

# The Bank's Accounts

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## I. SETTLEMENT OF ACCOUNTS FOR FISCAL 2007

On May 29, 2008, the Bank of Japan released the "Financial Statements for the 123rd Fiscal Year" (in Japanese only), which contains the Bank's financial statements (the inventory of property, balance sheet, and statement of income) for the 123rd fiscal year, i.e., fiscal 2007 (April 1, 2007–March 31, 2008), and the schedule for the financial statements for fiscal 2007.

The Bank submitted the financial statements, together with the Auditors' opinion, to the Minister of Finance, and received the Minister's approval on May 22. The schedule for the financial statements was audited by the Auditors, whose opinion was that it duly complemented the financial statements.

The overview of the settlement of accounts for fiscal 2007 is as below.

### A. Assets and Liabilities, Profits and Losses, and Capital Adequacy Ratio

The balance sheet of the Bank at the end of fiscal 2007 shows that total assets were at around the same level as a year earlier, registering 113,426.2 billion yen: holdings of Japanese government securities (JGSs)<sup>1</sup> decreased, while loans and bills discounted and receivables under resale agreements increased. Total liabilities were also at around the same level as a year earlier, registering 110,202.4 billion yen, with the deposits of the government and payables under repurchase agreements decreasing while current deposits increased (Table 1).

Detailed developments in the Bank's balance sheet in fiscal 2007 are as follows.

Looking at assets at the end of March 2008, holdings of JGSs decreased by 11.8 percent from a year earlier to 67,390.7 billion yen, reflecting the fact that the amount of JGSs redeemed and sold by the Bank exceeded the amount of those purchased and underwritten. Loans and bills discounted increased by 26.0 percent to 29,215.3 billion yen from the previous year due to an increase in funds-supplying operations against pooled collateral via the electronic lending. Receivables under resale agreements also increased by 94.6 percent from the previous year to 8,767.6 billion yen due to an increase in funds-supplying operations through purchases of JGSs under repurchase agreements.

Turning to liabilities, the amount outstanding of deposits of the government was 3,505.8 billion yen, a decrease of 36.6 percent from a year earlier, reflecting the management of treasury funds. Payables under repurchase agreements decreased by

1. JGSs comprise Japanese government bonds (JGBs), treasury bills (TBs), and financing bills (FBs).

6.4 percent from a year earlier to 12,059.8 billion yen, reflecting a decline in the amount outstanding of Japanese government bonds (JGBs) under repurchase agreements to the government. The amount outstanding of current account deposits at the Bank was 14,246.9 billion yen, an increase of 22.0 percent from a year earlier, reflecting the Bank's money market operations, which were conducted in accordance with the guidelines for money market operations decided at the Monetary Policy Meetings. Meanwhile, the year-on-year rate of change in the amount outstanding of banknotes issued (banknotes in circulation) was 0.7 percent, registering 76,461.5 billion yen at the end of fiscal 2007.

With regard to the Bank's statement of income for fiscal 2007, operating profits decreased by 365.1 billion yen to 687.3 billion yen. This was mainly due to substantial net foreign exchange-related losses<sup>2</sup> arising from the appreciation of the yen, although "core" operating income,<sup>3</sup> particularly yields on assets, and gains on pecuniary trusts<sup>4</sup> related to stocks purchased from financial institutions increased (Table 2).

Net income for the term—after subtracting corporate income tax and inhabitants and enterprise taxes—decreased by 139.7 billion yen from the previous year to 640.7 billion yen. After transferring 32.0 billion yen to the legal reserve (5 percent of net income for the fiscal year) and paying dividends totaling 5 million yen (5 percent of the face value of shares), the Bank paid the remainder of its net income to the government (608.7 billion yen).

The capital adequacy ratio, after the appropriation of net income, declined slightly from its previous year-end level of 7.53 percent to 7.47 percent at the end of fiscal 2007, in spite of transfers to the legal reserve from the Bank's net income for the fiscal year; the decline reflected an increase of 1.4 percent from the previous year in the average amount outstanding of banknotes issued (Table 3).

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2. Losses on foreign currency assets resulting from fluctuations in foreign exchange rates and arising from revaluation.

3. For the definition of "core" operating income, see Note 2 in Table 2 on page 59.

4. For the definition of pecuniary trusts, see Note 5 in Table 2 on page 59.

Table 1

**Principal Assets and Liabilities<sup>1</sup>**

bil. yen

Item	End of fiscal 2006 (March 31, 2007)	End of fiscal 2007 (March 31, 2008)
<b>Total Assets</b>	112,740.9 (-22.2) <-32,121.9>	113,426.2 (+0.6) <+685.2>
Of which:		
Receivables under resale agreements	4,506.2 (-13.2) <-683.5>	8,767.6 (+94.6) <+4,261.3>
Japanese government securities	76,445.7 (-18.0) <-16,827.3>	67,390.7 (-11.8) <-9,054.9>
Loans and bills discounted	23,187.7 (772.9 times) <+23,157.7>	29,215.3 (+26.0) <+6,027.6>
Foreign currency assets	5,419.4 (+8.4) <+421.8>	5,227.6 (-3.5) <-191.7>
Pecuniary trusts (stocks held as trust property)	1,783.3 (-10.7) <-213.6>	1,426.0 (-20.0) <-357.3>
<b>Total Liabilities</b>	109,416.4 (-22.9) <-32,585.3>	110,202.4 (+0.7) <+786.0>
Of which:		
Banknotes	75,894.1 (+1.2) <+915.9>	76,461.5 (+0.7) <+567.4>
Deposits (excluding those of the government)	11,709.5 (-62.7) <-19,704.6>	14,276.3 (+21.9) <+2,566.8>
Deposits of the government	5,531.0 (-15.8) <-1,038.2>	3,505.8 (-36.6) <-2,025.2>
Payables under repurchase agreements	12,879.6 (-47.1) <-11,478.0>	12,059.8 (-6.4) <-819.7>
Bills sold	... (...) <...>	600.1 (...) <...>

Note: 1. Figures in parentheses are the percentage changes from a year earlier; figures in angular brackets are changes (billions of yen) from a year earlier. "... " indicates that figures are not applicable.

