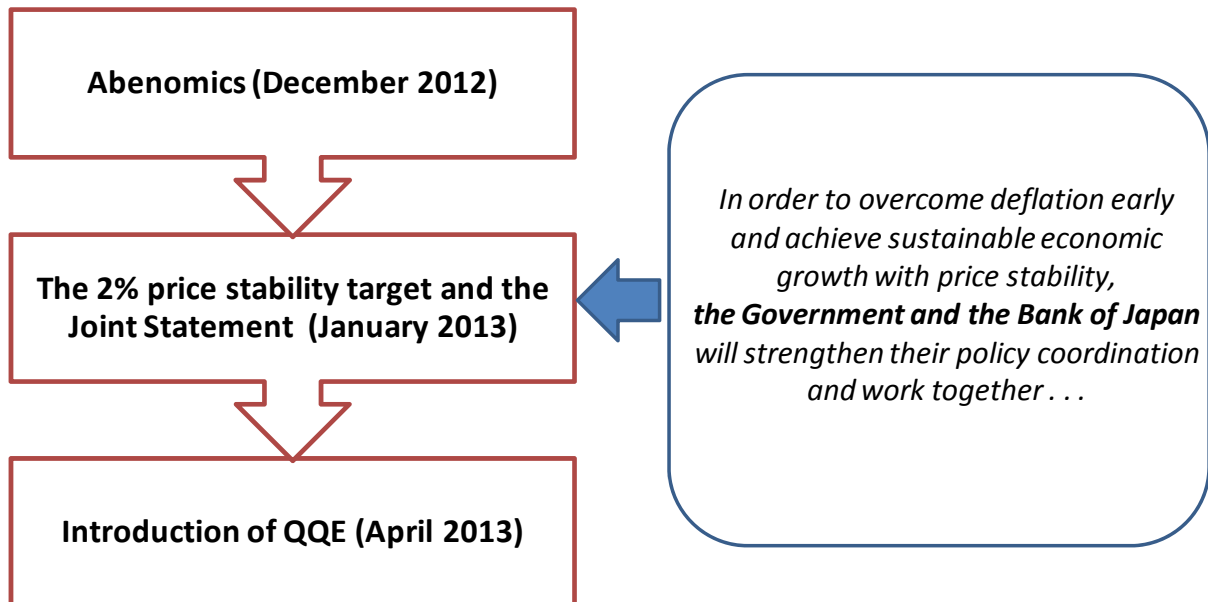


From Abenomics to the Adoption of QQE



The Bank of Japan's Forward Guidance

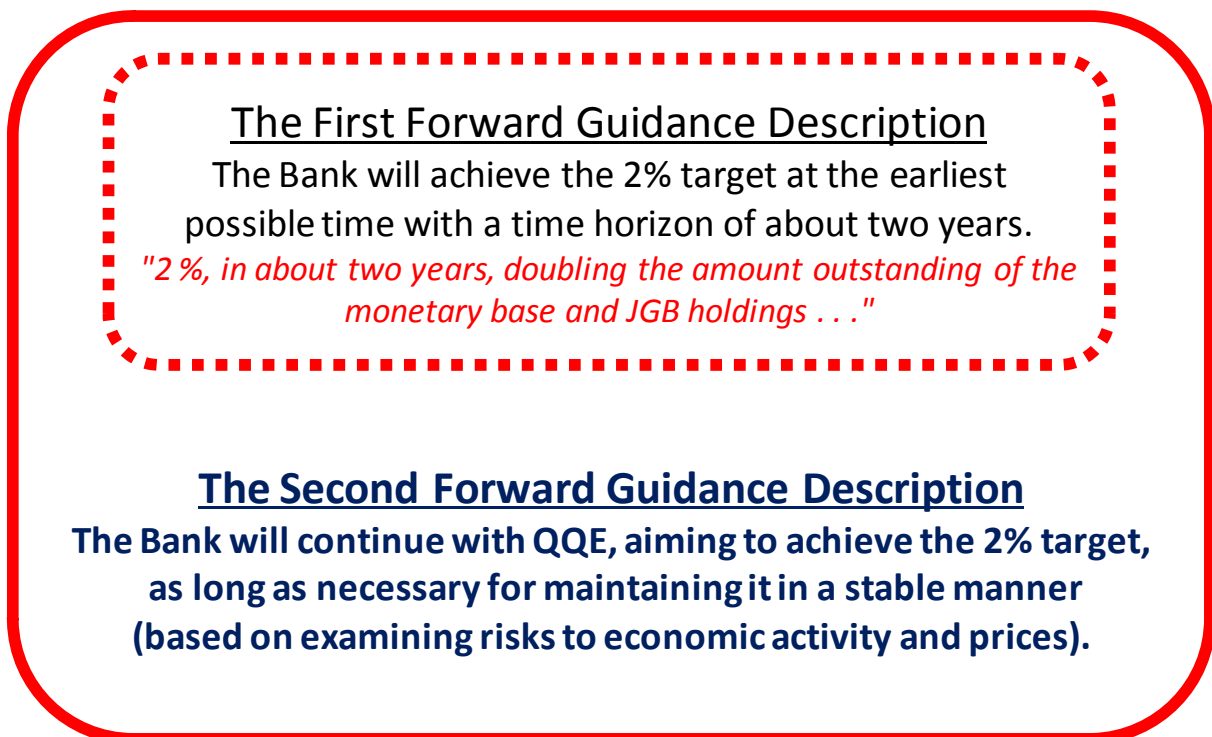
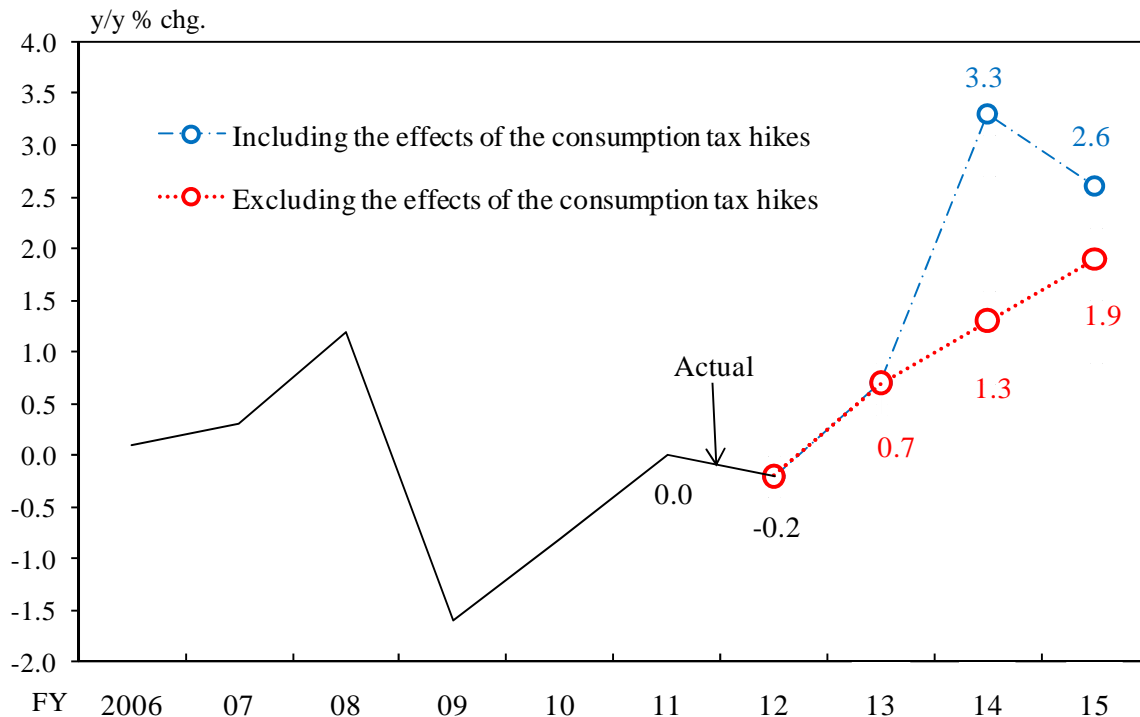


