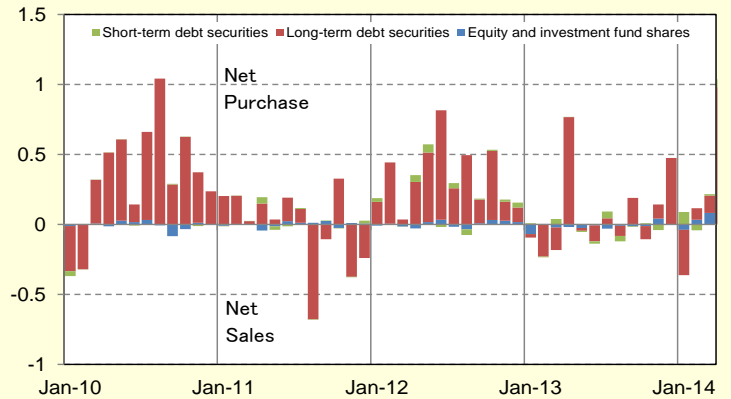
Source: Japan Securities Dealers Association

Transactions of Foreign Securities by Residents (by Investor type)

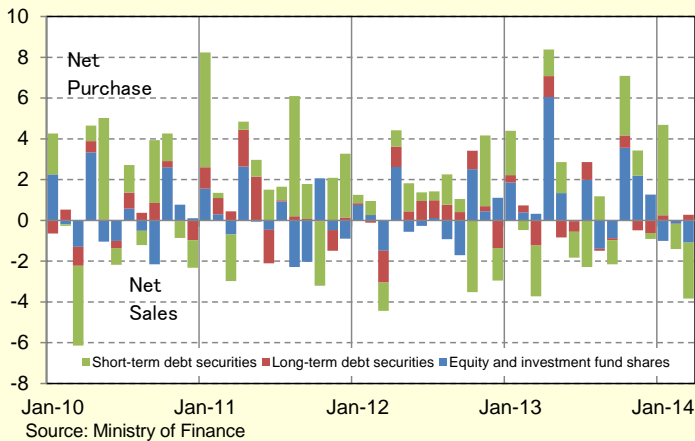
Banks(Banking Accounts)



