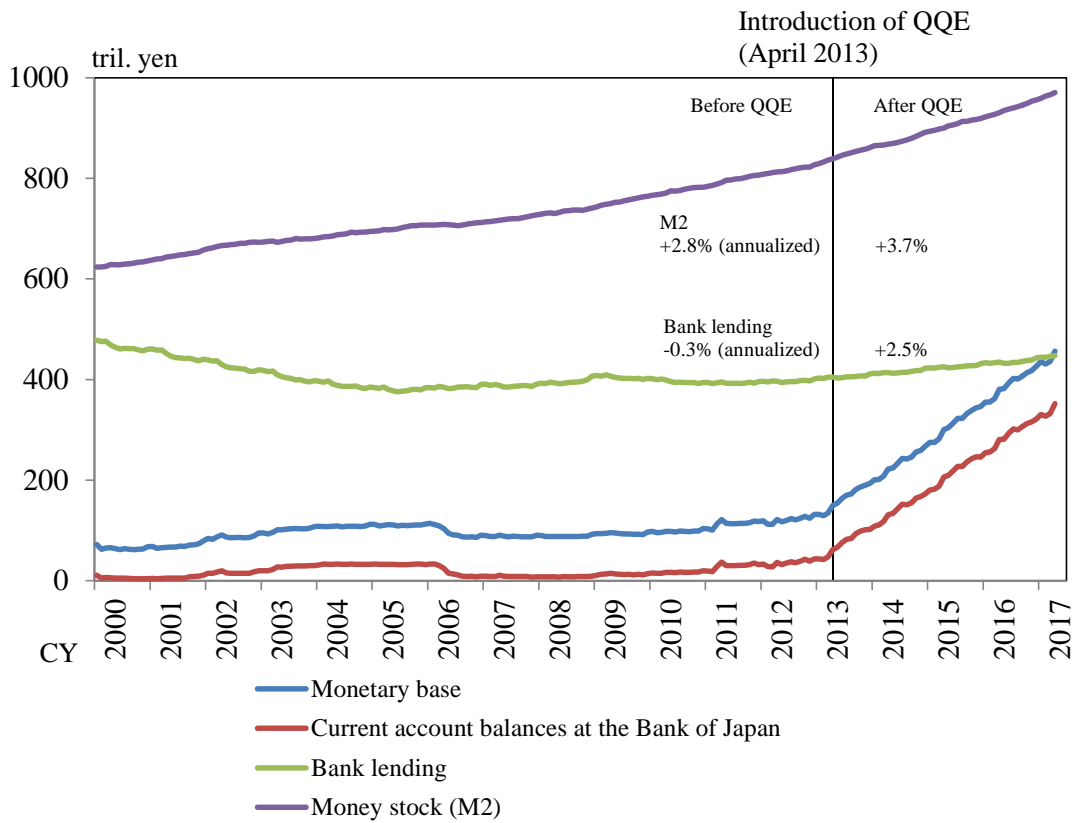


Table 1 Timeline of the Bank's Monetary Policy Measures

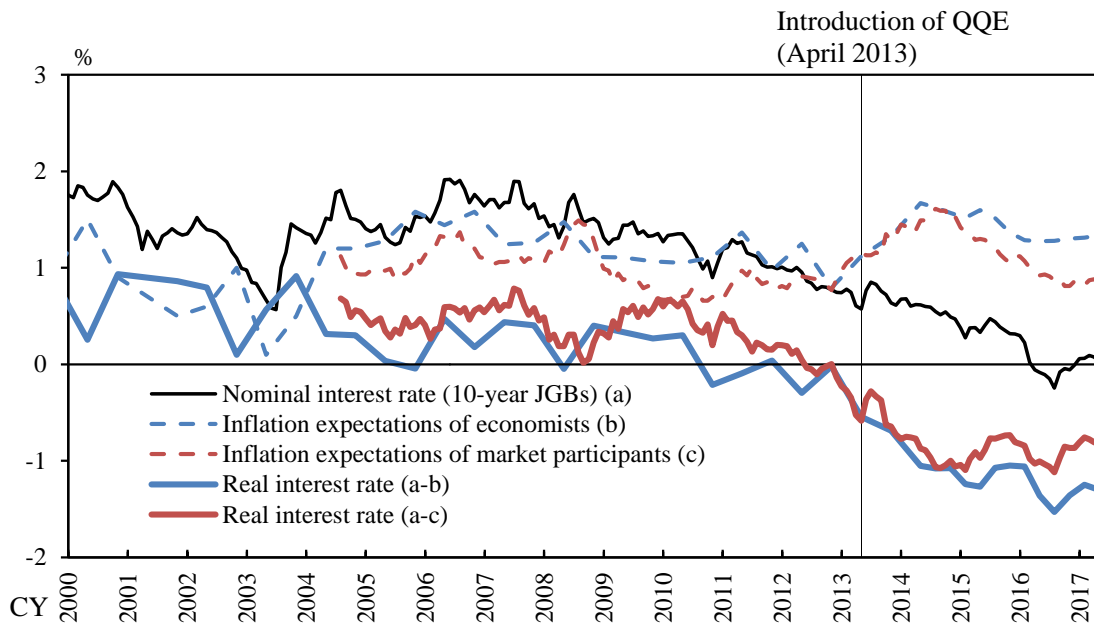
January 2013	Introduction of the "price stability target" of 2 percent
April 2013	<p>Introduction of QQE</p> <ul style="list-style-type: none"> - Monetary base: increase at an annual pace of about 60 to 70 trillion yen - Amount outstanding of the Bank's JGB holdings: increase at an annual pace of about 50 trillion yen
October 2014	<p>Expansion of QQE</p> <ul style="list-style-type: none"> - Monetary base: increase at an annual pace of about 80 trillion yen - Amount outstanding of the Bank's JGB holdings: increase at an annual pace of about 80 trillion yen
January 2016	<p>Introduction of "QQE with a Negative Interest Rate"</p> <ul style="list-style-type: none"> - A negative interest rate of minus 0.1 percent is applied to the Policy-Rate Balances in current accounts held by financial institutions at the Bank