Chart 3

The Bank of Japan's Outlook for Prices (CPI)



Note: The circles in the chart indicate the median of the Policy Board members' forecasts (point estimates).

Source: Bank of Japan.

Chart 4

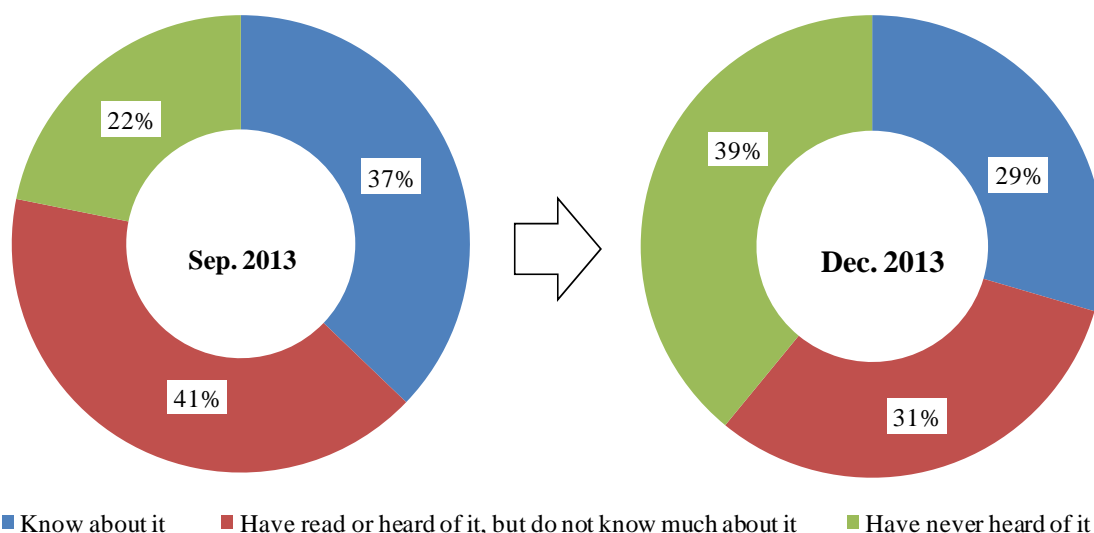
Forward Guidance: The Bank of Japan and Other Major Central Banks

FRB	<ul style="list-style-type: none"> (2012) The low interest rate will be maintained at least <i>as long as (1) the unemployment rate remains above 6.5%, (2) inflation between one and two years ahead is projected to be no more than 2.5%, and (3) longer-term inflation expectations continue to be well anchored.</i> (2013) The rate will likely be maintained <i>even after the unemployment rate declines below 6.5%, especially if projected inflation continues to run below the 2% goal.</i>
ECB	<ul style="list-style-type: none"> (2013) It expects the key interest rates to remain at present or lower levels <i>for an extended period of time.</i>
BOJ	<ul style="list-style-type: none"> (2013) (1) It will achieve the 2% price stability target at the earliest possible time, with a time horizon of <i>about two years.</i> (2) The monetary easing (QQE) will continue as long as necessary for maintaining the target <i>in a stable manner.</i>
BOE	<ul style="list-style-type: none"> (2013) The interest rate will be maintained <i>until the unemployment rate has fallen to 7%.</i> Asset purchases may be increased while the unemployment rate remains above 7%. Until 7% is reached, the stock of asset purchases will be maintained.

Note: The BOE provided further guidance in February 2014 on their action once the 7 percent threshold had been reached.

Households' Recognition of the Bank of Japan's Monetary Policy

(1) Question: *Do you know that the Bank of Japan has set the "price stability target" at 2 percent in terms of the year-on-year rate of change in the CPI?*



(2) Question: *Do you know that the Bank of Japan has embarked on a new phase of monetary easing both in terms of quantity and quality (referred to as "quantitative and qualitative monetary easing")?*

