

# The Bank's Accounts

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## I. SETTLEMENT OF ACCOUNTS FOR FISCAL 2008

On May 28, 2009, the Bank of Japan released the "Financial Statements for the 124th Fiscal Year" (in Japanese only), which contains the Bank's financial statements (the inventory of property, balance sheet, and statement of income) for the 124th fiscal year, i.e., fiscal 2008 (April 1, 2008–March 31, 2009), and the schedule for the financial statements for fiscal 2008.

The Bank submitted the financial statements, together with the Auditors' opinion, to the Minister of Finance, and received the Minister's approval on May 25. 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 2008 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 2008 shows that total assets increased by 9.2 percent (10,462.3 billion yen) from a year earlier to 123,888.6 billion yen: holdings of Japanese government securities (JGSs)<sup>1</sup> decreased, while foreign currency assets, loans and bills discounted, receivables under resale agreements, and commercial papers (CPs)<sup>2</sup> increased. Total liabilities also increased by 9.8 percent (10,770.8 billion yen) from a year earlier to 120,973.2 billion yen, with payables under repurchase agreements and the deposits of the government decreasing while deposits excluding those of the government (i.e., current deposits and other deposits) increased (Table 1).

Detailed developments in the Bank's balance sheet in fiscal 2008 are as follows.

Looking at assets at the end of March 2009, holdings of JGSs decreased by 4.6 percent from a year earlier to 64,265.5 billion yen, reflecting the fact that the amount of JGSs redeemed and sold by the Bank exceeded the amount of those purchased and underwritten. Foreign currency assets registered 10,864.7 billion yen, 2.1 times as large as the previous year due to the Bank's U.S. dollar funds-supplying operations against pooled collateral. Loans and bills discounted increased by 12.0 percent from the previous year to 32,731.5 billion yen due to special funds-supplying operations to facilitate corporate financing. Receivables under resale agreements also increased by 36.3 percent from the previous year to 11,952.0 billion yen due to an increase in

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

2. CPs here comprise CPs (including asset-backed CPs) and dematerialized CPs (i.e., dematerialized CPs issued by domestic corporations, dematerialized CPs issued by foreign corporations with guarantees, and dematerialized asset-backed CPs).

funds-supplying operations through purchases of JGSs and CP under repurchase agreements. Meanwhile, newly purchased CPs and corporate bonds registered 1,556.9 billion yen and 43.4 billion yen, respectively.

Turning to liabilities, payables under repurchase agreements decreased by 14.0 percent from a year earlier to 10,371.3 billion yen, reflecting a decline in the amount outstanding of Japanese government bonds (JGBs) under repurchase agreements to the government. The amount outstanding of deposits of the government was 2,374.5 billion yen, a decrease of 32.3 percent from a year earlier, reflecting the management of treasury funds. The amount outstanding of current account deposits at the Bank was 22,148.9 billion yen, an increase of 55.5 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. The amount outstanding of other deposits registered 5,773.9 billion yen, 196.2 times as large as the previous year, due to the Bank's U.S. dollar funds-supplying operations against pooled collateral. Meanwhile, the year-on-year rate of change in the amount outstanding of banknotes issued (banknotes in circulation) was 0.6 percent, registering 76,897.7 billion yen at the end of March 2009.

With regard to the Bank's statement of income for fiscal 2008, operating profits decreased by 248.2 billion yen to 439.0 billion yen. This was mainly due to losses arising from the decrease in gains on sales of and from impairment related to stocks purchased from financial institutions, although "core" operating income<sup>3</sup> was around the same level as a year earlier (Table 2).

Net income for the term—after subtracting corporate income tax and inhabitants and enterprise taxes—decreased by 340.4 billion yen from the previous year to 300.2 billion yen. After transferring 45.0 billion yen to the legal reserve (15 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 (255.2 billion yen). Of the amount transferred to the legal reserve, 30.0 billion yen was in excess of the legal requirement; this amount was transferred in order to secure the Bank's financial soundness, upon authorization from the Minister of Finance pursuant to Article 53, paragraph 2 of the Bank of Japan Act.

The capital adequacy ratio, after the appropriation of net income, was 7.47 percent at the end of fiscal 2008, around the same year-end level as the previous year (Table 3).

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

Table 1

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

bil. yen

| Item   | End of fiscal 2007<br>(March 31, 2008) | End of fiscal 2008<br>(March 31, 2009) |
|--|--|--|
| <b>Total Assets</b>                              | 113,426.2<br>(+0.6)<br><+685.2>        | 123,888.6<br>(+9.2)<br><+10,462.3>     |
| Of which:  |  |  |
| Receivables under resale agreements              | 8,767.6<br>(+94.6)<br><+4,261.3>       | 11,952.0<br>(+36.3)<br><+3,184.4>      |
| Japanese government securities                   | 67,390.7<br>(-11.8)<br><-9,054.9>      | 64,265.5<br>(-4.6)<br><-3,125.2>       |
| Commercial papers                                | ...                                    | 1,556.9<br>(...)<br><...>              |
| Loans and bills discounted                       | 29,215.3<br>(+26.0)<br><+6,027.6>      | 32,731.5<br>(+12.0)<br><+3,516.2>      |
| Foreign currency assets                          | 5,227.6<br>(-3.5)<br><-191.7>          | 10,864.7<br>(2.1 times)<br><+5,637.0>  |
| Pecuniary trusts (stocks held as trust property) | 1,426.0<br>(-20.0)<br><-357.3>         | 1,153.9<br>(-19.1)<br><-272.0>         |
| <b>Total Liabilities</b>                         | 110,202.4<br>(+0.7)<br><+786.0>        | 120,973.2<br>(+9.8)<br><+10,770.8>     |
| Of which:  |  |  |
| Banknotes  | 76,461.5<br>(+0.7)<br><+567.4>         | 76,897.7<br>(+0.6)<br><+436.2>         |
| Deposits (excluding those of the government)     | 14,276.3<br>(+21.9)<br><+2,566.8>      | 27,922.8<br>(+95.6)<br><+13,646.4>     |
| Deposits of the government                       | 3,505.8<br>(-36.6)<br><-2,025.2>       | 2,374.5<br>(-32.3)<br><-1,131.2>       |
| Payables under repurchase agreements             | 12,059.8<br>(-6.4)<br><-819.7>         | 10,371.3<br>(-14.0)<br><-1,688.4>      |
| Bills sold                                       | 600.1<br>(...)<br><...>                | ...<br>(...)<br><...>                  |