Table 2

**Principal Profits and Losses<sup>1</sup>**

bil. yen

Item	Fiscal 2006 (April 1, 2006–March 31, 2007)	Fiscal 2007 (April 1, 2007–March 31, 2008)
<b>Operating profits/losses</b>	1,052.4 (+44.6) <+324.6>	687.3 (-34.7) <-365.1>
Of which:		
"Core" operating income <sup>2</sup>	843.9 <+217.7>	1,040.7 <+196.8>
Net government bond-related gains/losses <sup>3</sup>	-17.1 <-40.6>	... <+17.1>
Net foreign exchange-related gains/losses <sup>4</sup>	201.1 <-135.0>	-603.7 <-804.9>
Net pecuniary trusts gains/losses <sup>5</sup>	243.3 <+188.5>	313.0 <+69.6>
<b>Special profits/losses</b>	-99.7 <+65.9>	-0.6 <+99.1>
Of which:		
Net transfer to/from provision for possible losses on securities transactions	... <...>	... <...>
Net transfer to/from provision for possible losses on foreign exchange transactions <sup>6</sup>	-100.5 <+67.5>	... <+100.5>
Net income before taxes	952.6 (+69.5) <+390.5>	686.6 (-27.9) <-266.0>
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	172.1 <-56.1>	45.9 <-126.2>
Net income	780.5 (2.3 times) <+446.6>	640.7 (-17.9) <-139.7>

Notes: 1. Figures in parentheses are the percentage changes from the previous fiscal year; figures in angular brackets are changes (billions of yen) from the previous fiscal year. "..." indicates that figures are not applicable.

The Bank, the sole issuer of banknotes in Japan, obtains most of its profits from banknote issuance. It is obliged to pay the government all of its net income after deducting expenses and income taxes, excluding certain provisions and dividends. This payment to the government is treated as deductible losses for income tax purposes, and is excluded from taxable income when corporate income tax and enterprise taxes are calculated.

2. The total of interest on loans and discounts, interest on receivables under resale agreements, discounts on bills purchased, interest and discounts on JGSs, on asset-backed securities, and on foreign currency securities, lending fees on foreign currency securities, and interest on foreign currency deposits.
3. Net gains/losses on sale of JGBs.
4. Net gains/losses on foreign currency assets resulting from fluctuations in foreign exchange rates during the fiscal year and arising from revaluation at the end of the fiscal year.
5. Net gains/losses on pecuniary trusts (stocks held as trust property).
6. A minus sign shows net transfer to the relevant provisions (negative figures reduce net income).

Table 3

**The Bank's Capital Base and Capital Adequacy Ratio<sup>1</sup>**

bil. yen, except where otherwise noted

Item	End of fiscal 2005 (March 31, 2006)	End of fiscal 2006 (March 31, 2007)	End of fiscal 2007 (March 31, 2008)	Changes from a year earlier	[Reference] End of the first half of fiscal 2007 (September 30, 2007)
<b>Capital accounts (A)</b>	<b>2,543.9</b>	<b>2,583.0</b>	<b>2,615.0</b>	<b>+32.0</b>	<b>2,583.0</b>
Capital	0.1	0.1	0.1	...	0.1
Legal reserve and others <sup>2</sup>	2,543.8	2,582.9	2,614.9	+32.0	2,582.9
<b>Provisions (B)</b>	<b>2,937.2</b>	<b>3,037.8</b>	<b>3,037.8</b>	<b>...</b>	<b>3,037.8</b>
Provision for possible loan losses (excluding special provision for possible loan losses)	...	...	...	...	...
Provision for possible losses on securities transactions	2,243.3	2,243.3	2,243.3	...	2,243.3
Provision for possible losses on foreign exchange transactions	693.9	794.5	794.5	...	794.5
<b>Capital base<sup>3</sup> (A) + (B) = (C)</b>	<b>5,481.2</b>	<b>5,620.8</b>	<b>5,652.9</b>	<b>+32.0</b>	<b>5,620.8</b>
<b>Annual average of banknotes issued (D)</b>	<b>73,985.7</b>	<b>74,611.3</b>	<b>75,661.5</b>	<b>+1,050.2</b>	<b>75,073.5</b>
<b>Capital adequacy ratio (C)/(D) × 100 (percent)</b>	<b>7.40</b>	<b>7.53</b>	<b>7.47</b>	<b>-0.06</b>	<b>7.48</b>

Notes: 1. "..." indicates that figures are not applicable.

2. Includes the special reserve (13 million yen).

3. Calculated in yen and then rounded down to the nearest 0.1 billion yen, thus figures are not necessarily equal to the total of relevant items listed in the above table.