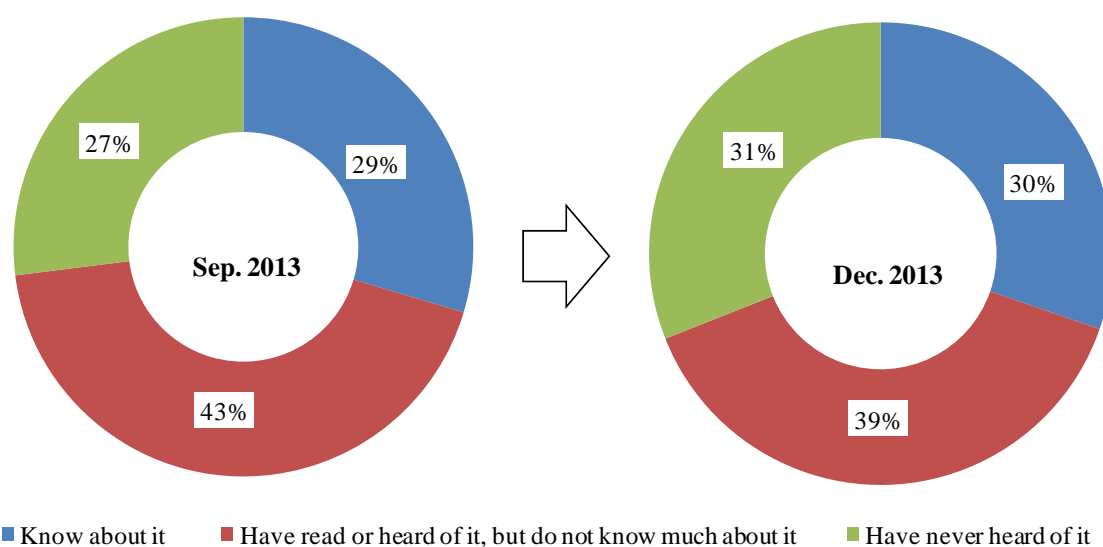


Chart 6

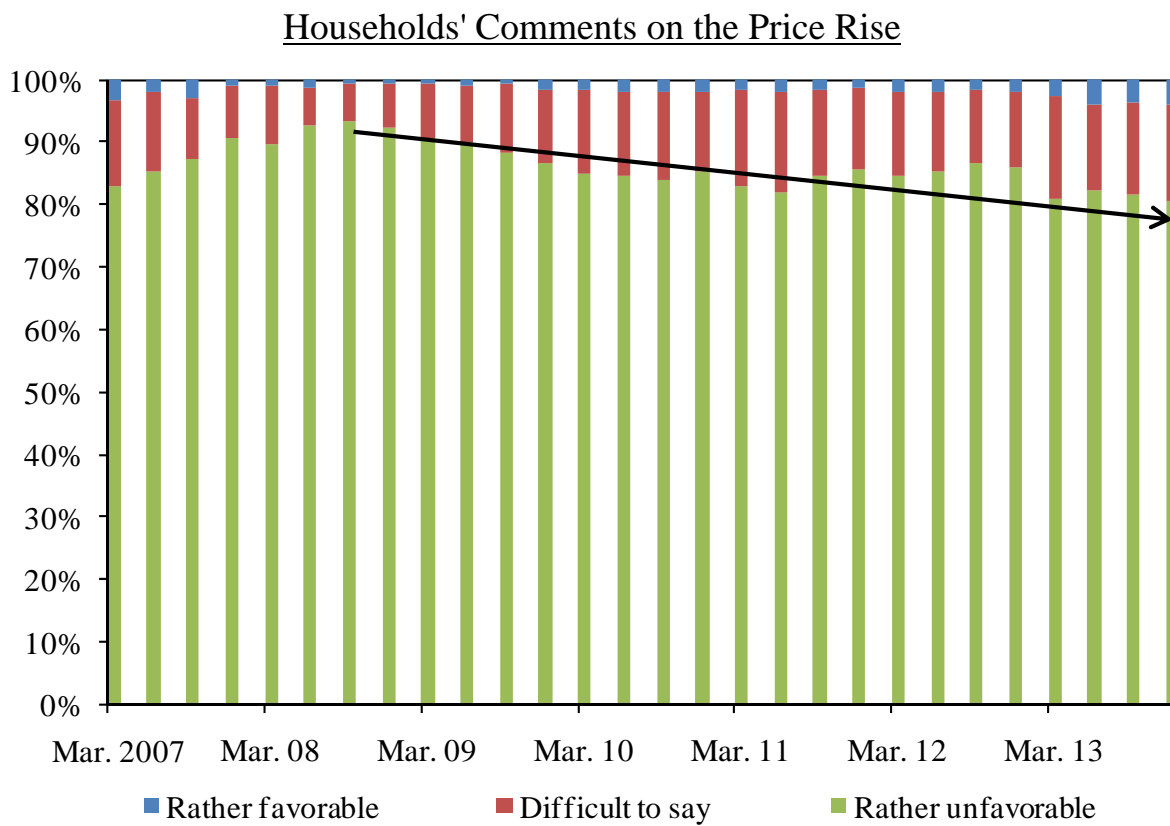
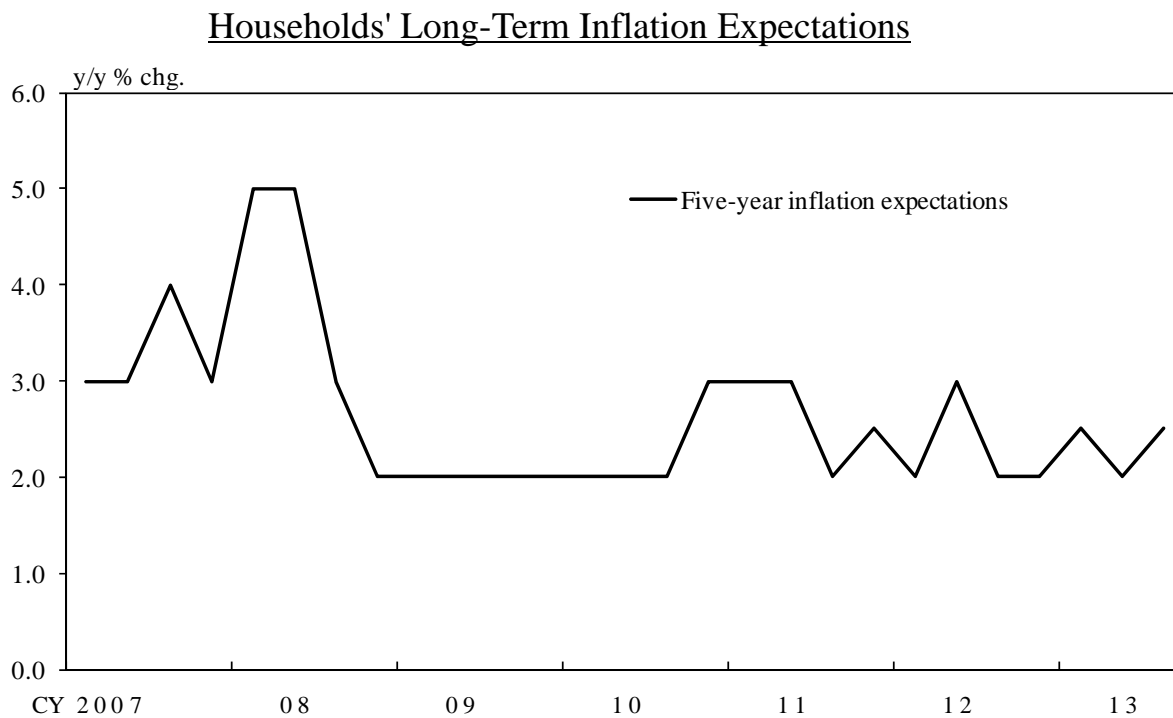
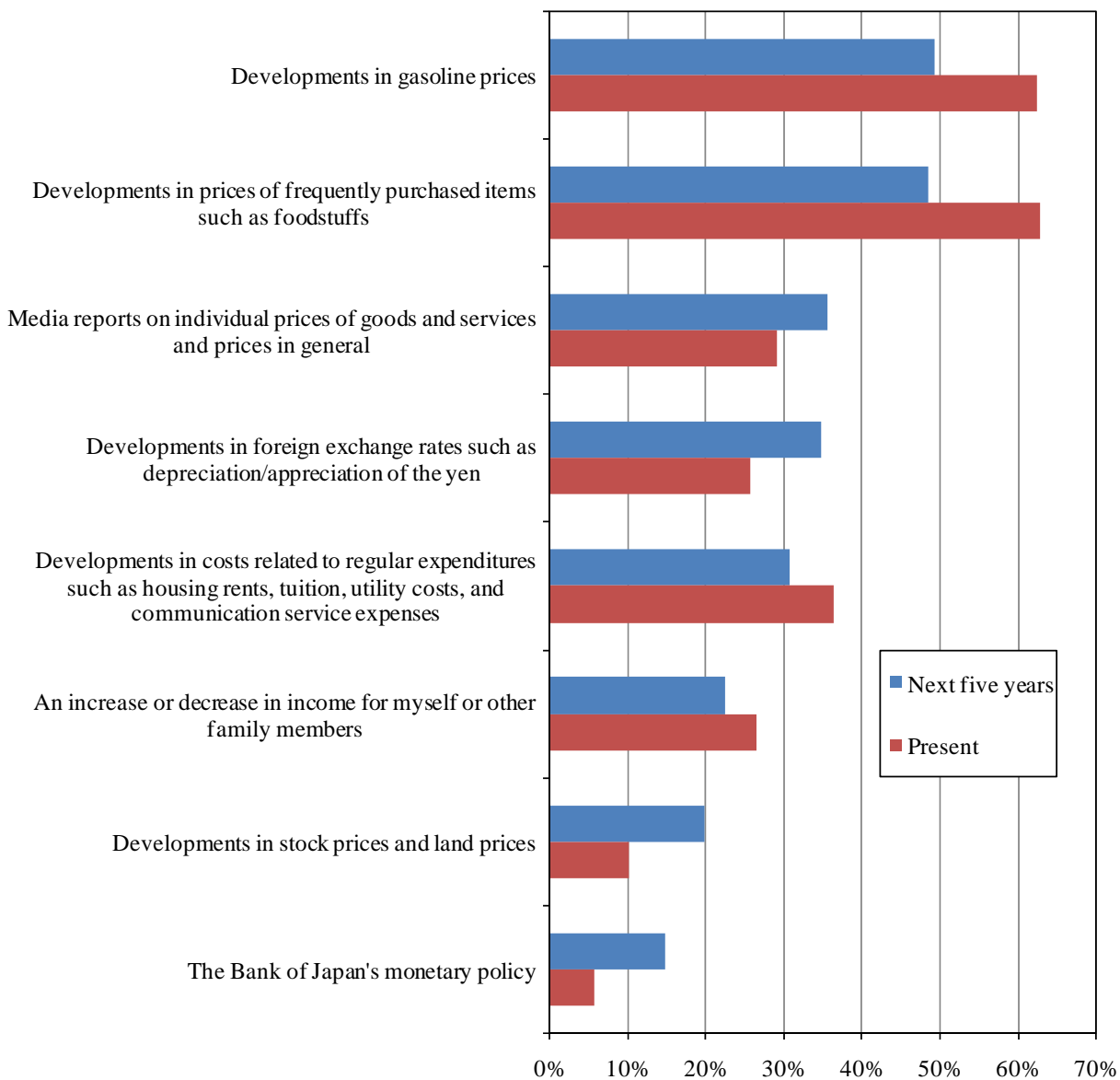