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 2007<br>(April 1, 2007–March 31, 2008) | Fiscal 2008<br>(April 1, 2008–March 31, 2009) |
|--|---|---|
| <b>Operating profits/losses</b>  | 687.3<br>(−34.7)<br><−365.1>                  | 439.0<br>(−36.1)<br><−248.2>                  |
| Of which:  |   |   |
| "Core" operating income <sup>2</sup>   | 1,040.7<br><+196.8>                           | 1,071.4<br><+30.6>                            |
| Net government bond-related gains/losses <sup>3</sup>  | ...<br><+17.1>                                | 8.9<br><+8.9>                                 |
| Net foreign exchange-related gains/losses <sup>4</sup>   | −603.7<br><−804.9>                            | −416.5<br><+187.1>                            |
| Net pecuniary trusts gains/losses <sup>5</sup>   | 313.0<br><+69.6>                              | −17.8<br><−330.8>                             |
| <b>Special profits/losses</b>  | −0.6<br><+99.1>                               | −0.1<br><+0.4>                                |
| Of which:  |   |   |
| Net transfer to/from provision for possible losses on securities transactions                    | ...<br><...>                                  | ...<br><...>                                  |
| Net transfer to/from provision for possible losses on foreign exchange transactions <sup>6</sup> | ...<br><+100.5>                               | ...<br><...>                                  |
| Net income before taxes  | 686.6<br>(−27.9)<br><−266.0>                  | 438.8<br>(−36.1)<br><−247.8>                  |
| Provision for corporate income tax, inhabitants taxes, and enterprise taxes                      | 45.9<br><−126.2>                              | 138.5<br><+92.6>                              |
| Net income   | 640.7<br>(−17.9)<br><−139.7>                  | 300.2<br>(−53.1)<br><−340.4>                  |

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, interest and discounts on JGSS, interest on commercial papers, interest and discounts on corporate bonds, interest and discounts on foreign currency securities, lending fees on foreign currency securities, and interest on foreign currency deposits and loans.
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 2006<br>(March 31, 2007) | End of fiscal 2007<br>(March 31, 2008) | End of fiscal 2008<br>(March 31, 2009) | Changes from a year earlier | [Reference]<br>End of the first half of fiscal 2008<br>(September 30, 2008) |
|---|--|--|--|-----------------------------|---|
| <b>Capital accounts (A)</b>   | <b>2,583.0</b>                         | <b>2,615.0</b>                         | <b>2,660.1</b>                         | <b>+45.0</b>                | <b>2,615.0</b>  |
| Capital   | 0.1                                    | 0.1                                    | 0.1                                    | ...                         | 0.1   |
| Legal reserve and others <sup>2</sup>   | 2,582.9                                | 2,614.9                                | 2,660.0                                | +45.0                       | 2,614.9   |
| <b>Provisions (B)</b>   | <b>3,037.8</b>                         | <b>3,037.8</b>                         | <b>3,037.8</b>                         | <b>...</b>                  | <b>3,088.1</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                            | 794.5                                  | 794.5                                  | 794.5                                  | ...                         | 844.8   |
| <b>Capital base<sup>3</sup> (A) + (B) = (C)</b>   | <b>5,620.8</b>                         | <b>5,652.9</b>                         | <b>5,697.9</b>                         | <b>+45.0</b>                | <b>5,703.2</b>  |
| <b>Annual average of banknotes issued (D)</b>   | <b>74,611.3</b>                        | <b>75,661.5</b>                        | <b>76,180.5</b>                        | <b>+519.0</b>               | <b>75,562.2</b>   |
| <b>Capital adequacy ratio (C)/(D) × 100 (percent)</b>                                     | <b>7.53</b>                            | <b>7.47</b>                            | <b>7.47</b>                            | <b>...</b>                  | <b>7.54</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, 2009

| Item  | Value in yen               | Unit (except where otherwise noted)  |
|---|----------------------------|--------------------------------------|
| <b>ASSETS</b>   |                            |                                      |
| Gold  | 441,253,409,037            |                                      |
| Cash  | 246,668,852,439            |                                      |
| Receivables under resale agreements   | 11,952,035,942,590         | 43                                   |
| Japanese government securities  | 64,265,595,338,423         | Face value at 63,591,875,050,000 yen |
| Commercial papers   | 1,556,909,447,058          | Face value at 1,557,300,000,000 yen  |
| Corporate bonds   | 43,468,449,273             | Face value at 43,500,000,000 yen     |
| Pecuniary trusts (stocks held as trust property)  | 1,153,983,439,300          |                                      |
| Loans and bills discounted  | 32,731,500,000,000         |                                      |
| Electronic loans  | 32,731,500,000,000         | 680                                  |
| Foreign currency assets   | 10,864,739,287,260         |                                      |
| Foreign currency deposits   | 88,954,381,545             |                                      |
| Foreign currency securities   | 4,870,120,264,084          |                                      |
| Foreign currency mutual funds   | 36,267,229,273             |                                      |
| Foreign currency pecuniary trusts   | 142,912,452,358            |                                      |
| Foreign currency loans  | 5,726,484,960,000          |                                      |
| Deposits with agents  | 26,189,233,967             | Deposits with 95 agents              |
| Other assets  | 385,369,652,179            |                                      |
| Bills and checks in process of collection   | 51,787,296                 | 5                                    |
| 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   | 68,471,327,650             | 6                                    |
| Accrued interest receivable   | 143,986,557,669            |                                      |
| Others  | 37,356,605,200             |                                      |
| Tangible fixed assets   | 220,696,833,846            |                                      |
| Buildings   | 115,131,552,291            | 652,644.26 square meters             |
| Land  | 83,263,386,539             | 712,419.11 square meters             |
| Lease assets  | 6,163,422,445              | Number of lease property: 24,387     |
| Construction in progress  | 2,118,647,280              |                                      |
| Other tangible fixed assets   | 14,019,825,291             | Number of movable property: 11,407   |
| Intangible fixed assets   | 191,430,875                |                                      |
| Utility rights  | 191,430,875                |                                      |
| <b>Total assets</b>   | <b>123,888,601,316,247</b> |                                      |
| <b>LIABILITIES</b>  |                            |                                      |
| Banknotes   | 76,897,777,593,324         |                                      |
| Deposits (excluding those of the government)  | 27,922,827,226,375         |                                      |
| Current deposits  | 22,148,918,284,105         | 1,202                                |
| Other deposits  | 5,773,908,942,270          | 131                                  |
| Deposits of the government  | 2,374,589,570,137          |                                      |
| Treasury deposit  | 149,999,399,894            |                                      |
| Domestic designated deposit   | 1,909,245,788,074          |                                      |
| Other government deposits   | 315,344,382,169            |                                      |
| Payables under repurchase agreements  | 10,371,380,875,981         | 58                                   |
| Other liabilities   | 177,965,933,166            |                                      |
| Remittances payable   | 6,299,944,758              |                                      |
| Unearned interest and discounts   | 486,575                    |                                      |
| Taxes payable   | 113,582,000,000            |                                      |
| Lease liabilities   | 6,357,756,663              |                                      |
| Others  | 51,725,745,170             |                                      |
| Provision for retirement benefits   | 190,856,580,788            |                                      |
| Provision for possible losses on securities transactions  | 2,243,348,993,013          |                                      |
| Provision for possible losses on foreign exchange transactions  | 794,500,000,000            |                                      |
| <b>Total liabilities</b>  | <b>120,973,246,772,784</b> |                                      |
| <b>NET ASSETS<sup>1</sup></b>   |                            |                                      |
| Capital   | 100,000,000                |                                      |
| Legal reserve   | 2,614,949,947,390          |                                      |
| Special reserve   | 13,196,452                 |                                      |
| Net income  | 300,291,399,621            |                                      |
| <b>Total net assets</b>   | <b>2,915,354,543,463</b>   |                                      |
| <b>Total liabilities and net assets</b>   | <b>123,888,601,316,247</b> |                                      |