July 2016	<p>"Enhancement of Monetary Easing"</p> <ul style="list-style-type: none"> - Amount outstanding of the Bank's ETF holdings: increase at an annual pace of about 6 trillion yen
September 2016	<p>Introduction of "QQE with Yield Curve Control"</p> <ul style="list-style-type: none"> - Yield curve control <ul style="list-style-type: none"> Short-term policy interest rate: a negative rate of minus 0.1 percent is applied to the Policy-Rate Balances in current accounts held by financial institutions at the Bank Long-term interest rate: the Bank will purchase JGBs so that 10-year JGB yields will remain at around zero percent; with regard to the amount of JGBs to be purchased, the Bank will conduct purchases more or less in line with the current pace -- an annual pace of increase in the amount outstanding of its JGB holdings of about 80 trillion yen - Inflation-overshooting commitment

Chart 1 Rapid Increase in the Monetary Base and Increase in M2 and Bank Lending



Source: Bank of Japan.

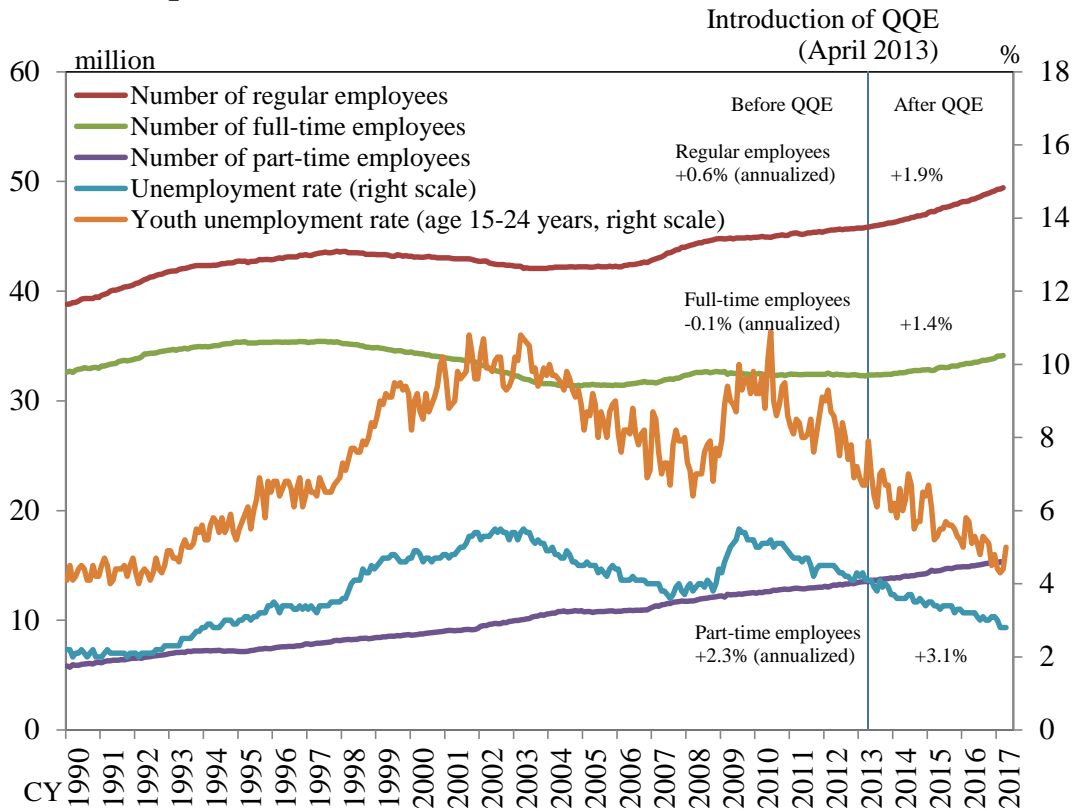
Chart 2 Marked Decline in Nominal and Real Interest Rates



