



BANK OF JAPAN

ANNUAL REVIEW 2021





BANK OF JAPAN

ANNUAL REVIEW 2021

Year Ended March 31, 2021

OUR POLICY AND OPERATIONS



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For more information about the Bank of Japan, visit the Bank's website
(<https://www.boj.or.jp/en/index.htm>).

This Annual Review is available in PDF and HTML on the Bank's website
(<https://www.boj.or.jp/en/about/activities/act/ar2021.htm>).

FOREWORD BY THE GOVERNOR



The Bank of Japan has two missions, to achieve price stability and ensure the stability of the financial system. On the price stability side, the Bank has been steadily pursuing its policy of Quantitative and Qualitative Monetary Easing with Yield Curve Control to achieve the price stability target of 2 percent in terms of the year-on-year rate of change in the consumer price index. The Bank works to fulfill the two missions by conducting, besides monetary policy, business operations in a wide range of areas such as financial system and bank examination, payment and settlement systems, market infrastructures, international finance, banknotes, treasury funds and Japanese government securities services, and public communications. The Bank pursues its various policies through the precise and deliberate execution of these central banking operations.

The *Annual Review* provides excerpts from the Japanese original *Gyoumu Gaikyo Sho* (Outline of Business Operations), which is prepared pursuant to Article 55 of the Bank of Japan Act. The *Gyoumu Gaikyo Sho* for fiscal 2020 and the *Annual Review 2021* have been drawn up and released to explain to readers the implementation of the Bank's business operations during fiscal 2020. During the fiscal year, the Bank, in accordance with the *Medium-Term Strategic Plan (Fiscal 2019–2023)*, continued to address various issues and move forward with a number of measures, while ensuring that its business operations and organizational management were conducted in a timely manner in view of changes in circumstances, as can be seen, for example, from its measures in response to the spread of the novel coronavirus (COVID-19). The Bank will continue with its efforts as the country's central bank to achieve the sustainable growth and development of Japan's economy. I hope this year's *Annual Review* will help readers to gain an overview of the Bank's activities toward these ends.

A handwritten signature in black ink that reads "Haruhiko Kuroda". The signature is written in a cursive, flowing style.

KURODA Haruhiko

Governor of the Bank of Japan

About the Bank of Japan

I. Core Purposes

II. Capital

III. The Bank's Officers

IV. Organization

The Bank of Japan is the central bank of Japan. It is a juridical person established based on the Bank of Japan Act (hereafter the Act), and is not a government agency or a private corporation (Table 1).

Table 1
History of the Bank of Japan

1882	June	The Bank of Japan Act of 1882 is promulgated; the Bank is to have capital of 10 million yen and is given a license to operate for 30 years from the start of business.
	Oct. 10	Business operation begins.
1887	Mar.	An increase in the Bank's capital is announced from 10 million yen to 20 million yen.
1895	Aug.	An increase in the Bank's capital is announced from 20 million yen to 30 million yen.
1896	Apr.	The Head Office is moved to a new building at the present location.
1910	Feb.	The Bank is given a license to operate for 30 more years from October 10, 1912, and an increase in the Bank's capital is announced from 30 million yen to 60 million yen.
1942	Feb.	The Bank of Japan Act of 1942 is promulgated; the Bank is to have capital of 100 million yen.
	May 1	The Bank is reorganized under the Bank of Japan Act of 1942.
1949	June	The Policy Board is established.
1997	June	The Bank of Japan Act of 1997 is promulgated; the Bank is to have capital of 100 million yen.
1998	Apr. 1	The Bank of Japan Act of 1997 comes into effect.

I. CORE PURPOSES

The Act determines the Bank's core purposes as follows:

Article 1

- (1) The purpose of the Bank of Japan, or the central bank of Japan, is to issue banknotes and to carry out currency and monetary control.
- (2) In addition to what is prescribed in the preceding paragraph, the Bank of Japan's purpose is to ensure smooth settlement of funds among banks and other financial institutions, thereby contributing

to the maintenance of stability of the financial system.

The Act also stipulates the principle governing the Bank's currency and monetary control as follows:

Article 2

Currency and monetary control by the Bank of Japan shall be aimed at achieving price stability, thereby contributing to the sound development of the national economy.

II. CAPITAL

The Bank is capitalized at 100 million yen in accordance with Article 8, paragraph 1 of the Act. As of the end of March 2021, 55,008,000 yen is subscribed by the government, and the rest by the private sector (Table 2).¹

The Act does not grant holders of subscription certificates the right to participate in the Bank's

management, and, in the case of liquidation, only gives them the right to request distribution of residual assets up to the sum of the paid-up capital and, if any, the special reserve fund.² Dividend payments as a proportion of paid-up capital are limited to 5 percent or below in each fiscal year.³

Table 2

Subscribers by Category

Subscribers	Amount of subscription (thous. yen) ¹	Percentage of the total subscription (%)
The government	55,008	55.0
The private sector	44,991	45.0
Individuals	40,353	40.4
Financial institutions	2,011	2.0
Public organizations	191	0.2
Securities companies	39	0.0
Other firms	2,394	2.4
Total	100,000	100.0

Note: 1. Rounded down to the nearest 1,000 yen. As of the end of March 2021.