Note: 1. "Capital accounts" has been changed to "net assets" beginning with the financial statements for fiscal 2008. The amount corresponding to the amount formerly classified as "capital accounts" is unchanged.

## 2. Balance sheet as at March 31, 2009

yen

| <b>ASSETS</b>   |                            |
|---|----------------------------|
| Gold  | 441,253,409,037            |
| Cash  | 246,668,852,439            |
| Receivables under resale agreements   | 11,952,035,942,590         |
| Japanese government securities  | 64,265,595,338,423         |
| Commercial papers   | 1,556,909,447,058          |
| Corporate bonds   | 43,468,449,273             |
| Pecuniary trusts (stocks held as trust property)  | 1,153,983,439,300          |
| Loans and bills discounted  | 32,731,500,000,000         |
| Electronic loans  | 32,731,500,000,000         |
| Foreign currency assets   | 10,864,739,287,260         |
| Foreign currency deposits   | 88,954,381,545             |
| Foreign currency securities   | 4,870,120,264,084          |
| Foreign currency mutual funds   | 36,267,229,273             |
| Foreign currency pecuniary trusts   | 142,912,452,358            |
| Foreign currency loans  | 5,726,484,960,000          |
| Deposits with agents  | 26,189,233,967             |
| Other assets  | 385,369,652,179            |
| Bills and checks in process of collection   | 51,787,296                 |
| 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   | 68,471,327,650             |
| Accrued interest receivable   | 143,986,557,669            |
| Others  | 37,356,605,200             |
| Tangible fixed assets   | 220,696,833,846            |
| Buildings   | 115,131,552,291            |
| Land  | 83,263,386,539             |
| Lease assets  | 6,163,422,445              |
| Construction in progress  | 2,118,647,280              |
| Other tangible fixed assets   | 14,019,825,291             |
| Intangible fixed assets   | 191,430,875                |
| Utility rights  | 191,430,875                |
| <b>Total assets</b>   | <b>123,888,601,316,247</b> |
| <b>LIABILITIES</b>  |                            |
| Banknotes   | 76,897,777,593,324         |
| Deposits (excluding those of the government)  | 27,922,827,226,375         |
| Current deposits  | 22,148,918,284,105         |
| Other deposits  | 5,773,908,942,270          |
| Deposits of the government  | 2,374,589,570,137          |
| Treasury deposit  | 149,999,399,894            |
| Domestic designated deposit   | 1,909,245,788,074          |
| Other government deposits   | 315,344,382,169            |
| Payables under repurchase agreements  | 10,371,380,875,981         |
| Other liabilities   | 177,965,933,166            |
| Remittances payable   | 6,299,944,758              |
| Unearned interest and discounts   | 486,575                    |
| Taxes payable   | 113,582,000,000            |
| Lease liabilities   | 6,357,756,663              |
| Others  | 51,725,745,170             |
| Provision for retirement benefits   | 190,856,580,788            |
| Provision for possible losses on securities transactions  | 2,243,348,993,013          |
| Provision for possible losses on foreign exchange transactions  | 794,500,000,000            |
| <b>Total liabilities</b>  | <b>120,973,246,772,784</b> |
| <b>NET ASSETS<sup>1</sup></b>   |                            |
| Capital   | 100,000,000                |
| Legal reserve   | 2,614,949,947,390          |
| Special reserve   | 13,196,452                 |
| Net income  | 300,291,399,621            |
| <b>Total net assets</b>   | <b>2,915,354,543,463</b>   |
| <b>Total liabilities and net assets</b>   | <b>123,888,601,316,247</b> |

Note: 1. "Capital accounts" has been changed to "net assets" beginning with the financial statements for fiscal 2008. The amount corresponding to the amount formerly classified as "capital accounts" is unchanged.