Chart 7



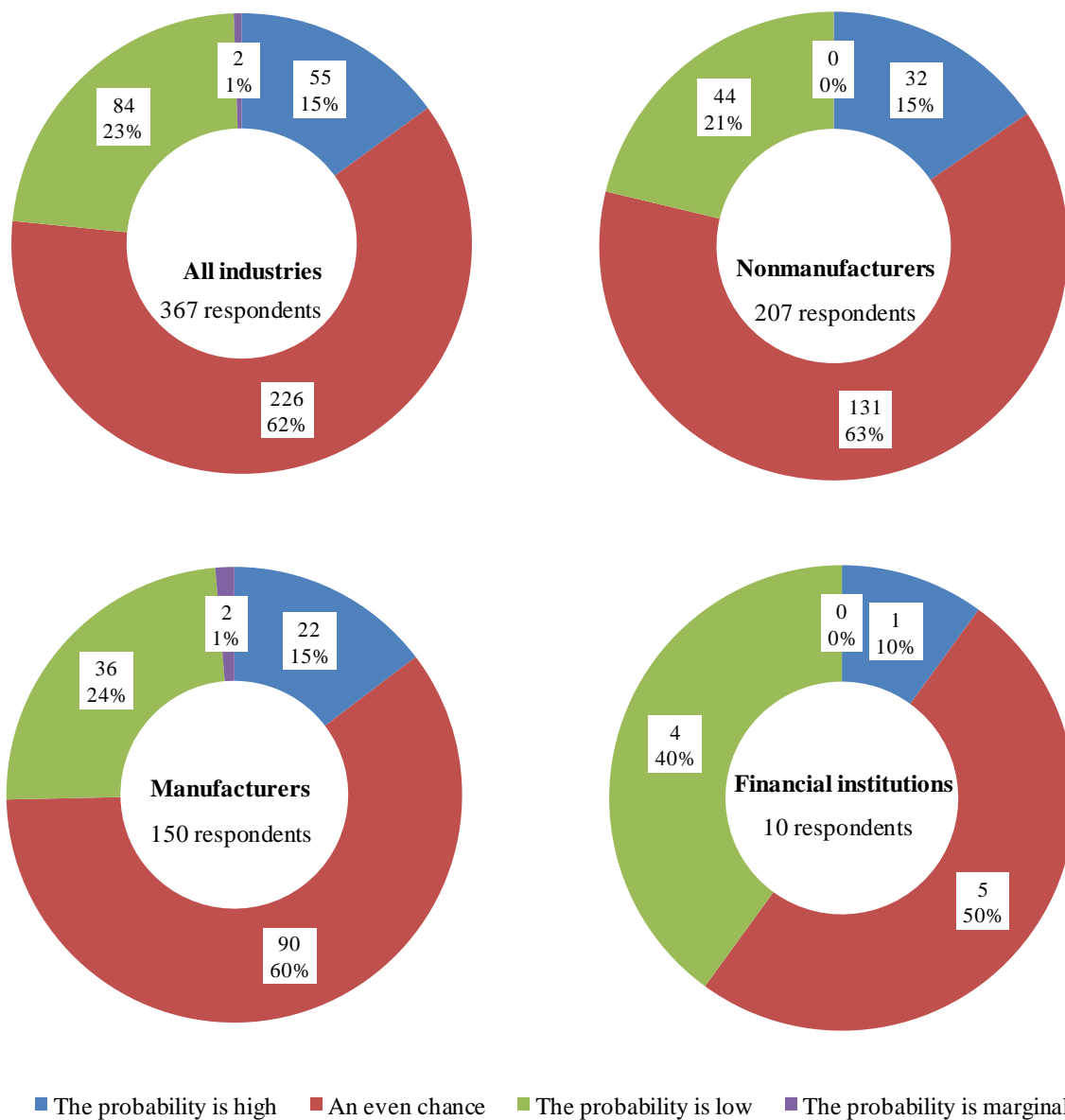
Note: The responses exclude the effects of the consumption tax hikes from the June 2013 survey.
 Source: Bank of Japan.