1. Article 8, paragraph 2 of the Act states as follows: "Of the amount of stated capital set forth in the preceding paragraph, the amount of contribution by the government shall be no less than fifty-five million yen."

2. Stipulated by Article 60, paragraph 2, and Supplementary Provisions Article 22, paragraph 2.

3. Stipulated by Article 53, paragraph 4.

III. THE BANK'S OFFICERS

The Bank's officers are the Governor, Deputy Governors, Members of the Policy Board, Auditors, Executive Directors, and Counsellors.⁴ Of the above, the Governor, Deputy Governors, and Members of the Policy Board make up the Policy Board.⁵

The Governor, Deputy Governors, and Members of the Policy Board are appointed by the Cabinet, subject to the consent of the House of Representatives and the House of Councillors. Auditors are appointed by the Cabinet. Executive Directors and Counsellors are appointed by the Minister of Finance based on the Policy Board's recommendation.⁶

The terms of office are five years for the Governor, Deputy Governors, and Members of the Policy Board; four years for Auditors and Executive Directors; and two years for Counsellors.⁷ The Bank's officers, excluding Executive Directors, are not dismissed against their will during their terms of office, except in the cases prescribed in the Act, such as the formal commencement of bankruptcy proceedings against them.⁸

For duties and powers of the Bank's officers, see Table 3.⁹

Table 3

Duties and Powers of the Bank's Officers

	Duties and powers
Policy Board members	Decide the guideline for currency and monetary control and other important matters concerning the Bank's operations, and supervise the officers (excluding Auditors and Counsellors) in the fulfillment of their duties.
Governor	Represents the Bank and exercises general control over the Bank's business in accordance with decisions made by the Policy Board. At the same time, fulfills the duties of an independent Policy Board member.
Deputy Governors	In accordance with decisions made by the Governor, represent the Bank, administer the business of the Bank assisting the Governor, act for the Governor whenever the Governor is prevented from attending to his/her duties, and perform the Governor's duties during a vacancy in the office of the Governor. At the same time, fulfill the duties of independent Policy Board members.
Members of the Policy Board	Comprise the Policy Board, together with the Governor and Deputy Governors.
Auditors	Audit the business of the Bank. May, when they find it necessary based on the audit results, submit their opinions to the Minister of Finance, the Prime Minister (the Commissioner of the Financial Services Agency when the Prime Minister delegates such authority under Article 61-2 of the Act), or the Policy Board.
Executive Directors	In accordance with decisions made by the Governor, administer the business of the Bank assisting the Governor and Deputy Governors, act for the Governor when the Governor and Deputy Governors are prevented from attending to their duties, and perform the Governor's duties during vacancies in the offices of the Governor and Deputy Governors.
Counsellors	Give advice to the Policy Board when consulted on any important matter concerning the Bank's business operations. May also express their opinions to the Policy Board when they find it necessary.

4. Stipulated by Article 21. The officers of the Bank consist of a Governor, two Deputy Governors, six Members of the Policy Board, three or fewer Auditors, six or fewer Executive Directors, and a small number of Counsellors.

5. Stipulated by Article 16, paragraph 2.

6. Stipulated by Article 23.

7. Stipulated by Article 24.

8. Stipulated by Article 25.

9. Duties and powers are stipulated by Article 16, paragraph 2, and Article 22.

Policy Board Members^{1,2}



Standing from left to right: NOGUCHI Asahi, ADACHI Seiji, SUZUKI Hitoshi, KATAOKA Goushi, NAKAMURA Toyoaki, and NAKAGAWA Junko
Seated from left to right: AMAMIYA Masayoshi, KURODA Haruhiko, and WAKATABE Masazumi

KURODA Haruhiko, Governor

AMAMIYA Masayoshi, Deputy Governor

WAKATABE Masazumi, Deputy Governor

SUZUKI Hitoshi

KATAOKA Goushi

ADACHI Seiji

NAKAMURA Toyoaki

NOGUCHI Asahi

NAKAGAWA Junko

Notes: 1. Members are as of August 2, 2021.

2. The texts of speeches by Policy Board members are available on the Bank's website (https://www.boj.or.jp/en/announcements/press/koen_speaker/index.htm).