### 3. Statement of income for fiscal 2008 (April 1, 2008–March 31, 2009)

yen

|  |                          |
|--|--------------------------|
| <b>Operating income</b>  | <b>1,274,548,600,835</b> |
| <b>Interest on loans and discounts</b>   | <b>134,053,441,404</b>   |
| Interest on loans  | 134,053,441,404          |
| <b>Interest on receivables under resale agreements</b>                             | <b>30,749,050,842</b>    |
| <b>Interest and discounts on Japanese government securities</b>                    | <b>648,399,324,975</b>   |
| <b>Interest on commercial papers</b>   | <b>2,217,109,844</b>     |
| <b>Interest and discounts on corporate bonds</b>                                   | <b>42,997,346</b>        |
| <b>Gains on sale of Japanese government securities</b>                             | <b>22,606,532,390</b>    |
| <b>Gains on foreign currency assets</b>  | <b>376,781,744,094</b>   |
| Gains on foreign currency securities   | 283,662,961,758          |
| Gains on foreign currency pecuniary trusts   | 10,669,845,060           |
| Interest on foreign currency deposits and loans                                    | 82,448,937,276           |
| <b>Other operating income</b>  | <b>59,698,399,940</b>    |
| Dividends  | 793,175,779              |
| Fees and commissions   | 40,878,097,619           |
| Other income   | 18,027,126,542           |
| <b>Operating expenses</b>  | <b>835,519,278,035</b>   |
| <b>Interest on payables under repurchase agreements</b>                            | <b>57,341,688,997</b>    |
| <b>Discounts paid on bills sold</b>  | <b>1,961,090,975</b>     |
| <b>Losses on sale of Japanese government securities</b>                            | <b>11,299,400</b>        |
| <b>Losses on foreign currency assets</b>   | <b>417,748,665,750</b>   |
| Foreign exchange losses  | 416,591,128,525          |
| Losses on foreign currency mutual funds  | 1,157,537,225            |
| <b>General and administrative expenses and costs</b>                               | <b>227,396,254,580</b>   |
| Cost of production of banknotes  | 52,687,718,000           |
| Administrative expenses for treasury business and Japanese government securities   | 49,008,451,089           |
| Personnel expenses   | 50,975,211,435           |
| Expenses for transportation and communications                                     | 4,984,307,560            |
| Expenses for maintenance and repairs   | 1,692,118,036            |
| Other general and administrative expenses and costs                                | 45,198,848,038           |
| Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes      | 3,957,583,672            |
| Depreciation and amortization  | 18,892,016,750           |
| <b>Other general and administrative expenses</b>                                   | <b>131,060,278,333</b>   |
| Losses on pecuniary trusts (stocks held as trust property)                         | 17,891,688,079           |
| Fees and commissions paid  | 169,252,411              |
| Other expenses   | 112,999,337,843          |
| <b>Operating profits</b>   | <b>439,029,322,800</b>   |
| <b>Special profits</b>   | <b>289,087,409</b>       |
| Gains on disposal of fixed assets  | 289,087,409              |
| <b>Special losses</b>  | <b>437,182,470</b>       |
| Losses on disposal of fixed assets   | 437,182,470              |
| <b>Net income before taxes</b>   | <b>438,881,227,739</b>   |
| <b>Provision for corporate income tax, inhabitants taxes, and enterprise taxes</b> | <b>138,589,828,118</b>   |
| <b>Net income</b>  | <b>300,291,399,621</b>   |

#### 4. Summary of significant accounting policies

##### a. Securities

Yen-denominated bonds and CPs are valued at amortized cost determined by the moving-average method. CPs here comprise both CPs and dematerialized CPs.<sup>4</sup>

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 CPs, corporate bonds, and stocks whose market values have 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) Lease assets arising from finance lease transactions that transfer ownership

Depreciation is computed based on the same depreciation method as is applied to fixed assets owned by the Bank.

###### (4) Lease assets arising from finance lease transactions that do not transfer ownership.

Depreciation is computed using the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.

###### (5) 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

4. CPs include asset-backed CPs, while dematerialized CPs comprise those issued by domestic corporations and those issued by foreign corporations with guarantees, as well as dematerialized asset-backed CPs.

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.

foreign exchange rate prevailing at the time of subscription. Assets and liabilities arising from the Bank's U.S. dollar funds-supplying operations against pooled collateral are translated into yen at foreign exchange rates used in swap transactions with the Federal Reserve Bank of New York.

**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.

(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.

**e. Significant changes in the accounting standard**

Since fiscal 2008, the Bank has applied the new accounting standard regarding finance lease transactions in line with the Accounting Standard for Lease Transactions established by the Accounting Standards Board of Japan on March 30, 2007.

This change resulted in an increase of 6.1 billion yen in lease assets and an increase of 6.3 billion yen in lease liabilities, but did not have a material impact on the statement of income.

Finance lease transactions that do not transfer ownership and where the inception date falls before April 1, 2008, are recorded as lease assets acquired at the beginning of fiscal 2008 at an acquisition cost equal to the balance of future minimum lease payments as of March 31, 2008.

### **Other Explanatory Notes to the Financial Statements**

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"Capital accounts" has been changed to "net assets" beginning with the financial statements for fiscal 2008 in line with the Accounting Standard for Presentation of Net Assets in the Balance Sheet established by the Accounting Standards Board of Japan on December 9, 2005 and with the accounting standard for special public corporations revised by the Fiscal System Council on November 19, 2007. The amount corresponding to the amount formerly classified as "capital accounts" is unchanged.

## Explanatory Notes to Lease Transactions

### 1. Finance lease transactions

Finance lease transactions that do not transfer ownership

#### a. Details of lease assets

Tangible fixed assets, mainly electronic data processing systems such as the Bank's host computers.

#### b. Methods used in calculating the depreciation of lease assets

Depreciation is computed in accordance with the Bank's significant accounting policies on methods used in calculating the depreciation of tangible fixed assets and intangible fixed assets.

### 2. Operating lease transactions

Future minimum lease payments for non-cancelable operating lease transactions

#### a. Lessee

|                    |             |
|--------------------|-------------|
|                    | yen         |
| Within one year    | 58,000,000  |
| More than one year | 105,000,000 |
|                    |             |
| Total              | 163,000,000 |

#### b. Lessor

|                    |            |
|--------------------|------------|
|                    | yen        |
| Within one year    | 1,000,000  |
| More than one year | 45,000,000 |
|                    |            |
| Total              | 47,000,000 |

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

|  |                       |                      |     |
|--|-----------------------|----------------------|-----|
| <b>1. Projected benefit obligation</b>                             |                       |                      | yen |
| Projected benefit obligation                                       | (A)                   | -199,822,533,000     |     |
| Fair value of plan assets  | (B)                   | ...                  |     |
| <hr/>  |                       |                      |     |
| Unfunded projected benefit obligation                              | (C) = (A) + (B)       | -199,822,533,000     |     |
| Unrecognized actuarial differences                                 | (D)                   | 8,965,952,212        |     |
| Unrecognized prior service cost                                    | (E)                   | ...                  |     |
| <hr/>  |                       |                      |     |
| Net amount recorded on the balance sheet                           | (F) = (C) + (D) + (E) | -190,856,580,788     |     |
| Prepaid pension cost   | (G)                   | ...                  |     |
| <hr/>  |                       |                      |     |
| Provision for retirement benefits                                  | (F) - (G)             | -190,856,580,788     |     |
| <br>   |                       |                      |     |
| <b>2. Pension expenses</b>   |                       |                      | yen |
| Service costs  |                       | 4,735,600,000        |     |
| Interest costs   |                       | 4,016,605,000        |     |
| Expected return on plan assets                                     |                       | ...                  |     |
| Amortization of actuarial differences                              |                       | 3,196,947,383        |     |
| Amortization of prior service cost                                 |                       | ...                  |     |
| Others (such as extra retirement benefits)                         |                       | ...                  |     |
| <hr/>  |                       |                      |     |
| Pension expenses   |                       | 11,949,152,383       |     |
| <br>   |                       |                      |     |
| <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 7, 2009

### Auditors' Opinion on the Bank of Japan's Financial Statements for Fiscal 2008

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 2008 indicated below. In our opinion, the financial statements present fairly the state of property and the results of operations for fiscal 2008.