Basis for the Households' Perception of the Price Levels (Sep. 2013)



Source: Bank of Japan.

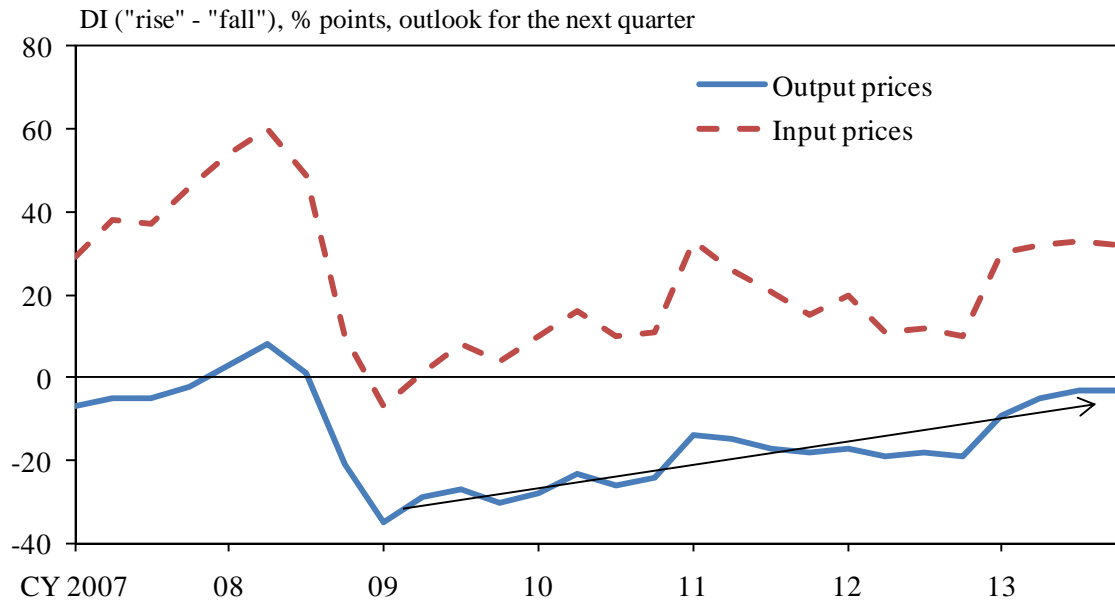
Firms' Views on the Achievability of the 2 Percent Target (Jan. 2014)



Source: QUICK.

Chart 10

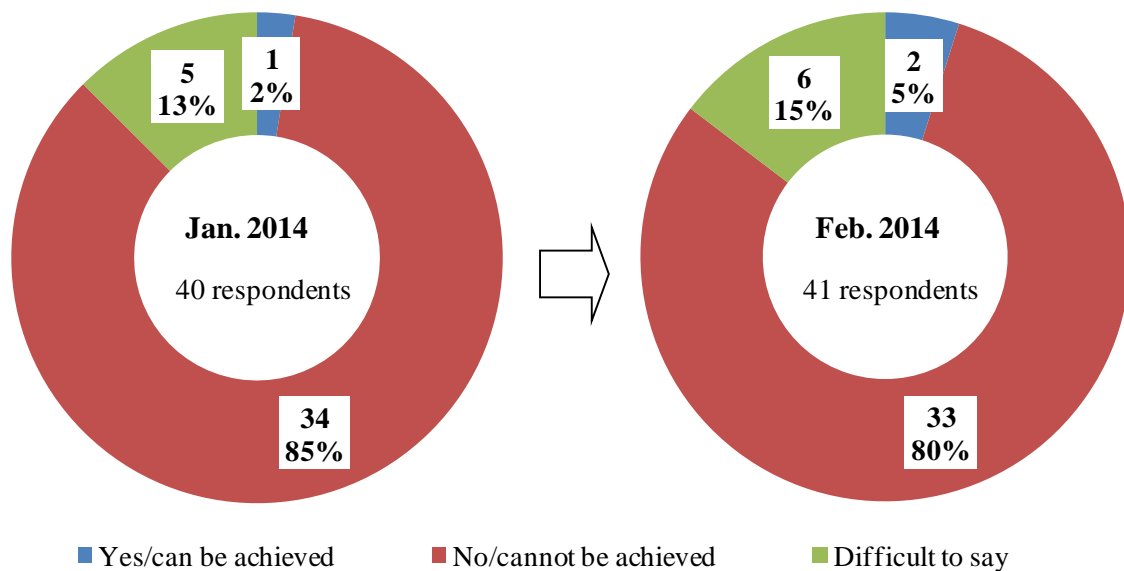
Tankan: Output Price DI and Input Price DI



Source: Bank of Japan.