## B. Financial Statements

### 1. Inventory of property as at March 31, 2008

Item	Value in yen	Unit (except where otherwise noted)
<b>ASSETS</b>		
Gold	441,253,409,037	
Cash	191,329,182,636	
Receivables under resale agreements	8,767,603,169,496	37
Japanese government securities	67,390,797,184,405	Face value at 66,597,782,000,000 yen
Pecuniary trusts (stocks held as trust property)	1,426,013,500,496	
Loans and bills discounted	29,215,300,000,000	
Electronic loans	29,215,300,000,000	610
Foreign currency assets	5,227,680,702,845	
Foreign currency deposits	61,001,758,609	
Foreign currency securities	4,994,252,808,189	
Foreign currency mutual funds	37,687,266,498	
Foreign currency pecuniary trusts	134,738,869,549	
Deposits with agents	82,996,740,583	Deposits with 95 agents
Other assets	464,178,441,357	
Bills and checks in process of collection	48,618,754,836	55
Capital subscription to the Deposit Insurance Corporation, and the Agricultural and Fishery Cooperative Savings Insurance Corporation	225,000,000	2
Capital subscription to an international financial institution	15,278,374,364	1
Provision of funds to the Deposit Insurance Corporation's "Jusen account"	100,000,000,000	1
Provision of funds to the New Financial Stabilization Fund	20,000,000,000	1
Withdrawn cash to be returned to the government	58,692,836,441	6
Accrued interest receivable	160,026,713,152	
Others	61,336,762,564	
Tangible fixed assets	218,844,119,238	
Buildings	117,725,612,564	655,304.58 square meters
Land	83,263,463,006	715,139.17 square meters
Construction in progress	1,469,917,150	
Other tangible fixed assets	16,385,126,518	Number of movable property: 11,637
Intangible fixed assets	210,448,170	
Utility rights	210,448,170	
Total assets	113,426,206,898,263	
<b>LIABILITIES</b>		
Banknotes	76,461,554,544,007	
Deposits (excluding those of the government)	14,276,374,328,066	
Current deposits	14,246,942,388,350	1,211
Other deposits	29,431,939,716	126
Deposits of the government	3,505,830,108,703	
Treasury deposit	150,000,455,661	
Domestic designated deposit	3,057,036,464,345	
Other government deposits	298,793,188,697	
Payables under repurchase agreements	12,059,868,222,455	49
Bills sold	600,100,000,000	8
Other liabilities	72,152,180,398	
Remittances payable	16,979,222,884	
Unearned interest and discounts	1,952,054	
Taxes payable	3,116,000,000	
Others	52,055,005,460	
Provision for retirement benefits	188,700,965,478	
Provision for possible losses on securities transactions	2,243,348,993,013	
Provision for possible losses on foreign exchange transactions	794,500,000,000	
Total liabilities	110,202,429,342,120	
<b>CAPITAL ACCOUNTS</b>		
Capital	100,000,000	
Legal reserve	2,582,912,346,742	
Special reserve	13,196,452	
Net income	640,752,012,949	
Total capital accounts	3,223,777,556,143	
Total liabilities and capital accounts	113,426,206,898,263	

## 2. Balance sheet as at March 31, 2008

yen

<b>ASSETS</b>	
<b>Gold</b>	<b>441,253,409,037</b>
<b>Cash</b>	<b>191,329,182,636</b>
<b>Receivables under resale agreements</b>	<b>8,767,603,169,496</b>
<b>Japanese government securities</b>	<b>67,390,797,184,405</b>
<b>Pecuniary trusts (stocks held as trust property)</b>	<b>1,426,013,500,496</b>
<b>Loans and bills discounted</b>	<b>29,215,300,000,000</b>
Electronic loans	29,215,300,000,000
<b>Foreign currency assets</b>	<b>5,227,680,702,845</b>
Foreign currency deposits	61,001,758,609
Foreign currency securities	4,994,252,808,189
Foreign currency mutual funds	37,687,266,498
Foreign currency pecuniary trusts	134,738,869,549
<b>Deposits with agents</b>	<b>82,996,740,583</b>
<b>Other assets</b>	<b>464,178,441,357</b>
Bills and checks in process of collection	48,618,754,836
Capital subscription to the Deposit Insurance Corporation, and the Agricultural and Fishery Cooperative Savings Insurance Corporation	225,000,000
Capital subscription to an international financial institution	15,278,374,364
Provision of funds to the Deposit Insurance Corporation's "Jusen account"	100,000,000,000
Provision of funds to the New Financial Stabilization Fund	20,000,000,000
Withdrawn cash to be returned to the government	58,692,836,441
Accrued interest receivable	160,026,713,152
Others	61,336,762,564
<b>Tangible fixed assets</b>	<b>218,844,119,238</b>
Buildings	117,725,612,564
Land	83,263,463,006
Construction in progress	1,469,917,150
Other tangible fixed assets	16,385,126,518
<b>Intangible fixed assets</b>	<b>210,448,170</b>
Utility rights	210,448,170
<b>Total assets</b>	<b>113,426,206,898,263</b>
<b>LIABILITIES</b>	
<b>Banknotes</b>	<b>76,461,554,544,007</b>
<b>Deposits (excluding those of the government)</b>	<b>14,276,374,328,066</b>
Current deposits	14,246,942,388,350
Other deposits	29,431,939,716
<b>Deposits of the government</b>	<b>3,505,830,108,703</b>
Treasury deposit	150,000,455,661
Domestic designated deposit	3,057,036,464,345
Other government deposits	298,793,188,697
<b>Payables under repurchase agreements</b>	<b>12,059,868,222,455</b>
<b>Bills sold</b>	<b>600,100,000,000</b>
<b>Other liabilities</b>	<b>72,152,180,398</b>
Remittances payable	16,979,222,884
Unearned interest and discounts	1,952,054
Taxes payable	3,116,000,000
Others	52,055,005,460
<b>Provision for retirement benefits</b>	<b>188,700,965,478</b>
<b>Provision for possible losses on securities transactions</b>	<b>2,243,348,993,013</b>
<b>Provision for possible losses on foreign exchange transactions</b>	<b>794,500,000,000</b>
<b>Total liabilities</b>	<b>110,202,429,342,120</b>
<b>CAPITAL ACCOUNTS</b>	
<b>Capital</b>	<b>100,000,000</b>
<b>Legal reserve</b>	<b>2,582,912,346,742</b>
<b>Special reserve</b>	<b>13,196,452</b>
<b>Net income</b>	<b>640,752,012,949</b>
<b>Total capital accounts</b>	<b>3,223,777,556,143</b>
<b>Total liabilities and capital accounts</b>	<b>113,426,206,898,263</b>