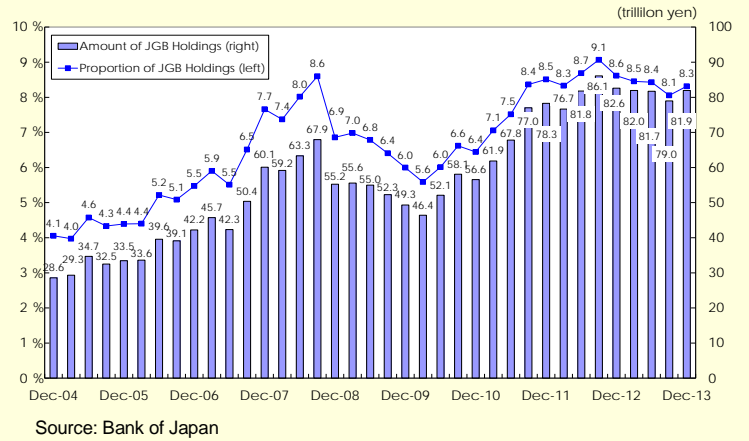
Life Insurance Companies



Transactions of Domestic Securities by Non-Residents



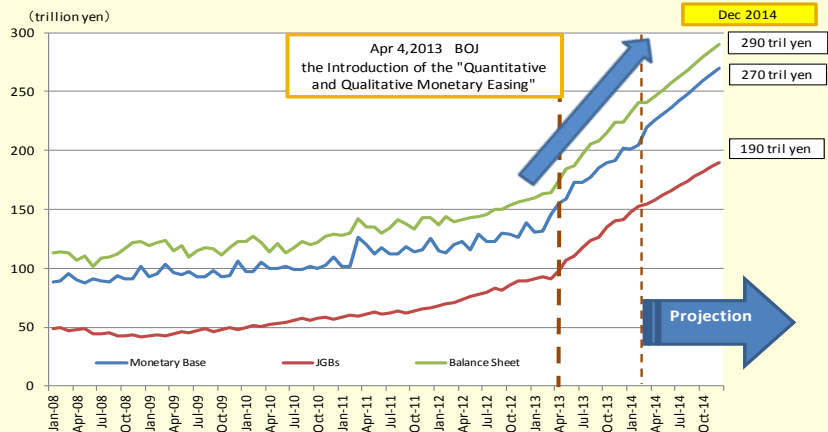
JGBs Holding by Foreign Investors



BOJ Trends

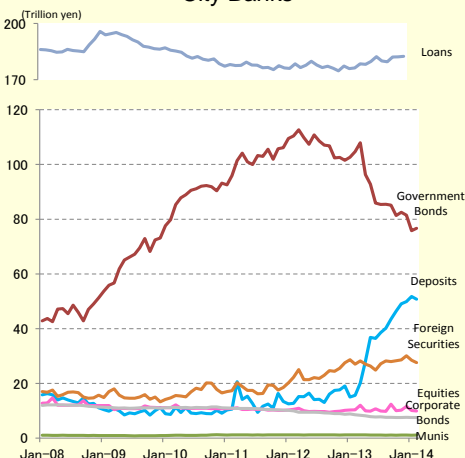
	Apr 2013	Mar 2014	Dec 2014 (projected)
Monetary Base	155	219.8	270
JGBs	98	154.2	190
CP	1.4	1.9	2.2
Corporate Bonds	2.9	3.2	3.2
ETFs	1.7	2.9	3.5
J-REITs	0.13	0.15	0.17
Loan Support Program	3.4	12.7	18
Total Assets	175	240.8	290