Chart 11

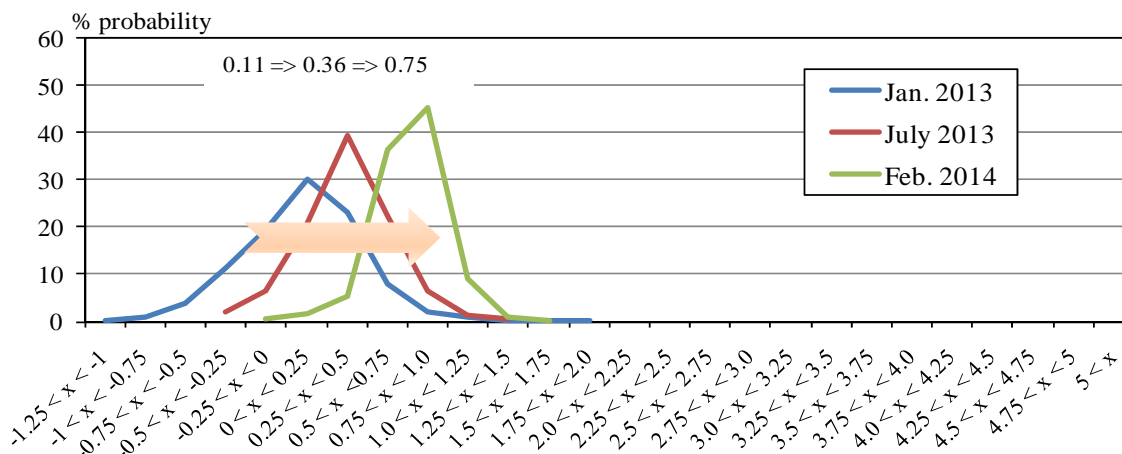
Economists' Views on the Achievability of the 2 Percent Target in Two Years



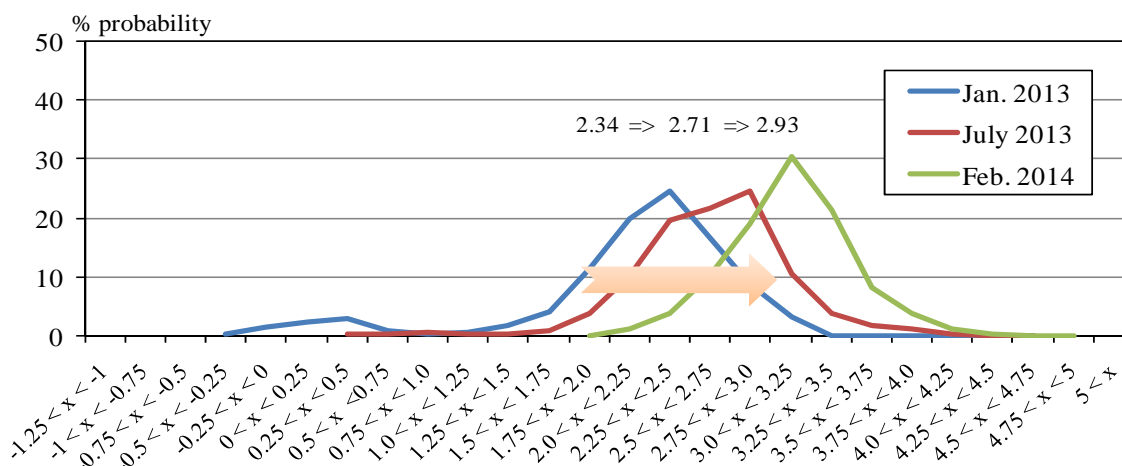
Source: Japan Center for Economic Research (JCER).

Distribution of Economists' Outlook for Prices (CPI)

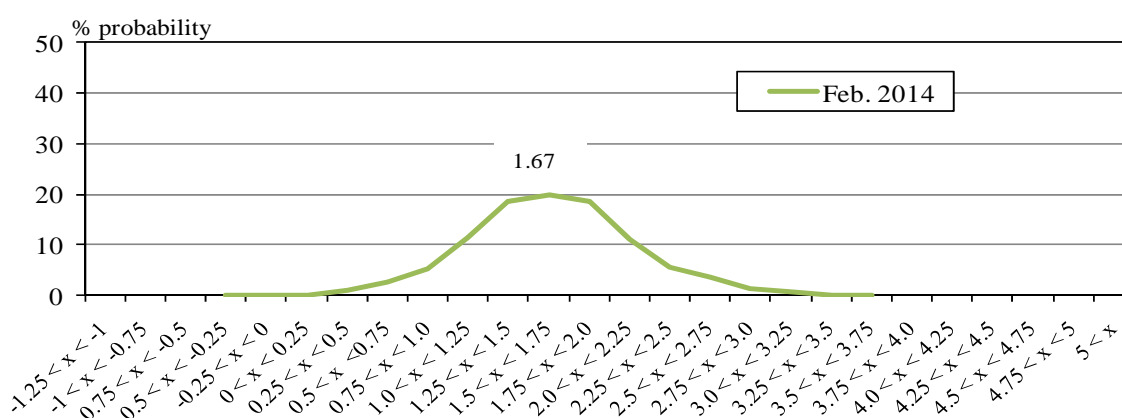
(1) FY 2013



(2) FY 2014



(3) FY 2015

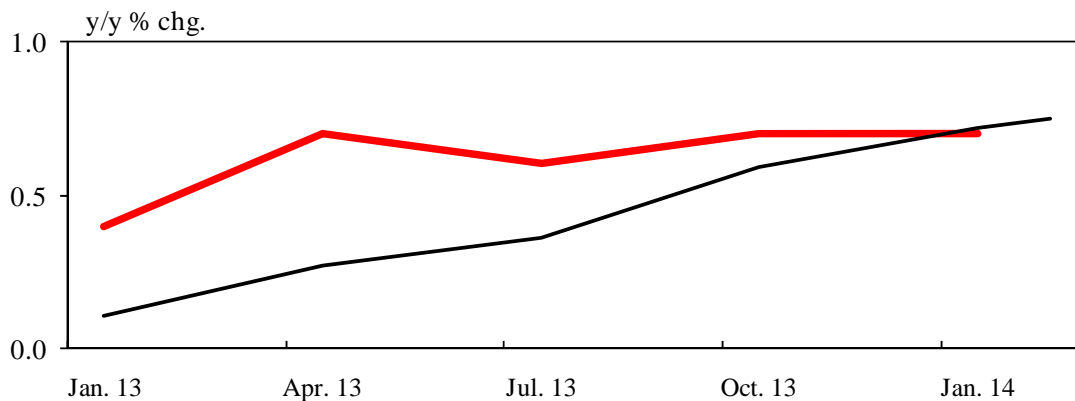


Note: For fiscal 2014 and fiscal 2015, the effects of the consumption tax hike are explicitly included in the February 2014 survey.