**3. Statement of income for fiscal 2007 (April 1, 2007–March 31, 2008)**

yen

<b>Operating income</b>	<b>1,618,480,643,935</b>
<b>Interest on loans and discounts</b>	<b>147,323,677,138</b>
Interest on loans	147,323,677,138
<b>Interest on receivables under resale agreements</b>	<b>14,594,277,113</b>
<b>Interest and discounts on Japanese government securities</b>	<b>682,006,485,439</b>
<b>Gains on sale of Japanese government securities</b>	<b>8,637,977,480</b>
<b>Gains on foreign currency assets</b>	<b>400,991,694,659</b>
Gains on foreign currency securities	387,426,202,583
Gains on foreign currency mutual funds	2,271,387,147
Gains on foreign currency pecuniary trusts	10,223,016,888
Interest on foreign currency deposits and loans	1,071,088,041
<b>Other operating income</b>	<b>364,926,532,106</b>
Gains on pecuniary trusts (stocks held as trust property)	313,004,481,303
Dividends	819,993,172
Fees and commissions	40,222,788,845
Other income	10,879,268,786
<b>Operating expenses</b>	<b>931,166,340,382</b>
<b>Interest on payables under repurchase agreements</b>	<b>72,488,833,178</b>
<b>Discounts paid on bills sold</b>	<b>588,497,487</b>
<b>Losses on foreign currency assets</b>	<b>603,772,996,799</b>
Foreign exchange losses	603,772,996,799
<b>General and administrative expenses and costs</b>	<b>220,141,077,853</b>
Cost of production of banknotes	53,108,284,000
Administrative expenses for treasury business and Japanese government securities	41,103,023,331
Personnel expenses	50,800,656,726
Expenses for transportation and communications	5,354,188,085
Expenses for maintenance and repairs	1,759,056,905
Other general and administrative expenses and costs	48,832,026,293
Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes	3,935,218,953
Depreciation and amortization	15,248,623,560
<b>Other general and administrative expenses</b>	<b>34,174,935,065</b>
Fees and commissions paid	180,549,466
Other expenses	33,994,385,599
<b>Operating profits</b>	<b>687,314,303,553</b>
<b>Special profits</b>	<b>1,482,237,173</b>
Gains on disposal of fixed assets	1,482,237,173
<b>Special losses</b>	<b>2,099,928,896</b>
Losses on disposal of fixed assets	2,099,928,896
<b>Net income before taxes</b>	<b>686,696,611,830</b>
<b>Provision for corporate income tax, inhabitants taxes, and enterprise taxes</b>	<b>45,944,598,881</b>
<b>Net income</b>	<b>640,752,012,949</b>

#### 4. Summary of significant accounting policies

##### a. Securities

Yen-denominated bonds and commercial paper (CP) are valued at amortized cost determined by the moving-average method.

Foreign currency-denominated bonds and foreign currency-denominated mutual funds are valued at market value.

Stockholdings are valued at cost determined by the moving-average method.

Impairment procedures will be applied for stocks whose market value has fallen considerably.

Securities held as trust property in pecuniary trusts<sup>5</sup> are valued in accordance with the procedures prescribed above according to the type of securities.

##### b. Tangible and intangible fixed assets

Depreciation is computed as follows:

###### (1) Buildings

Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, at a rate based on the Corporation Tax Act.

###### (2) Accessory equipment in the Bank's buildings and movable property

Depreciation is computed by the declining-balance method at a rate based on the Corporation Tax Act.

###### (3) Others

Depreciation is computed in accordance with the Corporation Tax Act.

##### c. Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated into yen at the foreign exchange rate prevailing at the balance-sheet date. However, the amount of capital subscription to an international financial institution is translated into yen at the foreign exchange rate prevailing at the time of subscription.

##### d. Transfers to/from provisions

###### (1) Provision for possible loan losses

The general provision for possible loan losses is maintained based on the past experience of the ratio of actual loan losses to total loans (the loan-loss ratio). However, a special provision for possible losses on specific loans will be recorded separately, should the Bank's Policy Board deem it necessary.

5. Includes (1) "money trusts," where the beneficiaries entrust money to be held as trust property, and at the end of the term receive money; and (2) "pecuniary trusts other than money trusts," where the beneficiaries entrust money to be held as trust property, and at the end of the term receive securities or other forms of property in which the money has been invested.

(2) Provision for retirement benefits

Appropriation for the provision for retirement benefits is based on the estimated amount of retirement benefit obligations at the fiscal year-end.

Unrecognized actuarial differences are amortized from the fiscal year following the one in which the difference arises; this is done using the straight-line method, which fixes the amount of the amortization and applies it over a certain number of years—within the average remaining service period of employees at the time (the amortization is applied over ten years).

(3) Provisions for possible losses on securities transactions and foreign exchange transactions

Provisions for possible losses on securities transactions and for possible losses on foreign exchange transactions are maintained pursuant to the following rules and regulations: Article 15 of the Bank of Japan Act Enforcement Order; Articles 9, 10, and 11 of the Ordinance for Enforcement of the Bank of Japan Act; and Article 18 of the Bank's Accounting Rules.

(4) Provision for unrealized losses on stockholdings

A provision for unrealized losses on stockholdings is appropriated when the market value is less than the book value, in an amount equivalent to the difference between them.

### Explanatory Notes to Accounting for Retirement Benefits<sup>1</sup>

<b>1. Projected benefit obligation</b>			yen
Projected benefit obligation	(A)	-200,830,253,000	
Fair value of plan assets	(B)	...	
<hr/>			
Unfunded projected benefit obligation	(C) = (A) + (B)	-200,830,253,000	
Unrecognized actuarial differences	(D)	12,129,287,522	
Unrecognized prior service cost	(E)	...	
<hr/>			
Net amount recorded on the balance sheet	(F) = (C) + (D) + (E)	-188,700,965,478	
Prepaid pension cost	(G)	...	
<hr/>			
Provision for retirement benefits	(F) - (G)	-188,700,965,478	
<b>2. Pension expenses</b>			yen
Service costs		4,780,286,000	
Interest costs		4,040,143,000	
Expected return on plan assets		...	
Amortization of actuarial differences		3,212,755,767	
Amortization of prior service cost		...	
Others (such as extra retirement benefits)		...	
<hr/>			
Pension expenses		12,033,184,767	
<b>3. Assumptions</b>			
Discount rate		2.0%	
Expected rate of return on plan assets		...	
Method of attributing the projected benefits to periods of service		Straight-line method	
Amortization period of actuarial differences		10 years	
Amortization period of service cost		...	

Note: 1. "..." indicates that figures are not applicable.

## 5. Auditors' opinion<sup>6</sup>

May 2, 2008

### Auditors' Opinion on the Bank of Japan's Financial Statements for Fiscal 2007

Pursuant to Article 52, paragraph 1 of the Bank of Japan Act (Act No. 89, 1997), we have audited the financial statements of the Bank of Japan for fiscal 2007 indicated below. In our opinion, the financial statements present fairly the state of property and the results of operations for fiscal 2007.