Note: Figures for inflation expectations of economists are the average of expectations for six to ten years ahead, taken from the *Consensus Forecasts*. Figures for inflation expectations of market participants are expectations for the next ten years, taken from the *QUICK Monthly Market Survey (Bonds)*.

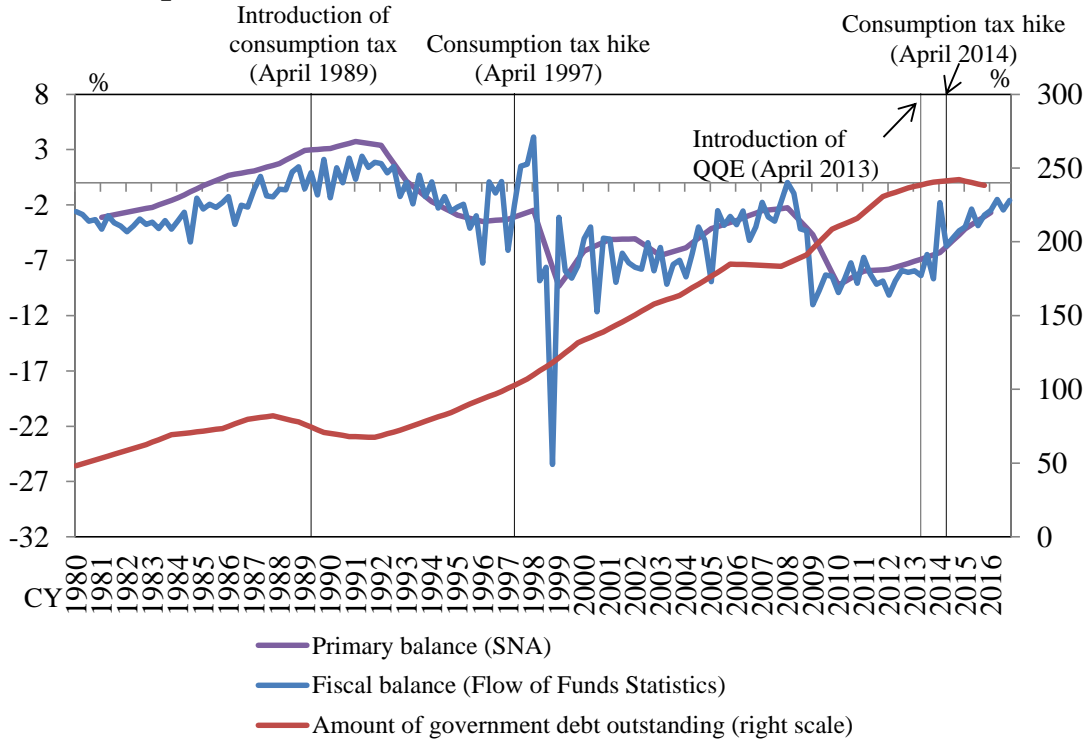
Sources: Consensus Economics Inc., "Consensus Forecasts"; QUICK, "QUICK Monthly Market Survey (Bonds)"; Bloomberg.

Chart 3 Improvement in Labor Market Conditions



Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

Chart 4 Improvements in the Fiscal Balance and Government Debt



Note: The series show ratios relative to nominal GDP. The fiscal balance is the financial surplus or deficit of the general government in the *Flow of Funds Statistics*. Figures for the amount of government debt outstanding and the primary balance are converted from annual to quarterly data through linear interpolation.

Sources: Cabinet Office; Bank of Japan.

Chart 5 Big Rock Theory

Big rock theory: a big rock on a slope hardly moves at first if one tries to move it out of the way, but once it does get rolling, it will not stop, and therefore it is better not to try to move the rock out of the way.