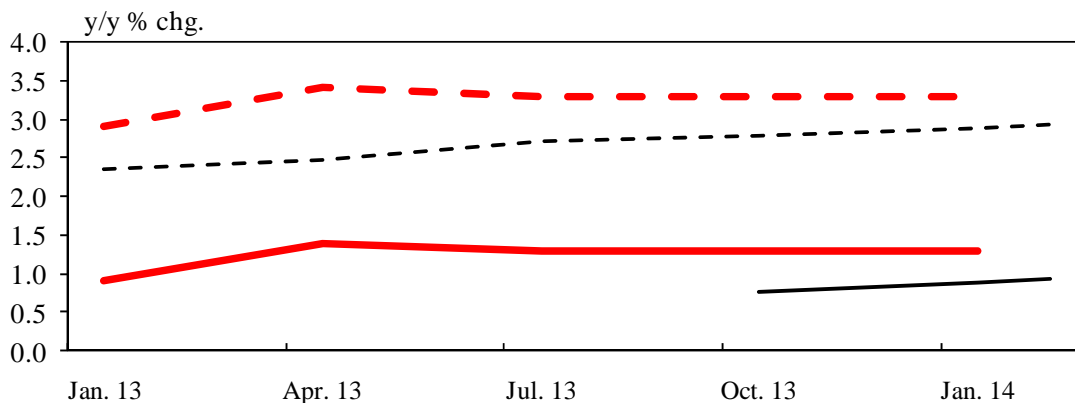
Source: Japan Center for Economic Research (JCER).

Comparison between the Bank of Japan's and Economists' Forecasts

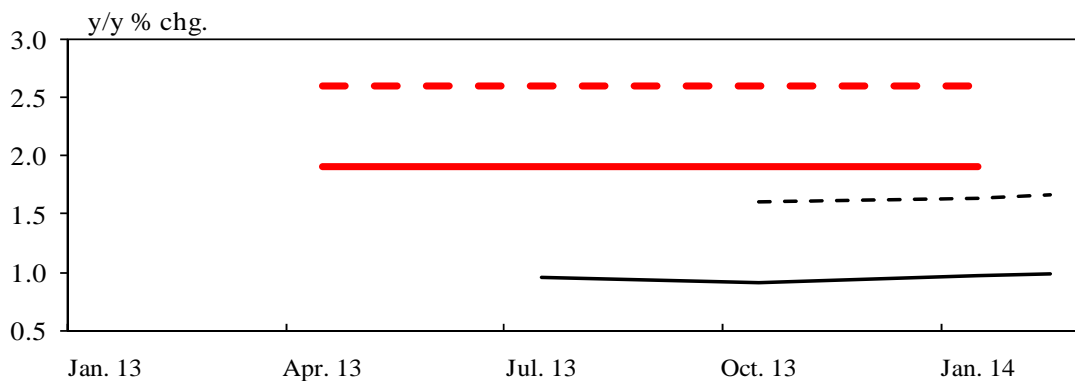
(1) FY 2013



(2) FY 2014



(3) FY 2015



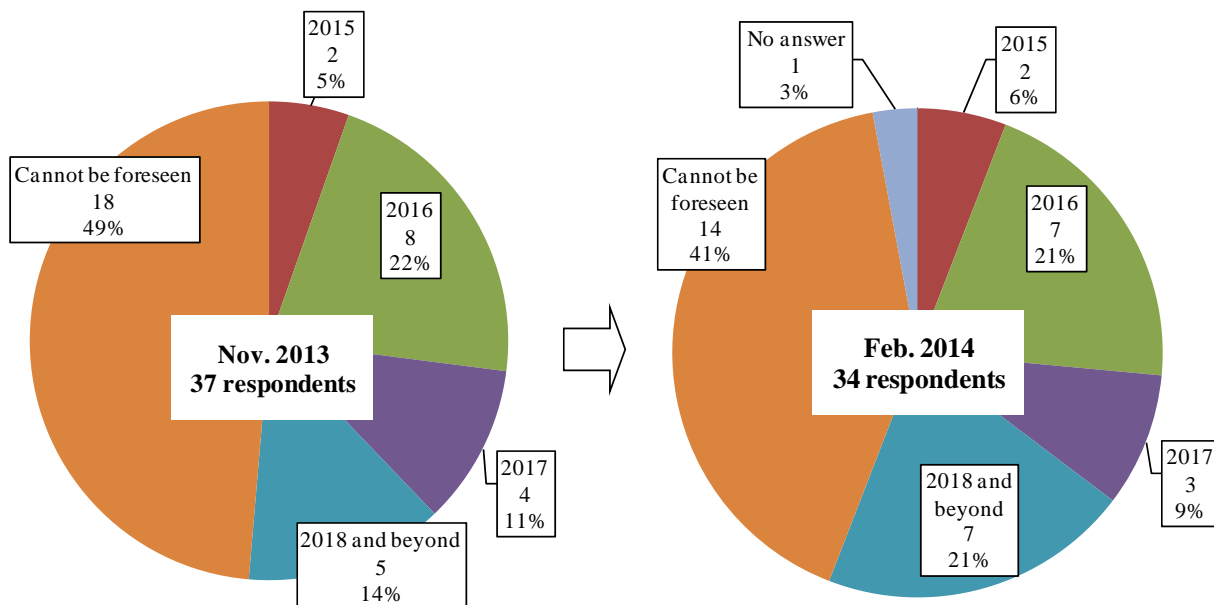
- BOJ: median of the Policy Board members' forecasts, excluding the effects of the consumption tax hike
- - BOJ: median of the Policy Board members' forecasts, including the effects of the consumption tax hike
- Economists: average of forecasts, excluding the effects of the consumption tax hike
- - Economists: average of forecasts, including the effects of the consumption tax hike

Sources: Japan Center for Economic Research (JCER); Bank of Japan.

Chart 14

Economists' Views on the Timing to Achieve 2 Percent Stably

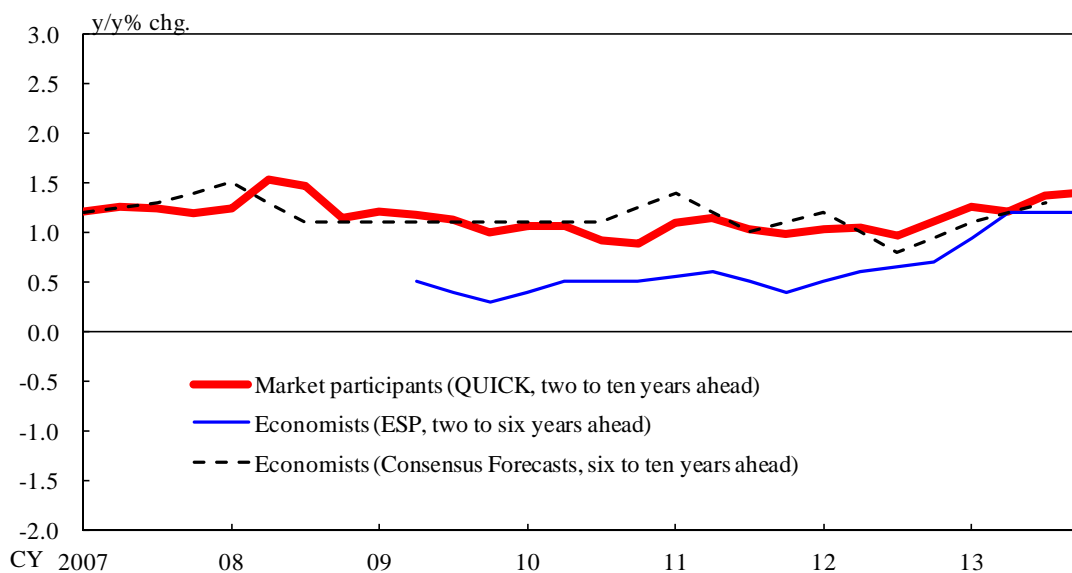
Question: *When do you anticipate that the 2 percent inflation target will be achieved stably and the BOJ will start "tapering" its QQE?*