The financial statements comprise the following:  
Inventory of property as at March 31, 2008;  
Balance sheet as at March 31, 2008; and  
Statement of income for fiscal 2007.

Toshiharu Murayama  
Yasutada Sasaki  
Makoto Hosomi

Auditors, Bank of Japan

## 6. Appropriation of net income for fiscal 2007

yen

<b>Net income</b>	<b>640,752,012,949</b>
Appropriations:	
Transfer to legal reserve	32,037,600,648
Dividends, 5 percent of share face value	5,000,000
Payment to the government	608,709,412,301
<b>Total</b>	<b>640,752,012,949</b>

<sup>6</sup> This presents a translation, for convenience only, of the original report issued in Japanese.

## C. Schedule for the Financial Statements for Fiscal 2007

## 1. Details of assets

yen

Item	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes during the fiscal year
<b>1. Gold</b>	<b>441,253,409,037</b>	<b>441,253,409,037</b>	<b>0</b>
<b>2. Cash<sup>1</sup></b>	<b>199,839,993,801</b>	<b>191,329,182,636</b>	<b>-8,510,811,165</b>
<b>3. Receivables under resale agreements<sup>2</sup></b>	<b>4,506,248,595,830</b>	<b>8,767,603,169,496</b>	<b>4,261,354,573,666</b>
Purchases of Japanese government securities under repurchase agreements	4,198,559,682,532	8,460,056,796,356	4,261,497,113,824
Purchases of commercial paper under repurchase agreements	307,688,913,298	307,546,373,140	-142,540,158
<b>4. Japanese government securities</b>	<b>76,445,744,145,213</b>	<b>67,390,797,184,405</b>	<b>-9,054,946,960,808</b>
Financing bills and treasury bills	27,206,520,303,094	20,510,514,812,120	-6,696,005,490,974
Financing bills	5,515,585,773,224	4,638,989,723,960	-876,596,049,264
Treasury bills	21,690,934,529,870	15,871,525,088,160	-5,819,409,441,710
Japanese government bonds	49,239,223,842,119	46,880,282,372,285	-2,358,941,469,834
2-year Japanese government bonds	3,684,107,153,198	2,758,896,164,552	-925,210,988,646
5-year Japanese government bonds	7,404,799,324,502	6,380,550,986,694	-1,024,248,337,808
10-year Japanese government bonds	24,473,596,430,072	24,021,692,813,998	-451,903,616,074
20-year Japanese government bonds	13,676,720,934,347	13,719,142,407,041	42,421,472,694
<b>5. Pecuniary trusts (stocks held as trust property)<sup>3</sup></b>	<b>1,783,331,178,571</b>	<b>1,426,013,500,496</b>	<b>-357,317,678,075</b>
Stocks	1,760,728,824,276	1,404,458,499,271	-356,270,325,005
Dividends receivable and others	22,602,354,295	21,555,001,225	-1,047,353,070
<b>6. Loans and bills discounted</b>	<b>23,187,700,000,000</b>	<b>29,215,300,000,000</b>	<b>6,027,600,000,000</b>
Electronic loans	23,187,700,000,000	29,215,300,000,000	6,027,600,000,000
Loans by complementary lending facility	2,781,900,000,000	95,000,000,000	-2,686,900,000,000
Loans by funds-supplying operations against pooled collateral	20,405,800,000,000	29,120,300,000,000	8,714,500,000,000
<b>7. Foreign currency assets</b>	<b>5,419,430,592,631</b>	<b>5,227,680,702,845</b>	<b>-191,749,889,786</b>
Foreign currency deposits <sup>4</sup>	10,888,147,634	61,001,758,609	50,113,610,975
Foreign currency securities <sup>5, 6</sup>	5,219,134,854,578	4,994,252,808,189	-224,882,046,389
Foreign currency mutual funds	40,845,892,975	37,687,266,498	-3,158,626,477
Foreign currency pecuniary trusts	148,561,697,444	134,738,869,549	-13,822,827,895
<b>8. Deposits with agents<sup>7</sup></b>	<b>41,017,172,912</b>	<b>82,996,740,583</b>	<b>41,979,567,671</b>

Notes: 1. Coins reserved for circulation.

2. Monetary obligations arising from the purchase of JGSs and CP under repurchase agreements.

3. Stocks purchased from financial institutions through a trust bank, and other trust properties.

4. Deposits held at foreign central banks and the Bank for International Settlements.

5. Includes securities issued by foreign governments.

6. 1,640,164,840,343 yen of the amount outstanding of the foreign currency securities at the fiscal year-end comprises loans due to lending/borrowing of securities.

7. Deposits held at agents that conduct operations relating to treasury funds and JGSs on behalf of the Bank. These deposits are reserved for such operations.

yen

Item	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes during the fiscal year
<b>9. Other assets</b>	<b>493,719,064,254</b>	<b>464,178,441,357</b>	<b>-29,540,622,897</b>
Bills and checks in process of collection <sup>8</sup>	5,181,512,030	48,618,754,836	43,437,242,806
Capital subscription to the Deposit Insurance Corporation, and the Agricultural and Fishery Cooperative Savings Insurance Corporation	225,000,000	225,000,000	0
Capital subscription to an international financial institution <sup>9</sup>	15,278,374,364	15,278,374,364	0
Provision of funds to the Deposit Insurance Corporation's "Jusen account" <sup>10</sup>	100,000,000,000	100,000,000,000	0
Provision of funds to the New Financial Stabilization Fund <sup>11</sup>	20,000,000,000	20,000,000,000	0
Withdrawn cash to be returned to the government <sup>12</sup>	51,549,934,762	58,692,836,441	7,142,901,679
Accrued interest receivable	167,787,768,942	160,026,713,152	-7,761,055,790
Others	133,696,474,156	61,336,762,564	-72,359,711,592

Notes: 8. Checks and bills received as cash and in process of collection.