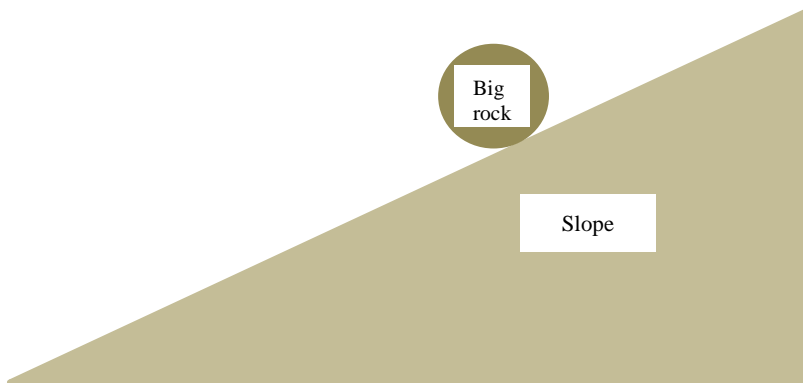
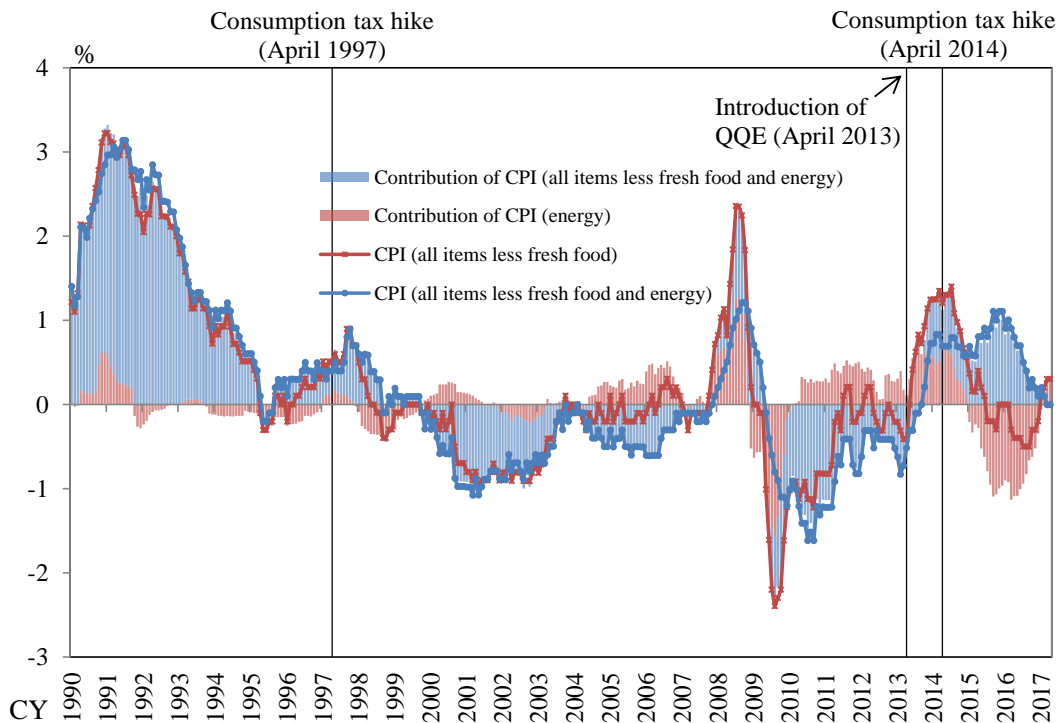