The financial statements comprise the following:  
Inventory of property as at March 31, 2009;  
Balance sheet as at March 31, 2009; and  
Statement of income for fiscal 2008.

Toshiharu Murayama  
Makoto Hosomi  
Michio Masukawa

Auditors, Bank of Japan

## 6. Appropriation of net income for fiscal 2008

yen

|  |                        |
|--|------------------------|
| <b>Net income</b>                        | <b>300,291,399,621</b> |
| Appropriations:                          |                        |
| Transfer to legal reserve                | 45,043,709,944         |
| Dividends, 5 percent of share face value | 5,000,000              |
| Payment to the government                | 255,242,689,677        |
| <b>Total</b>                             | <b>300,291,399,621</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 2008

## 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>191,329,182,636</b>                      | <b>246,668,852,439</b>                | <b>55,339,669,803</b>          |
| <b>3. Receivables under resale agreements<sup>2</sup></b>                  | <b>8,767,603,169,496</b>                    | <b>11,952,035,942,590</b>             | <b>3,184,432,773,094</b>       |
| Purchases of Japanese government securities under repurchase agreements    | 8,460,056,796,356                           | 8,964,903,723,766                     | 504,846,927,410                |
| Purchases of commercial papers under repurchase agreements                 | 307,546,373,140                             | 2,987,132,218,824                     | 2,679,585,845,684              |
| <b>4. Japanese government securities</b>                                   | <b>67,390,797,184,405</b>                   | <b>64,265,595,338,423</b>             | <b>-3,125,201,845,982</b>      |
| Financing bills, treasury bills, and treasury discount bills               | 20,510,514,812,120                          | 21,604,314,067,239                    | 1,093,799,255,119              |
| Financing bills  | 4,638,989,723,960                           | 5,139,243,384,093                     | 500,253,660,133                |
| Treasury bills   | 15,871,525,088,160                          | 12,429,438,199,340                    | -3,442,086,888,820             |
| Treasury discount bills  | 0   | 4,035,632,483,806                     | 4,035,632,483,806              |
| Japanese government bonds  | 46,880,282,372,285                          | 42,661,281,271,184                    | -4,219,001,101,101             |
| 2-year Japanese government bonds   | 2,758,896,164,552                           | 1,941,703,035,264                     | -817,193,129,288               |
| 5-year Japanese government bonds   | 6,380,550,986,694                           | 6,571,361,102,758                     | 190,810,116,064                |
| 10-year Japanese government bonds  | 24,021,692,813,998                          | 20,392,713,684,227                    | -3,628,979,129,771             |
| 20-year Japanese government bonds  | 13,719,142,407,041                          | 13,310,119,168,660                    | -409,023,238,381               |
| Others   | 0   | 445,384,280,275                       | 445,384,280,275                |
| <b>5. Commercial papers<sup>3</sup></b>                                    | <b>0</b>                                    | <b>1,556,909,447,058</b>              | <b>1,556,909,447,058</b>       |
| Dematerialized commercial papers   | 0   | 1,556,909,447,058                     | 1,556,909,447,058              |
| <b>6. Corporate bonds</b>  | <b>0</b>                                    | <b>43,468,449,273</b>                 | <b>43,468,449,273</b>          |
| <b>7. Pecuniary trusts (stocks held as trust property)<sup>4</sup></b>     | <b>1,426,013,500,496</b>                    | <b>1,153,983,439,300</b>              | <b>-272,030,061,196</b>        |
| Stocks   | 1,404,458,499,271                           | 1,139,200,406,000                     | -265,258,093,271               |
| Dividends receivable and others  | 21,555,001,225                              | 14,783,033,300                        | -6,771,967,925                 |
| <b>8. Loans and bills discounted</b>                                       | <b>29,215,300,000,000</b>                   | <b>32,731,500,000,000</b>             | <b>3,516,200,000,000</b>       |
| Electronic loans   | 29,215,300,000,000                          | 32,731,500,000,000                    | 3,516,200,000,000              |
| Loans by complementary lending facility                                    | 95,000,000,000                              | 59,200,000,000                        | -35,800,000,000                |
| Loans by funds-supplying operations against pooled collateral <sup>5</sup> | 29,120,300,000,000                          | 32,672,300,000,000                    | 3,552,000,000,000              |
| <b>9. Foreign currency assets</b>  | <b>5,227,680,702,845</b>                    | <b>10,864,739,287,260</b>             | <b>5,637,058,584,415</b>       |
| Foreign currency deposits <sup>6</sup>                                     | 61,001,758,609                              | 88,954,381,545                        | 27,952,622,936                 |
| Foreign currency securities <sup>7,8</sup>                                 | 4,994,252,808,189                           | 4,870,120,264,084                     | -124,132,544,105               |
| Foreign currency mutual funds  | 37,687,266,498                              | 36,267,229,273                        | -1,420,037,225                 |
| Foreign currency pecuniary trusts  | 134,738,869,549                             | 142,912,452,358                       | 8,173,582,809                  |
| Foreign currency loans <sup>9</sup>  | 0   | 5,726,484,960,000                     | 5,726,484,960,000              |
| <b>10. Deposits with agents<sup>10</sup></b>                               | <b>82,996,740,583</b>                       | <b>26,189,233,967</b>                 | <b>-56,807,506,616</b>         |

Notes: 1. Coins reserved for circulation.

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

3. Comprise CPs (including asset-backed CPs) and dematerialized CPs (i.e., dematerialized CPs issued by domestic corporations, dematerialized CPs issued by foreign corporations with guarantees, and dematerialized asset-backed CPs).

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

5. The amount outstanding of loans arising from funds-supplying operations against pooled collateral at the fiscal year-end includes the amount outstanding of loans arising from special funds-supplying operations to facilitate corporate financing.

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

7. Includes securities issued by foreign governments.

8. 1,141,497,614,405 yen of the amount outstanding of the foreign currency securities at the fiscal year-end comprises loans due to lending/borrowing of securities.