9. A subscription to the Bank for International Settlements.

10. Funds provided to the Deposit Insurance Corporation's "Jusen (housing loan companies) account."

11. Funds provided to the New Financial Stabilization Fund, an incorporated association.

12. Includes coins that became unfit for circulation through damage and received as treasury funds by the Bank.

yen

Item	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Of which:	Balance at the end of the fiscal year	Cumulative total of depreciation
				Depreciation		
<b>10. Tangible fixed assets<sup>13</sup></b>	<b>222,416,944,787</b>	<b>22,930,052,776</b>	<b>26,502,878,325</b>	<b>14,440,816,665</b>	<b>218,844,119,238</b>	<b>286,643,539,728</b>
Buildings <sup>14, 15</sup>	120,039,819,128 (646,432.49)	9,493,765,765 (9,672.32)	11,807,972,329 (800.23)	10,016,336,973 (...)	117,725,612,564 (655,304.58)	259,567,889,339 (...)
Land <sup>14</sup>	82,904,901,196 (718,484.51)	360,405,700 (4,997.10)	1,843,890 (8,342.44)	... (...)	83,263,463,006 (715,139.17)	... (...)
Construction in progress <sup>16</sup>	2,461,909,919	8,975,281,369	9,967,274,138	...	1,469,917,150	...
Other tangible fixed assets <sup>17, 18</sup>	17,010,314,544 (11,889)	4,100,599,942 (216)	4,725,787,968 (468)	4,424,479,692 (...)	16,385,126,518 (11,637)	27,075,650,389 (...)

Notes: 13. "..." indicates that figures are not applicable.

14. Figures in parentheses for "buildings" and "land" indicate area in square meters.

15. Main factors behind the increase in "buildings" were the renovation of and repairs to buildings for the Bank's business operations.

16. The increase in "construction in progress" was mainly due to the renovation of and repairs to buildings for the Bank's business operations.

17. Figures in parentheses for "other tangible fixed assets" describe the number of items of movable property.

18. Purchase of new automatic banknote examination machines was the main factor behind the increase in "other tangible fixed assets."

yen

Item	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Of which:	Balance at the end of the fiscal year	Cumulative total of depreciation
				Depreciation		
<b>11. Intangible fixed assets</b>	<b>246,417,565</b>	<b>1,844,400</b>	<b>37,813,795</b>	<b>37,813,795</b>	<b>210,448,170</b>	<b>727,885,531</b>
Utility rights	246,417,565	1,844,400	37,813,795	37,813,795	210,448,170	727,885,531

## 2. Details of liabilities and capital accounts

yen

Item	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes during the fiscal year
<b>1. Banknotes</b>	<b>75,894,119,944,509</b>	<b>76,461,554,544,007</b>	<b>567,434,599,498</b>
10,000 yen notes	69,348,260,030,000	69,812,576,555,000	464,316,525,000
5,000 yen notes	2,552,028,815,000	2,640,295,242,500	88,266,427,500
2,000 yen notes	311,929,611,000	294,988,955,000	-16,940,656,000
1,000 yen notes	3,520,640,397,000	3,553,949,216,000	33,308,819,000
Other banknotes <sup>7</sup>	161,261,091,509	159,744,575,507	-1,516,516,002
<b>2. Deposits (excluding those of the government)</b>	<b>11,709,500,403,808</b>	<b>14,276,374,328,066</b>	<b>2,566,873,924,258</b>
Current deposits	11,675,856,326,205	14,246,942,388,350	2,571,086,062,145
Current deposits of financial institutions <sup>2</sup>	11,310,600,686,151	13,828,458,528,147	2,517,857,841,996
Other current deposits of nonfinancial institutions <sup>3</sup>	365,255,640,054	418,483,860,203	53,228,220,149
Other deposits <sup>4</sup>	33,644,077,603	29,431,939,716	-4,212,137,887
<b>3. Deposits of the government</b>	<b>5,531,052,493,338</b>	<b>3,505,830,108,703</b>	<b>-2,025,222,384,635</b>
Treasury deposit	149,999,243,955	150,000,455,661	1,211,706
Domestic designated deposit <sup>5</sup>	5,124,329,394,006	3,057,036,464,345	-2,067,292,929,661
Other government deposits <sup>6</sup>	256,723,855,377	298,793,188,697	42,069,333,320
<b>4. Payables under repurchase agreements<sup>7</sup></b>	<b>12,879,647,538,602</b>	<b>12,059,868,222,455</b>	<b>-819,779,316,147</b>
Sales of Japanese government bonds under repurchase agreements to the government	12,231,425,938,702	10,184,473,608,003	-2,046,952,330,699
Sales of treasury bills and financing bills under repurchase agreements to foreign central banks and other foreign entities	648,221,599,900	1,875,394,614,452	1,227,173,014,552
<b>5. Bills sold</b>	<b>0</b>	<b>600,100,000,000</b>	<b>600,100,000,000</b>
<b>6. Other liabilities</b>	<b>177,748,208,973</b>	<b>72,152,180,398</b>	<b>-105,596,028,575</b>
Remittances payable	8,341,922,433	16,979,222,884	8,637,300,451
Unearned interest and discounts	114,324,651	1,952,054	-112,372,597
Taxes payable	77,120,000,000	3,116,000,000	-74,004,000,000
Others	92,171,961,889	52,055,005,460	-40,116,956,429

- Notes: 1. The total of banknotes of denominations that are no longer issued new but are still legal tender (i.e., notes of 500 yen, 100 yen, 50 yen, 10 yen, 5 yen, and 1 yen).
2. Deposits held by financial institutions including institutions such as *tanshi* companies (money market brokers) and securities finance companies.
3. Deposits held by institutions, for example, financial instruments firms.
4. Deposits held by foreign central banks and others.
5. A deposit to which the surplus funds from management of the treasury is transferred from the "treasury deposit."
6. Includes the special deposit, which balances "cash" (coins reserved for circulation) and "withdrawn cash to be returned to the government" (coins withdrawn from circulation) in the asset account.
7. Monetary obligations arising from the sale of JGSs under repurchase agreements.