Source: Bank of Japan

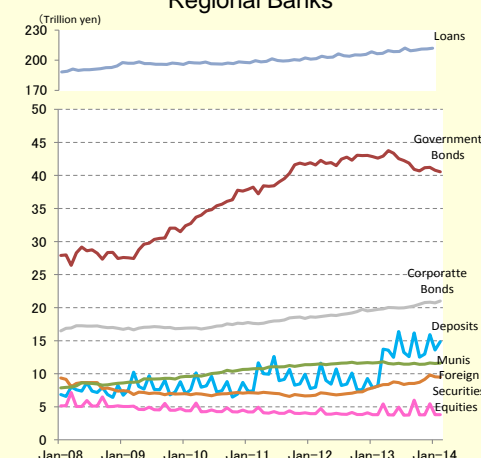


Trends in Outstanding Type of Bank Assets

City Banks



Regional Banks



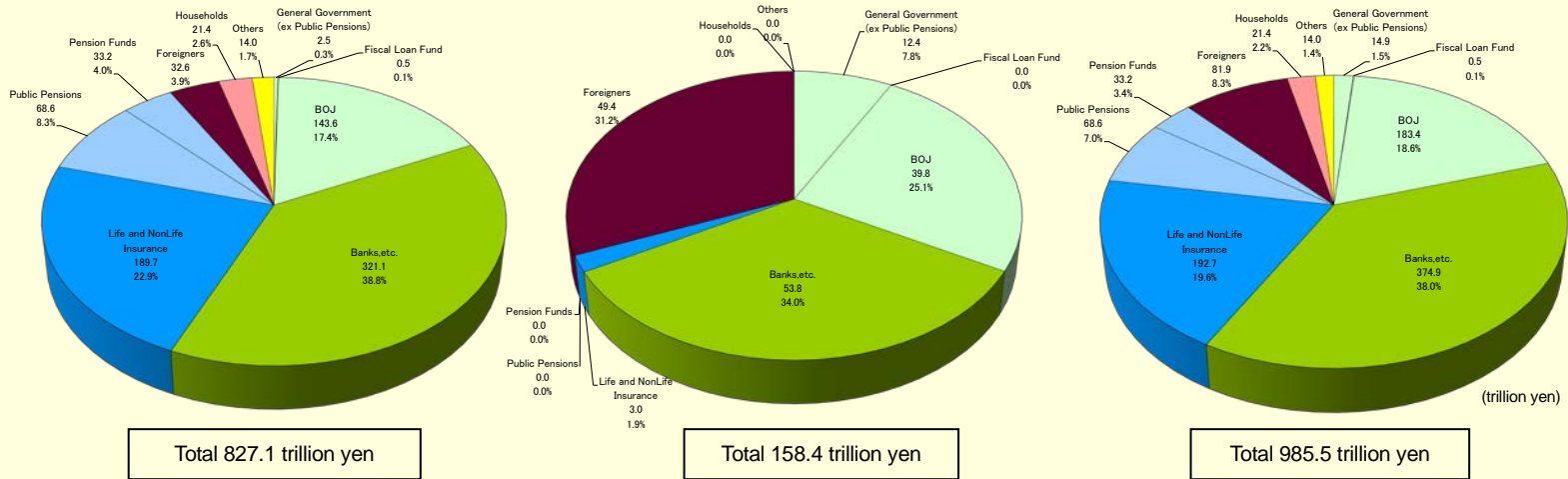
Source: Bank of Japan

Breakdown by JGB and T-Bill Holders (Dec. 2013, QE)

JGB Holders

T-Bill Holders

JGB and T-Bill Holders



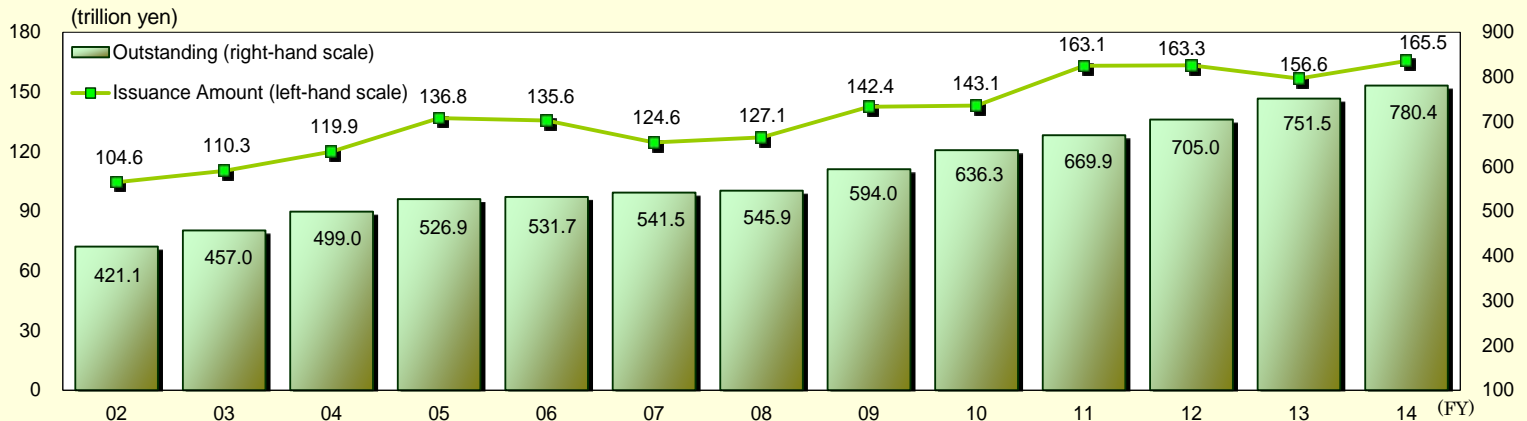
Note.1: "JGB" includes FILP Bonds. "T-Bill" is the sum of "Treasury Bills (TBs)" and "Financial Bills (FBs)" with a maturity of 1 year or less and TBs and FBs have been jointly issued since February 2009.