9. Loans arising from U.S. dollar funds-supplying operations against pooled collateral.

10. 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>11. Other assets</b>   | <b>464,178,441,357</b>                      | <b>385,369,652,179</b>                | <b>-78,808,789,178</b>         |
| Bills and checks in process of collection <sup>11</sup>   | 48,618,754,836                              | 51,787,296                            | -48,566,967,540                |
| 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>12</sup>  | 15,278,374,364                              | 15,278,374,364                        | 0                              |
| Provision of funds to the Deposit Insurance Corporation's "Jusen account" <sup>13</sup>   | 100,000,000,000                             | 100,000,000,000                       | 0                              |
| Provision of funds to the New Financial Stabilization Fund <sup>14</sup>  | 20,000,000,000                              | 20,000,000,000                        | 0                              |
| Withdrawn cash to be returned to the government <sup>15</sup>   | 58,692,836,441                              | 68,471,327,650                        | 9,778,491,209                  |
| Accrued interest receivable   | 160,026,713,152                             | 143,986,557,669                       | -16,040,155,483                |
| Others  | 61,336,762,564                              | 37,356,605,200                        | -23,980,157,364                |

Notes: 11. Checks and bills received as cash and in process of collection.

12. A subscription to the Bank for International Settlements.

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

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

15. 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>12. Tangible fixed assets<sup>16</sup></b> | <b>218,844,119,238</b>                      | <b>27,984,477,058</b>           | <b>26,131,762,450</b>           | <b>18,376,392,882</b>  | <b>220,696,833,846</b>                | <b>299,163,711,865</b>           |
| Buildings <sup>17,18</sup>                    | 117,725,612,564<br>(655,304.58)             | 7,027,022,994<br>(11.36)        | 9,621,083,267<br>(2,671.68)     | 9,490,767,739<br>(...) | 115,131,552,291<br>(652,644.26)       | 268,531,229,112<br>(...)         |
| Land <sup>17</sup>                            | 83,263,463,006<br>(715,139.17)              | 0<br>(0.00)                     | 76,467<br>(2,720.06)            | ...                    | 83,263,386,539<br>(712,419.11)        | ...                              |
| Lease assets <sup>19,20</sup>                 | 0<br>(0)                                    | 11,332,411,285<br>(30,953)      | 5,168,988,840<br>(6,566)        | 5,134,749,334<br>(...) | 6,163,422,445<br>(24,387)             | 3,581,260,628<br>(...)           |
| Construction in progress <sup>21</sup>        | 1,469,917,150                               | 8,026,554,310                   | 7,377,824,180                   | ...                    | 2,118,647,280                         | ...                              |
| Other tangible fixed assets <sup>22,23</sup>  | 16,385,126,518<br>(11,637)                  | 1,598,488,469<br>(157)          | 3,963,789,696<br>(387)          | 3,750,875,809<br>(...) | 14,019,825,291<br>(11,407)            | 27,051,222,125<br>(...)          |

Notes: 16. "..." indicates that figures are not applicable.

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

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

19. Figures in parentheses for "lease assets" describe the number of items of lease property.

20. Purchases of new electronic data processing systems were the main factor behind the increase in "lease assets."

21. The increase in "construction in progress" was mainly due to the renovation of and repairs to buildings for the Bank's business operations, and the production of automatic banknote examination machines.

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

23. 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>13. Intangible fixed assets</b> | <b>210,448,170</b>                          | <b>0</b>                        | <b>19,017,295</b>               | <b>18,798,895</b> | <b>191,430,875</b>                    | <b>746,684,426</b>               |
| Utility rights                     | 210,448,170                                 | 0                               | 19,017,295                      | 18,798,895        | 191,430,875                           | 746,684,426                      |

2. Details of liabilities and net assets<sup>1</sup>

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>76,461,554,544,007</b>                   | <b>76,897,777,593,324</b>             | <b>436,223,049,317</b>         |
| 10,000 yen notes  | 69,812,576,555,000                          | 70,266,673,120,000                    | 454,096,565,000                |
| 5,000 yen notes   | 2,640,295,242,500                           | 2,689,456,565,000                     | 49,161,322,500                 |
| 2,000 yen notes   | 294,988,955,000                             | 252,033,134,000                       | -42,955,821,000                |
| 1,000 yen notes   | 3,553,949,216,000                           | 3,531,361,867,000                     | -22,587,349,000                |
| Other banknotes <sup>2</sup>  | 159,744,575,507                             | 158,252,907,324                       | -1,491,668,183                 |
| <b>2. Deposits (excluding those of the government)</b>  | <b>14,276,374,328,066</b>                   | <b>27,922,827,226,375</b>             | <b>13,646,452,898,309</b>      |
| Current deposits  | 14,246,942,388,350                          | 22,148,918,284,105                    | 7,901,975,895,755              |
| Current deposits of financial institutions <sup>3</sup>   | 13,828,458,528,147                          | 21,493,060,471,960                    | 7,664,601,943,813              |
| Other current deposits of nonfinancial institutions <sup>4</sup>  | 418,483,860,203                             | 655,857,812,145                       | 237,373,951,942                |
| Other deposits <sup>5</sup>   | 29,431,939,716                              | 5,773,908,942,270                     | 5,744,477,002,554              |
| <b>3. Deposits of the government</b>  | <b>3,505,830,108,703</b>                    | <b>2,374,589,570,137</b>              | <b>-1,131,240,538,566</b>      |
| Treasury deposit  | 150,000,455,661                             | 149,999,399,894                       | -1,055,767                     |
| Domestic designated deposit <sup>6</sup>  | 3,057,036,464,345                           | 1,909,245,788,074                     | -1,147,790,676,271             |
| Other government deposits <sup>7</sup>  | 298,793,188,697                             | 315,344,382,169                       | 16,551,193,472                 |
| <b>4. Payables under repurchase agreements<sup>8</sup></b>  | <b>12,059,868,222,455</b>                   | <b>10,371,380,875,981</b>             | <b>-1,688,487,346,474</b>      |
| Sales of Japanese government bonds under repurchase agreements to the government  | 10,184,473,608,003                          | 8,181,734,673,676                     | -2,002,738,934,327             |
| Sales of treasury bills and financing bills under repurchase agreements to foreign central banks and other foreign entities | 1,875,394,614,452                           | 2,156,462,590,803                     | 281,067,976,351                |
| Other sales of Japanese government securities under repurchase agreements   | 0   | 33,183,611,502                        | 33,183,611,502                 |
| Of which: Under the securities lending facility   | 0   | 33,183,611,502                        | 33,183,611,502                 |
| <b>5. Bills sold</b>  | <b>600,100,000,000</b>                      | <b>0</b>                              | <b>-600,100,000,000</b>        |
| <b>6. Other liabilities</b>   | <b>72,152,180,398</b>                       | <b>177,965,933,166</b>                | <b>105,813,752,768</b>         |
| Remittances payable   | 16,979,222,884                              | 6,299,944,758                         | -10,679,278,126                |
| Unearned interest and discounts   | 1,952,054                                   | 486,575                               | -1,465,479                     |
| Taxes payable   | 3,116,000,000                               | 113,582,000,000                       | 110,466,000,000                |
| Lease liabilities   | 0   | 6,357,756,663                         | 6,357,756,663                  |
| Others  | 52,055,005,460                              | 51,725,745,170                        | -329,260,290                   |

Notes: 1. "Capital accounts" has been changed to "net assets" beginning with the financial statements for fiscal 2008. The amount corresponding to the amount formerly classified as "capital accounts" is unchanged.