yen

Item	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year
<b>7. Provisions<sup>8</sup></b>	<b>3,224,356,014,881</b>	<b>12,033,184,767</b>	<b>9,839,241,157</b>	<b>3,226,549,958,491</b>
Provision for retirement benefits	186,507,021,868	12,033,184,767	9,839,241,157	188,700,965,478
Provision for possible losses on securities transactions	2,243,348,993,013	0	0	2,243,348,993,013
Provision for possible losses on foreign exchange transactions	794,500,000,000	0	0	794,500,000,000
<b>8. Capital accounts</b>	<b>2,543,999,365,967</b>	<b>39,026,177,227</b>	<b>0</b>	<b>2,583,025,543,194</b>
Capital	100,000,000	0	0	100,000,000
Legal reserve <sup>9</sup>	2,543,886,169,515	39,026,177,227	0	2,582,912,346,742
Special reserve <sup>10</sup>	13,196,452	0	0	13,196,452

Notes: 8. Appropriated in accordance with the Bank's significant accounting policies.

9. A reserve maintained to cover possible losses and to pay dividends under Article 53, paragraphs 1 and 2 of the Bank of Japan Act.

10. To ease the reconstruction of financial institutions after World War II, the Bank, along with private financial institutions, suspended payment of dividends from the first half of fiscal 1945 to the first half of fiscal 1949, in accordance with an order from the Minister of Finance. The unpaid dividends were set aside as a special reserve pursuant to the Supplementary Provisions of the Act for Partial Revision of the Bank of Japan Act (Act No. 46 of 1947).



### 3. Details of revenues and expenses

#### a. Operating income

<b>Interest on loans and discounts</b>	
Interest on loans	147,323,677,138 yen from electronic loans.
<b>Interest on receivables under resale agreements</b>	13,716,587,215 yen from interest income on purchase of Japanese government securities under resale agreements and 877,689,898 yen from interest income on purchase of commercial paper under resale agreements.
<b>Interest and discounts on Japanese government securities</b>	682,006,485,439 yen from interest income on Japanese government securities after an adjustment.
<b>Gains on sale of Japanese government securities</b>	8,637,977,480 yen from gains on sale of financing bills and treasury bills.
<b>Gains on foreign currency assets</b>	
Gains on foreign currency securities	Total of 190,653,797,443 yen from interest and discounts on foreign currency securities and 5,141,125,999 yen from lending fees on them; and 191,631,279,141 yen of gains arising from sale, redemption, and revaluation at end-March 2008 of foreign currency securities.
Gains on foreign currency mutual funds	2,271,387,147 yen
Gains on foreign currency pecuniary trusts	10,223,016,888 yen
Interest on foreign currency deposits and loans	1,071,088,041 yen from interest income on foreign currency deposits held at foreign central banks and the Bank for International Settlements.
<b>Other operating income</b>	
Gains on pecuniary trusts (stocks held as trust property)	313,004,481,303 yen mainly from gains on sales of stocks held as trust property.
Dividends	819,993,172 yen for dividends from shares of the Bank for International Settlements held by the Bank.
Fees and commissions	40,222,788,845 yen for fees and commissions for operations regarding Japanese government securities, the BOJ-NET, foreign exchange transactions, and other operations.
Other income	10,879,268,786 yen from transfer from provision for retirement benefits and other miscellaneous income.

**b. Operating expenses**

<b>Interest on payables under repurchase agreements</b>	72,488,833,178 yen for interest payment on sale of Japanese government securities under repurchase agreements.
<b>Discounts paid on bills sold</b>	588,497,487 yen
<b>Losses on foreign currency assets</b>	
Foreign exchange losses	603,772,996,799 yen from losses on foreign currency assets resulting from fluctuations in foreign exchange rates during the fiscal year and arising from revaluation at the end of the fiscal year.
<b>General and administrative expenses and costs</b>	
Cost of production of banknotes	53,108,284,000 yen from payments to the National Printing Bureau, an incorporated administrative agency, for the cost of production of banknotes.
Administrative expenses for treasury business and Japanese government securities	41,103,023,331 yen from fees and commissions paid to agents of the Bank for administration of treasury business and Japanese government securities.
Personnel expenses	434,499,300 yen for remuneration of the officers;' 40,478,942,269 yen for remuneration of the employees;' and 9,887,215,157 yen for retirement allowances.
Expenses for transportation and communications	1,998,109,525 yen for expenses for transportation and 3,356,078,560 yen for expenses for communications.
Expenses for maintenance and repairs	1,759,056,905 yen on offices and other premises.
Other general and administrative expenses and costs	1,558,069,629 yen for the cost of expendable supplies; 2,033,198,666 yen for expenses for electricity and water supply; 11,440,101,923 yen for leasing fees for buildings and equipment; 9,305,962,989 yen for expenses for maintenance of buildings and equipment; and 24,494,693,086 yen for miscellaneous expenses.
Taxes, excluding corporate income tax, inhabitants taxes, and enterprise taxes	3,935,218,953 yen for taxes and public charges (including fixed-asset tax and urban development tax).
Depreciation and amortization	15,248,623,560 yen on buildings and movable property.
<b>Other general and administrative expenses</b>	
Fees and commissions paid	180,549,466 yen
Other expenses	33,994,385,599 yen for interest on domestic designated deposit, transfers to provision for retirement benefits, and other expenses.

Note: 1. "Remuneration of the officers" and "remuneration of the employees" have been renamed from "remuneration of the executives" and "remuneration of the staff," respectively, in accordance with the new English translation of the Bank of Japan Act. The terms used in the Japanese original remain unchanged.