Note.2: "Banks, etc." includes Japan Post Bank, "Securities investment trust" and "Securities Companies"

Note.3: "Life and Nonlife insurance" includes Japan Post Insurance.

Source: Bank of Japan

General Bonds Issuance Amount and Outstanding

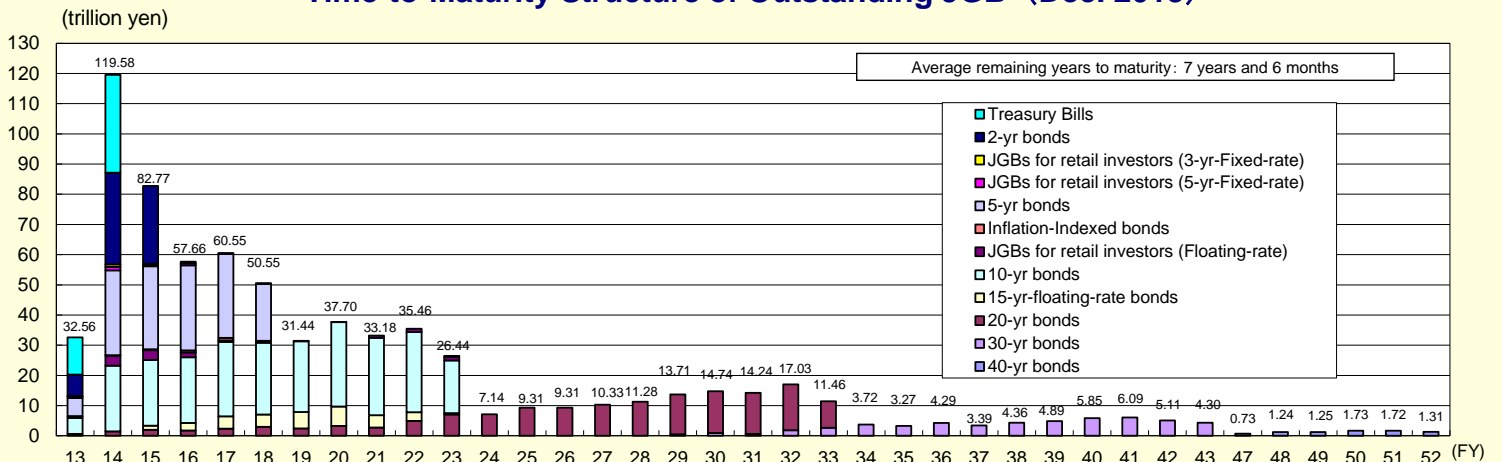


Note 1: Issuance Amount: revenue basis, FY2002-2012: actual, FY2013: supplementary budget, FY2014: initial budget

Note 2: Outstanding: nominal basis, FY2002-2012: actual, FY2013-2014: estimates

Source: Ministry of Finance

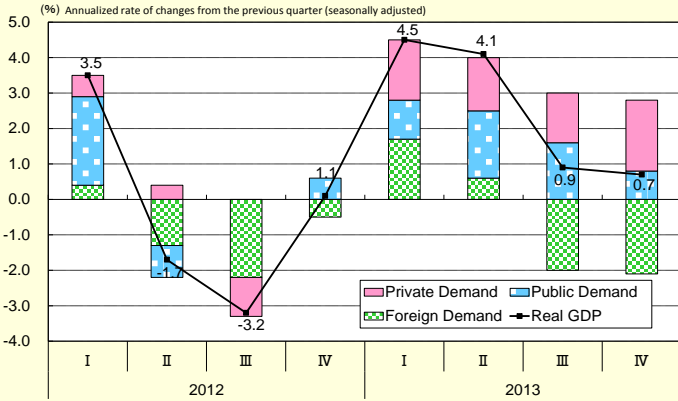
Time-to-Maturity Structure of Outstanding JGB (Dec. 2013)