2. 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).

3. Deposits held by financial institutions including institutions such as *tanshi* companies (money market brokers) and securities finance companies.

4. Deposits held by institutions, for example, financial instruments firms.

5. Deposits held by foreign central banks and others.

6. A deposit to which the surplus funds from management of the treasury is transferred from the "treasury deposit."

7. 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.

8. 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>9</sup></b>                               | <b>3,226,549,958,491</b>                    | <b>11,949,152,383</b>           | <b>9,793,537,073</b>            | <b>3,228,705,573,801</b>              |
| Provision for retirement benefits                              | 188,700,965,478                             | 11,949,152,383                  | 9,793,537,073                   | 190,856,580,788                       |
| 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. Net assets<sup>1</sup></b>                               | <b>2,583,025,543,194</b>                    | <b>32,037,600,648</b>           | <b>0</b>                        | <b>2,615,063,143,842</b>              |
| Capital  | 100,000,000                                 | 0                               | 0                               | 100,000,000                           |
| Legal reserve <sup>10</sup>                                    | 2,582,912,346,742                           | 32,037,600,648                  | 0                               | 2,614,949,947,390                     |
| Special reserve <sup>11</sup>                                  | 13,196,452                                  | 0                               | 0                               | 13,196,452                            |

Notes: 9. Appropriated in accordance with the Bank's significant accounting policies.

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

11. 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   | 134,053,441,404 yen from electronic loans.   |
| <b>Interest on receivables under resale agreements</b>          | 27,138,623,996 yen from interest income on purchase of Japanese government securities under resale agreements and 3,610,426,846 yen from interest income on purchase of commercial papers under resale agreements.   |
| <b>Interest and discounts on Japanese government securities</b> | 648,399,324,975 yen from interest income on Japanese government securities after adjustment.   |
| <b>Interest on commercial papers</b>                            | 2,217,109,844 yen from interest income on commercial papers after adjustment.  |
| <b>Interest and discounts on corporate bonds</b>                | 42,997,346 yen from interest income on corporate bonds after adjustment.   |
| <b>Gains on sale of Japanese government securities</b>          | 13,614,447,890 yen from gains on sales of financing bills and treasury bills and 8,992,084,500 yen from gains on sales of Japanese government bonds.   |
| <b>Gains on foreign currency assets</b>                         |  |
| Gains on foreign currency securities                            | Total of 169,368,983,545 yen from interest and discounts on foreign currency securities and 4,203,563,767 yen from lending fees on them; and 110,090,414,416 yen of gains arising from sale, redemption, and revaluation at end-March 2009 of foreign currency securities. |
| Gains on foreign currency pecuniary trusts                      | 10,669,845,060 yen   |
| Interest on foreign currency deposits and loans                 | 82,448,937,276 yen   |
| <b>Other operating income</b>                                   |  |
| Dividends   | 793,175,779 yen for dividends from shares of the Bank for International Settlements held by the Bank.  |
| Fees and commissions  | 40,878,097,619 yen for fees and commissions for operations regarding Japanese government securities, the BOJ-NET, foreign exchange transactions, and other operations.   |
| Other income  | 18,027,126,542 yen from transfer from provision for retirement benefits and other miscellaneous income.  |

**b. Operating expenses**

|  |  |
|--|--|
| <b>Interest on payables under repurchase agreements</b>                          | 57,341,688,997 yen for interest payment on sale of Japanese government securities under repurchase agreements.   |
| <b>Discounts paid on bills sold</b>  | 1,961,090,975 yen  |
| <b>Losses on sale of Japanese government securities</b>                          | 11,299,400 yen for losses on sale of Japanese government bonds.  |
| <b>Losses on foreign currency assets</b>   |  |
| Foreign exchange losses  | 416,591,128,525 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.  |
| Losses on foreign currency mutual funds  | 1,157,537,225 yen  |
| <b>General and administrative expenses and costs</b>                             |  |
| Cost of production of banknotes  | 52,687,718,000 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 | 49,008,451,089 yen from fees and commissions paid to agents of the Bank for administration of treasury business and Japanese government securities.  |
| Personnel expenses   | 395,122,100 yen for remuneration of the officers; 40,704,031,262 yen for remuneration of the employees; and 9,876,058,073 yen for retirement allowances.   |
| Expenses for transportation and communications                                   | 1,865,526,911 yen for expenses for transportation and 3,118,780,649 yen for expenses for communications.   |
| Expenses for maintenance and repairs   | 1,692,118,036 yen on offices and other premises.   |
| Other general and administrative expenses and costs                              | 1,363,381,215 yen for the cost of expendable supplies; 2,086,785,321 yen for expenses for electricity and water supply; 10,248,938,666 yen for leasing fees for buildings and equipment; 9,044,048,261 yen for expenses for maintenance of buildings and equipment; and 22,455,694,575 yen for miscellaneous expenses. |
| Taxes, excluding corporate income tax, inhabitants taxes, and enterprise taxes   | 3,957,583,672 yen for taxes and public charges (including fixed-asset tax and urban development tax).  |
| Depreciation and amortization  | 18,892,016,750 yen on buildings and lease assets.  |
| <b>Other general and administrative expenses</b>                                 |  |
| Losses on pecuniary trusts (stocks held as trust property)                       | 17,891,688,079 yen of losses arising from revaluation due to impairment losses.  |
| Fees and commissions paid  | 169,252,411 yen  |
| Other expenses   | 112,999,337,843 yen for interest on domestic designated deposit, interest payment on currency swap transactions, transfers to provision for retirement benefits, and other expenses.   |

**c. Special profits**

|  |   |
|--|---|
| <b>Gains on disposal of fixed assets</b> | 289,087,409 yen for gains on sale of land for the Bank's premises and other properties. |
|--|---|