**c. Special profits**

<b>Gains on disposal of fixed assets</b>	1,482,237,173 yen for gains on sale of land for the Bank's premises and other properties.
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**d. Special losses**

<b>Losses on disposal of fixed assets</b>	2,099,928,896 yen for losses on disposal of electrical equipment and other properties.
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**e. Net income**

<b>Net income before taxes</b>	686,696,611,830 yen
<b>Provision for corporate income tax, inhabitants taxes, and enterprise taxes</b>	45,944,598,881 yen
<b>Net income</b>	640,752,012,949 yen

## II. SETTLEMENT OF ACCOUNTS FOR EXPENSES<sup>7</sup> FOR FISCAL 2007

The Bank's settlement of accounts for expenses for fiscal 2007 (the 123rd fiscal year) decreased by 0.9 percent (1.9 billion yen) to 214.6 billion yen compared to the previous year. This was because the "cost of production of banknotes" decreased due to a cost reduction by the National Printing Bureau and a decrease in the number of banknotes produced, although the "cost of fixed-asset purchases" increased due to the construction costs associated with the rebuilding of the Bank of Japan Naha branch.

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<sup>7</sup> These are limited to expenses specified by a Cabinet Order as not hampering the currency and monetary control.

## A. Annual Report on Settlement of Accounts

## 1. Settlement of accounts for fiscal 2007

yen

Item	Initial budget	Use of contingency funds	Diversion of funds	Adjusted budget <sup>1</sup>	Settlement of accounts	Surpluses	Changes from the previous year's settlement of accounts
Cost of production of banknotes	53,621,792,000	0	0	53,621,792,000	53,108,284,000	513,508,000	-2,487,220,000
Administrative expenses for treasury business and Japanese government securities	52,237,970,000	0	0	52,237,970,000	41,103,023,331	11,134,946,669	-631,912,748
Personnel expenses	51,857,981,000	0	0	51,857,981,000	50,800,656,726	1,057,324,274	623,211,707
Remuneration of the officers <sup>2</sup>	445,705,000	0	0	445,705,000	434,499,300	11,205,700	1,415,800
Remuneration of the employees <sup>2</sup>	41,420,034,000	0	0	41,420,034,000	40,478,942,269	941,091,731	-33,515,446
Retirement allowances	9,992,242,000	0	0	9,992,242,000	9,887,215,157	105,026,843	655,311,353
Expenses for transportation and communications	5,993,987,000	0	0	5,993,987,000	5,354,188,085	639,798,915	-210,487,013
Expenses for transportation	2,345,797,000	0	0	2,345,797,000	1,998,109,525	347,687,475	-23,340,898
Expenses for communications	3,648,190,000	0	0	3,648,190,000	3,356,078,560	292,111,440	-187,146,115
Expenses for maintenance and repairs	1,959,487,000	0	0	1,959,487,000	1,759,056,905	200,430,095	216,661,667
Other general and administrative expenses and costs	53,387,699,000	0	0	53,387,699,000	48,832,026,293	4,555,672,707	-1,252,199,358
Cost of expendable supplies	1,928,118,000	0	0	1,928,118,000	1,558,069,629	370,048,371	-49,775,565
Expenses for electricity and water supply	2,261,849,000	0	0	2,261,849,000	2,033,198,666	228,650,334	-20,625,825
Leasing fees for buildings and equipment	12,003,254,000	0	0	12,003,254,000	11,440,101,923	563,152,077	-1,115,396,795
Expenses for maintenance of buildings and equipment	10,028,962,000	0	0	10,028,962,000	9,305,962,989	722,999,011	-97,163,016
Miscellaneous expenses	27,165,516,000	0	0	27,165,516,000	24,494,693,086	2,670,822,914	30,761,843
<b>Subtotal</b>	<b>219,058,916,000</b>	<b>0</b>	<b>0</b>	<b>219,058,916,000</b>	<b>200,957,235,340</b>	<b>18,101,680,660</b>	<b>-3,741,945,745</b>
Cost of fixed-asset purchases	15,256,960,000	0	0	15,256,960,000	13,651,439,195	1,605,520,805	1,813,808,195
Of which: Subject to the approval of the Minister of Finance <sup>3</sup>	6,417,621,000	0	0	6,417,621,000	5,920,159,060	497,461,940	121,210,386
Contingency funds	1,000,000,000	0	0	1,000,000,000	0	1,000,000,000	0
<b>Total</b>	<b>235,315,876,000</b>	<b>0</b>	<b>0</b>	<b>235,315,876,000</b>	<b>214,608,674,535</b>	<b>20,707,201,465</b>	<b>-1,928,137,550</b>
Of which: Subject to the approval of the Minister of Finance <sup>3</sup>	226,476,537,000	0	0	226,476,537,000	206,877,394,400	19,599,142,600	-3,620,735,359

Notes: 1. "Initial budget" plus/minus "use of contingency funds" and "diversion of funds."

2. "Remuneration of the officers" and "remuneration of the employees" have been renamed from "remuneration of the executives" and "remuneration of the staff," respectively, in accordance with the new English translation of the Bank of Japan Act. The terms used in the Japanese original remain unchanged.

3. Excludes the cost of purchasing fixed assets used for the Bank's business operations. The annual report on the settlement of accounts for each fiscal year is compiled and submitted, together with the Auditors' opinion, to the Minister of Finance. The cost of purchasing fixed assets used for the Bank's business operations is not subject to the Minister's authorization, but it was also audited by the Auditors, who approved it as fairly presenting the expenses for such purchases.

## B. Expenses by Area of Business Operation

### 1. Expenses by area of business operation for fiscal 2007<sup>1</sup>

mil. yen

Area of business operation	Expenses	Changes from a year earlier	Share of total (percent)
Issuance of banknotes	86,758	-3,942	39.4
Monetary policy	21,366	+213	9.7
Financial system policy	18,447	+172	8.4
Payment and settlement systems	28,547	-414	13.0
Services relating to the government <sup>2</sup>	65,022	-800	29.5
<b>Total</b>	<b>220,141</b>	<b>-4,771</b>	<b>100.0</b>

Notes: 1. Calculated based on "general and administrative expenses and costs" (220.1 billion yen) in the statement of income for fiscal 2007 (the 123rd fiscal year). Figures are rounded to the nearest million yen.

Expenses for the Bank's various business and organizational divisions (international finance, research and statistics, external relations activities, and organizational management), which contribute jointly to each of the above areas of business operation, are amortized equally and included in the relevant sections of the above table.

2. Services provided by the Bank, specifically those relating to treasury funds, JGSs, and others.

