**Major Differences between QQE and CME**

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**The Bank of Japan's Forward Guidance**

**The First Forward Guidance Description**
The Bank will achieve the 2% target at the earliest possible time with a time horizon of about two years. "2%, in about two years, doubling the amount outstanding of the monetary base and JGB holdings..."

**The Second Forward Guidance Description**
The Bank will continue with QQE, aiming to achieve the 2% target, as long as necessary for maintaining it in a stable manner (based on examining risks to economic activity and prices).
**Chart 3**

**Monetary Base and JGB Holdings**

- **Monetary base**
- **Amount outstanding of the Bank of Japan's JGB holdings**

Source: Bank of Japan.

**Chart 4**

**Forward Guidance: The Bank of Japan and the Federal Reserve**

- **BOJ**
  - Monetary Base Targeting
  - Forward Guidance Linked to QQE as a Package
  - Raising Inflation Expectations
  - Thresholds on Prices

- **FRB**
  - Interest Rate Targeting
  - Separation between Asset Purchases & Forward Guidance on Interest Rates
  - Maintaining the Well-Anchoraged Inflation Expectations
  - Thresholds on Unemployment & Prices
Chart 5

Long-Term Real Interest Rates in Japan

Note: Figures are estimates using bond yields and market participants’ inflation expectations. The QUICK Bond Monthly Survey includes the tax effects from the September 2013 survey.

Sources: Bank of Japan; Bloomberg; QUICK.

Chart 6

Decomposition of Long-Term JGB Yields

Source: Bank of Japan.
Survey-Based Long-Term Inflation Expectations

Note: Household and the ESP Forecast surveys exclude the tax effects from the June and October 2013 surveys, respectively; 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; Bank of Japan.
Market Data-Based Long-Term Inflation Expectations in Japan

(1) BEI Rates

- BEI Rates
- Source: Bloomberg.

(2) Inflation Swap Rates

- Inflation Swap Rates
- Source: Bloomberg.

Note: Fixed interest rate of the zero coupon inflation swap.
Source: Bloomberg.
The Bank of Japan's Outlook for Prices (CPI)

(1) Excluding the effects of the consumption tax hike

y/y % chg.

- Median of the Policy Board members' forecasts
- Maximum of majority forecasts
- Minimum of majority forecasts

Actual

FY 2006 07 08 09 10 11 12 13 14 15

(2) Including the effects of the consumption tax hike

y/y % chg.

- Median of the Policy Board members' forecasts
- Maximum of majority forecasts
- Minimum of majority forecasts

Actual

FY 2006 07 08 09 10 11 12 13 14 15

Source: Bank of Japan.
Chart 10

Distribution of Economists' Outlook for Prices (CPI)

(1) FY 2013

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).

(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


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