**d. Special losses**

|   |  |
|---|--|
| <b>Losses on disposal of fixed assets</b> | 437,182,470 yen for losses on disposals of Bank premises, banknote examination machines, and other properties. |
|---|--|

**e. Net income**

|  |                     |
|--|---------------------|
| <b>Net income before taxes</b>   | 438,881,227,739 yen |
| <b>Provision for corporate income tax, inhabitants taxes, and enterprise taxes</b> | 138,589,828,118 yen |
| <b>Net income</b>  | 300,291,399,621 yen |

## II. SETTLEMENT OF ACCOUNTS FOR EXPENSES<sup>7</sup> FOR FISCAL 2008

The Bank's settlement of accounts for expenses for fiscal 2008 (the 124th fiscal year) decreased by 0.2 percent (0.3 billion yen) to 214.3 billion yen compared to the previous year. This was mainly due to the following. Although "administrative expenses for treasury business and Japanese government securities" increased due to an increase in the amount of fees for redemptions of and interest payments on JGSs owing to the privatization of Japan Post, the "cost of fixed-asset purchases" decreased as construction costs associated with the rebuilding of the Bank of Japan Naha branch ceased to be incurred with the completion of the project, and "other general and administrative expenses and costs" decreased almost across the board, with decreases in items such as "leasing fees for buildings and equipment" and "expenses for maintenance of buildings and equipment" in particular.

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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 2008

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  | 52,785,255,000         | 0                        | 0                  | 52,785,255,000               | 52,687,718,000         | 97,537,000            | -420,566,000  |
| Administrative expenses for treasury business and Japanese government securities | 51,130,849,000         | 0                        | 0                  | 51,130,849,000               | 49,008,451,089         | 2,122,397,911         | 7,905,427,758   |
| Personnel expenses   | 52,350,842,000         | 0                        | 0                  | 52,350,842,000               | 50,975,211,435         | 1,375,630,565         | 174,554,709   |
| Remuneration of the officers   | 442,047,000            | 0                        | 0                  | 442,047,000                  | 395,122,100            | 46,924,900            | -39,377,200   |
| Remuneration of the employees  | 41,533,411,000         | 0                        | 0                  | 41,533,411,000               | 40,704,031,262         | 829,379,738           | 225,088,993   |
| Retirement allowances  | 10,375,384,000         | 0                        | 0                  | 10,375,384,000               | 9,876,058,073          | 499,325,927           | -11,157,084   |
| Expenses for transportation and communications                                   | 5,761,681,000          | 0                        | 0                  | 5,761,681,000                | 4,984,307,560          | 777,373,440           | -369,880,525  |
| Expenses for transportation  | 2,293,181,000          | 0                        | 0                  | 2,293,181,000                | 1,865,526,911          | 427,654,089           | -132,582,614  |
| Expenses for communications  | 3,468,500,000          | 0                        | 0                  | 3,468,500,000                | 3,118,780,649          | 349,719,351           | -237,297,911  |
| Expenses for maintenance and repairs   | 1,974,672,000          | 0                        | 0                  | 1,974,672,000                | 1,692,118,036          | 282,553,964           | -66,938,869   |
| Other general and administrative expenses and costs                              | 50,280,487,000         | 0                        | 0                  | 50,280,487,000               | 45,198,848,038         | 5,081,638,962         | -3,633,178,255  |
| Cost of expendable supplies  | 1,872,134,000          | 0                        | 0                  | 1,872,134,000                | 1,363,381,215          | 508,752,785           | -194,688,414  |
| Expenses for electricity and water supply  | 2,251,091,000          | 0                        | 0                  | 2,251,091,000                | 2,086,785,321          | 164,305,679           | 53,586,655  |
| Leasing fees for buildings and equipment   | 10,747,348,000         | 0                        | 0                  | 10,747,348,000               | 10,248,938,666         | 498,409,334           | -1,191,163,257  |
| Expenses for maintenance of buildings and equipment                              | 9,752,775,000          | 0                        | 0                  | 9,752,775,000                | 9,044,048,261          | 708,726,739           | -261,914,728  |
| Miscellaneous expenses   | 25,657,139,000         | 0                        | 0                  | 25,657,139,000               | 22,455,694,575         | 3,201,444,425         | -2,038,998,511  |
| <b>Subtotal</b>  | <b>214,283,786,000</b> | <b>0</b>                 | <b>0</b>           | <b>214,283,786,000</b>       | <b>204,546,654,158</b> | <b>9,737,131,842</b>  | <b>3,589,418,818</b>                                    |
| Cost of fixed-asset purchases  | 11,422,994,000         | 0                        | 0                  | 11,422,994,000               | 9,720,162,475          | 1,702,831,525         | -3,931,276,720  |
| Of which: Subject to the approval of the Minister of Finance <sup>2</sup>        | 5,045,263,000          | 0                        | 0                  | 5,045,263,000                | 3,771,141,181          | 1,274,121,819         | -2,149,017,879  |
| Contingency funds  | 1,000,000,000          | 0                        | 0                  | 1,000,000,000                | 0                      | 1,000,000,000         | 0   |
| <b>Total</b>   | <b>226,706,780,000</b> | <b>0</b>                 | <b>0</b>           | <b>226,706,780,000</b>       | <b>214,266,816,633</b> | <b>12,439,963,367</b> | <b>-341,857,902</b>                                     |
| Of which: Subject to the approval of the Minister of Finance <sup>2</sup>        | 220,329,049,000        | 0                        | 0                  | 220,329,049,000              | 208,317,795,339        | 12,011,253,661        | 1,440,400,939   |

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

2. 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 2008<sup>1</sup>

mil. yen

| Area of business operation                       | Expenses       | Changes from a year earlier | Share of total (percent) |
|--|----------------|-----------------------------|--------------------------|
| Issuance of banknotes                            | 84,807         | -1,951                      | 37.3                     |
| Monetary policy                                  | 22,069         | +703                        | 9.7                      |
| Financial system policy                          | 18,682         | +235                        | 8.2                      |
| Payment and settlement systems                   | 28,274         | -273                        | 12.4                     |
| Services relating to the government <sup>2</sup> | 73,565         | +8,542                      | 32.4                     |
| <b>Total</b>                                     | <b>227,396</b> | <b>+7,255</b>               | <b>100.0</b>             |

Notes: 1. Calculated based on "general and administrative expenses and costs" (227.4 billion yen) in the statement of income for fiscal 2008 (the 124th 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.