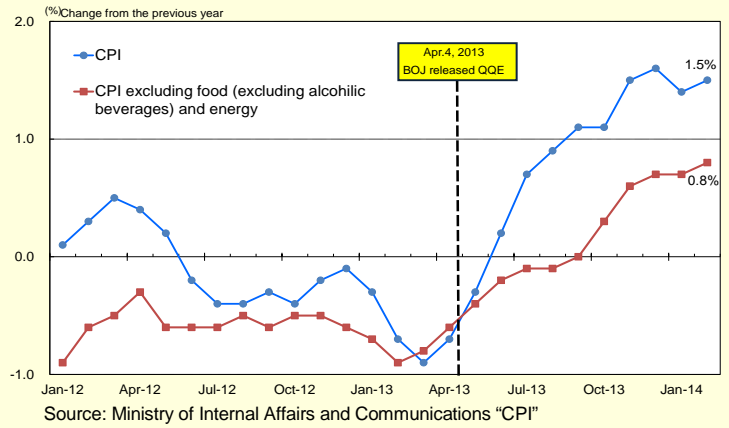
Source: Ministry of Finance

6 ECONOMIC AND FINANCIAL TRENDS

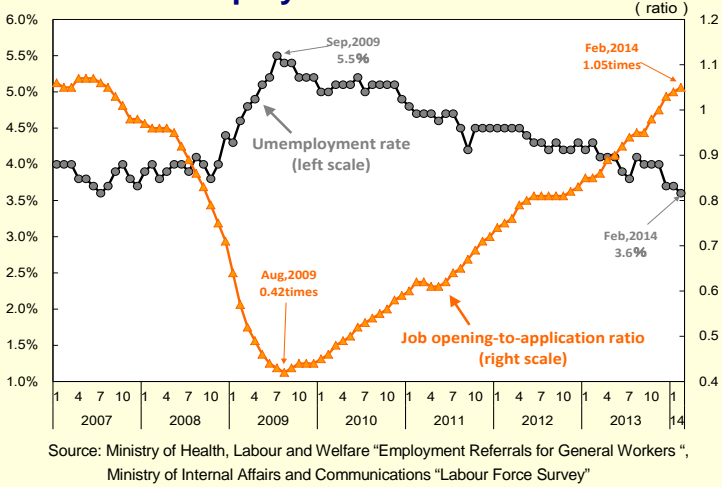
Real GDP Growth Rate



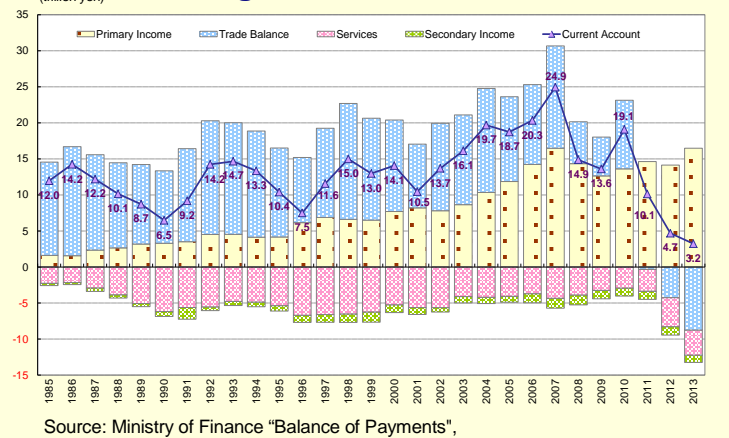
Prices



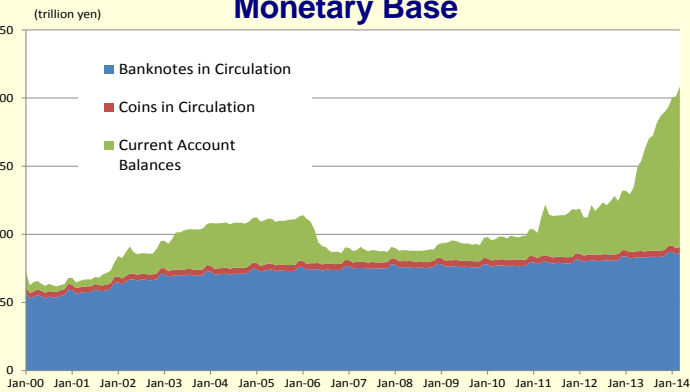
Employment Conditions



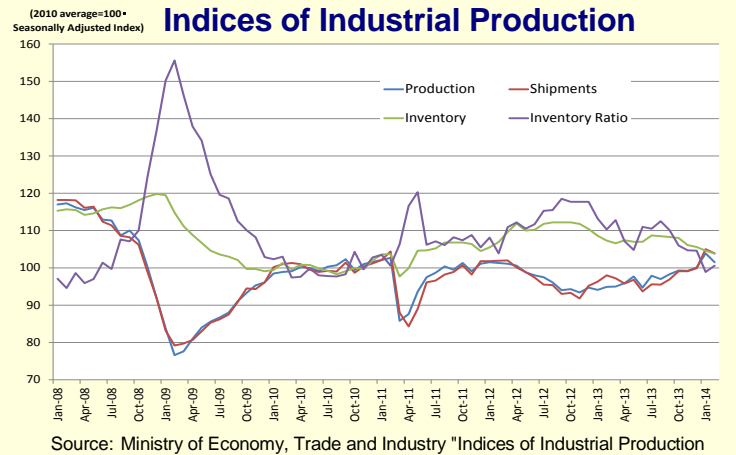
Changes in Current Account



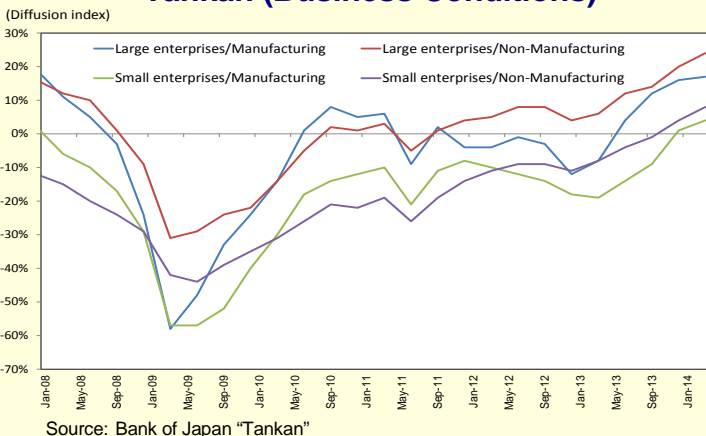
Monetary Base



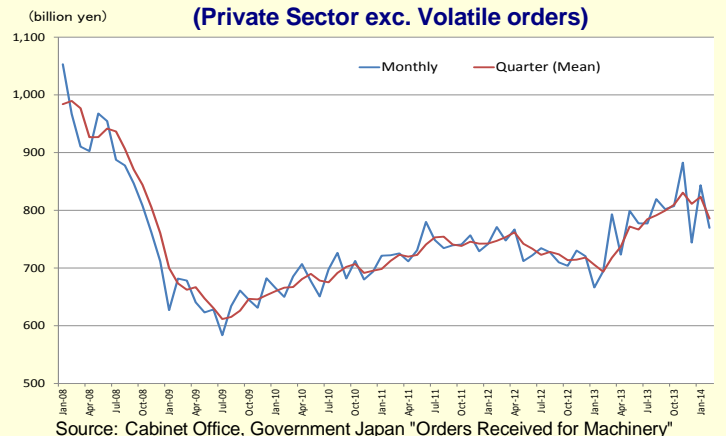
Indices of Industrial Production



Tankan (Business Conditions)



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



7 INFORMATION

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

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

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