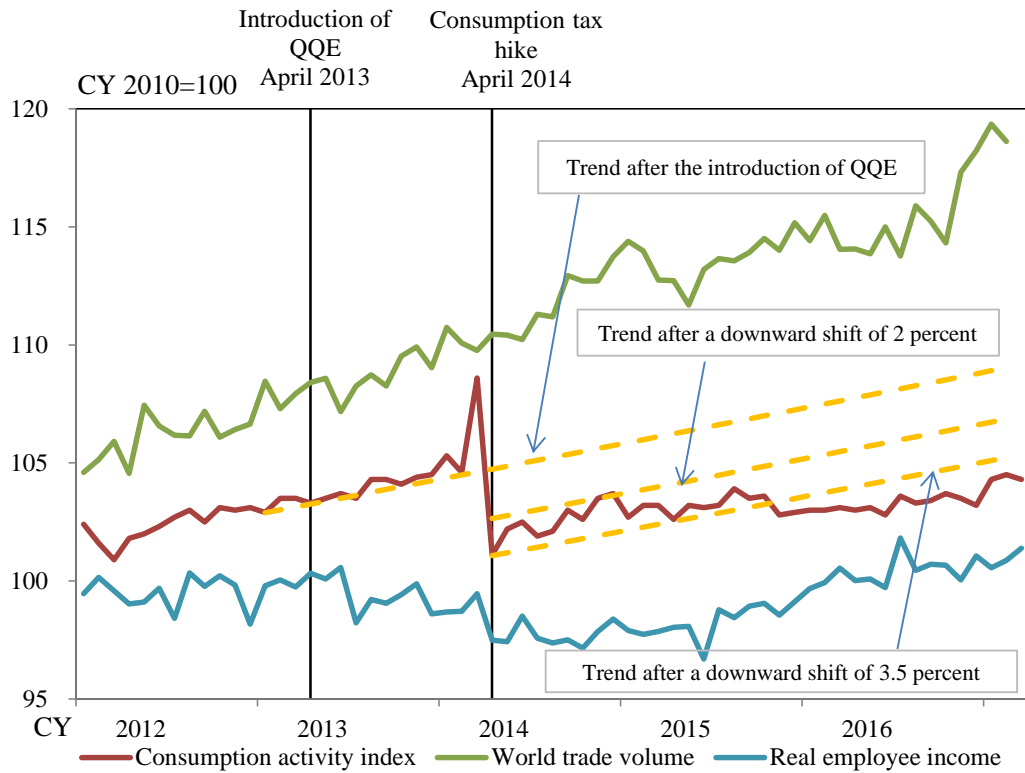
Chart 6 Breakdown of the CPI



Note: The CPI is adjusted for the effects of the changes in the consumption tax by deducting 2.0 percentage points at the time of the introduction of the tax in 1989, 1.5 percentage points at the time of the first hike in 1997, and 2.0 percentage points at the time of the second hike in 2014.

Source: Ministry of Internal Affairs and Communications.

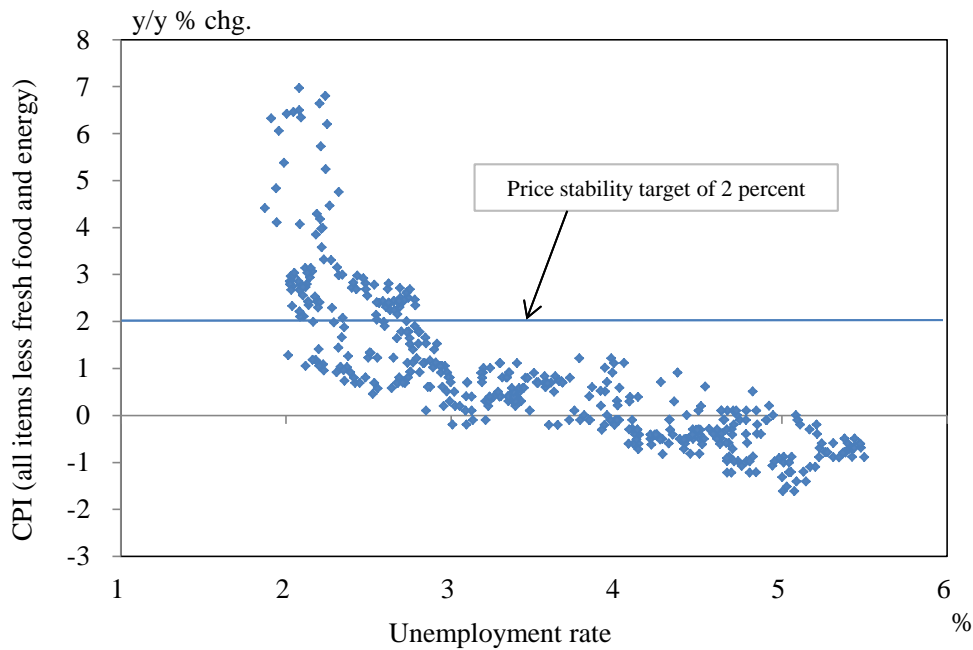
Chart 7 Stagnation in Real Consumption



Note: Real employee income is obtained by multiplying nominal wages by the number of employees (*Labour Force Survey*) and adjusting inflation by the CPI for all items.

Sources: Bank of Japan; Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; CPB Netherlands Bureau for Economic Policy Analysis.

Chart 8 Phillips Curve and Tightening of the Labor Market



Source: Ministry of Internal Affairs and Communications.