Source: Bloomberg.

Chart 15

Survey-Based Long-Term Inflation Expectations

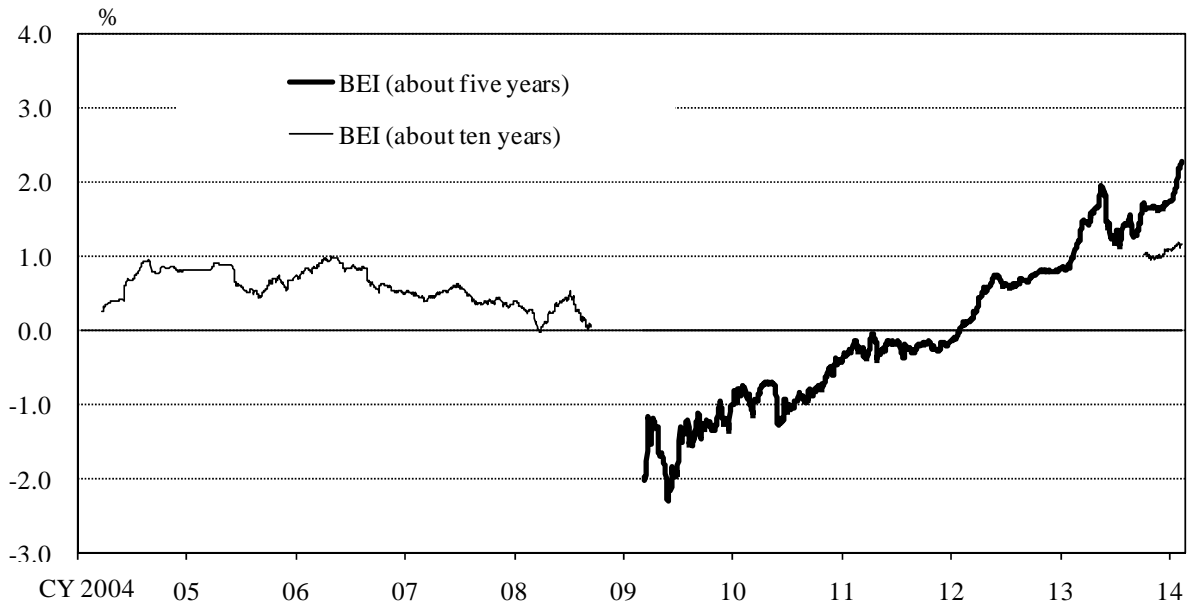


Note: The ESP Forecast Survey excludes the tax effects from the October 2013 survey; the QUICK Bond Monthly Survey includes the effects from the September 2013 survey. The tax effect is irrelevant for the period "six to ten years ahead" in Consensus Forecasts.

Sources: Consensus Economics Inc.; Japan Center for Economic Research (JCER); QUICK.

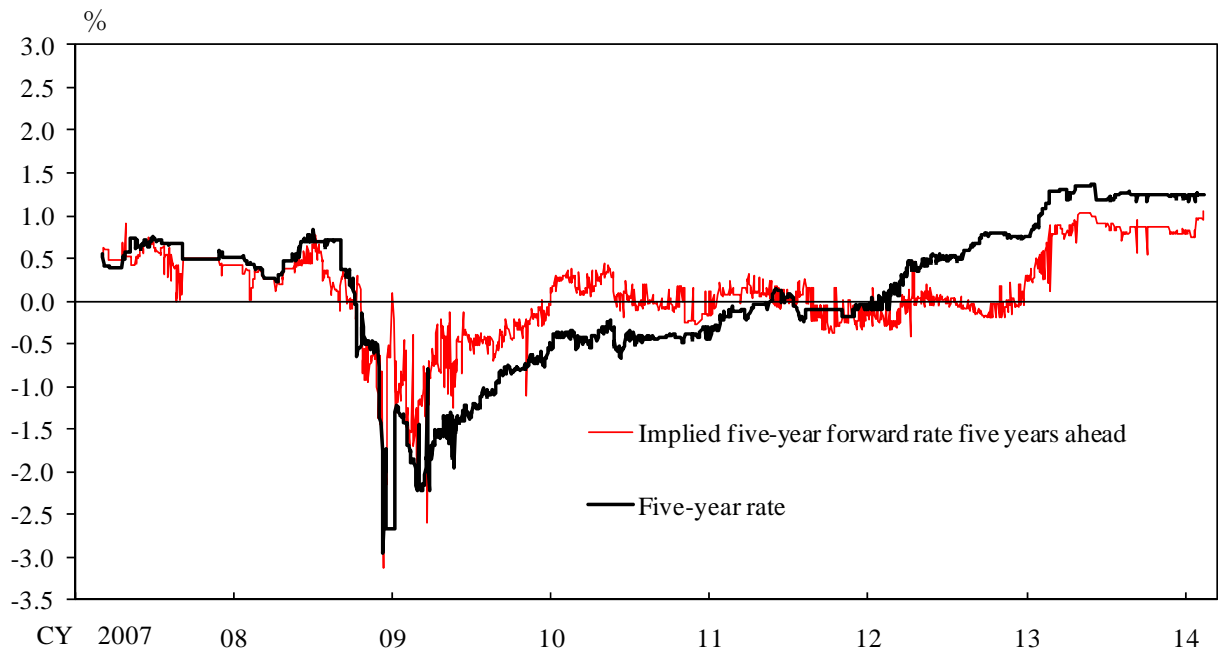
Market Data-Based Long-Term Inflation Expectations

(1) BEI Rates



Source: Bloomberg.

(2) Inflation Swap Rates



Note: Fixed interest rate of the zero coupon inflation swap.

Source: Bloomberg.