<p>KURODA Haruhiko <i>Governor (the 31st) and Chairman of the Policy Board</i></p> <p>Date of Birth October 25, 1944</p> <p>Education The University of Tokyo (1967, B.A. in Law) University of Oxford (1971, M.Phil. in Economics)</p>	<p>1967 Joined Japan's Ministry of Finance (MOF)</p> <p>1987 Director, International Organizations Division, International Finance Bureau</p> <p>1988 Secretary to the Minister of Finance</p> <p>1989 Director, International Tax Affairs Division, Tax Bureau</p> <p>1990 Director, Income Tax and Property Tax Policy Division, Tax Bureau</p> <p>1991 Director, Co-ordination Division, Tax Bureau</p> <p>1993 Regional Commissioner, Osaka Regional Taxation Bureau, National Tax Agency</p> <p>1994 Deputy Director-General, International Finance Bureau, MOF</p> <p>1996 President, Institute of Fiscal and Monetary Policy</p> <p>1997 Director-General, International Finance Bureau</p> <p>1998 Director-General, International Bureau</p> <p>1999 Vice Minister of Finance for International Affairs</p> <p>2003 Special Advisor to the Cabinet and Professor, Graduate School of Economics, Hitotsubashi University</p> <p>2005 President, Asian Development Bank</p> <p>2013 Present position</p>
<p>AMAMIYA Masayoshi <i>Deputy Governor</i></p> <p>Date of Birth September 30, 1955</p> <p>Education The University of Tokyo (1979, B.A. in Economics)</p>	<p>1979 Joined the Bank of Japan</p> <p>1998 Director, Head of Planning Division II, Policy Planning Office Director, Head of Money and Capital Markets Division, Financial Markets Department</p> <p>1999 Director, Head of Planning Division I, Policy Planning Office</p> <p>2001 Associate Director-General, Policy Planning Office</p> <p>2002 Associate Director-General, Bank Examination and Surveillance Department</p> <p>2004 Deputy Director-General, Secretariat of the Policy Board</p> <p>2006 Director-General, Monetary Affairs Department</p> <p>2010 Executive Director</p> <p>2012 Executive Director and General Manager, Osaka Branch</p> <p>2013 Executive Director</p> <p>2018 Present position</p>
<p>WAKATABE Masazumi <i>Deputy Governor</i></p> <p>Date of Birth February 26, 1965</p> <p>Education Waseda University (1987, B.A. in Economics; 1990, M.A. in Economics; and 1998, withdrew from doctoral program in Economics after completion of course requirements except for dissertation) University of Toronto (1994, M.A. in Economics; and 2002, withdrew from doctoral program in Economics after completion of course requirements except for dissertation)</p>	<p>1991 Research Associate, Waseda University</p> <p>1998 Assistant Professor, Waseda University</p> <p>2000 Associate Professor, Waseda University</p> <p>2005 Professor, Waseda University</p> <p>2017 Visiting Scholar, Center on Japanese Economy and Business, Columbia Business School</p> <p>2018 Present position</p>

SUZUKI Hitoshi

Date of Birth	Education
January 8, 1954	Keio University (1977, B.A. in Economics) New York University (1984, MBA)
1977	Joined The Mitsubishi Bank, Ltd.
2005	Executive Officer and General Manager, Treasury Planning Office and Treasury IT Planning Office, The Bank of Tokyo-Mitsubishi, Ltd. (BTM) ³
2006	Executive Officer and General Manager, Global Markets Planning Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) ⁴
2007	Executive Officer and General Manager, Strategic Credit Portfolio Management Division, BTMU
2011	Senior Managing Director, Chief Executive, Global Markets Unit, BTMU
2012	Deputy President, BTMU
2014	Corporate Auditor, BTMU
2016	Director, Audit and Supervisory Committee Member, BTMU
2017	Advisor, BTMU
	Present position

ADACHI Seiji

Date of Birth	Education
July 4, 1965	The University of Tokyo (1989, B.A. in Economics) Hitotsubashi University (2014, MBA)
1989	Joined Daiwa Securities Co. Ltd.
1995	Joined Daiwa Institute of Research Ltd.
2001	Joined Fuji Investment Management Co., Ltd. Joined Credit Suisse First Boston Securities (Japan) Ltd., Tokyo Branch
2004	Joined Deutsche Securities Ltd., Tokyo Branch
2013	Joined Marusan Securities Co., Ltd. General Manager, Economic Research Department, Marusan Securities Co., Ltd.
2020	Present position

NOGUCHI Asahi

Date of Birth	Education
March 17, 1958	The University of Tokyo (1982, B.A. in Economics; and 1988, withdrew from doctoral program in Economics after completion of course requirements except for dissertation) Chuo University (2021, Ph.D. in Economics)
1988	Lecturer, Senshu University
1991	Assistant Professor, Senshu University
1997	Professor, Senshu University
2003	Visiting Fellow, Center for International and Area Studies, Yale University
2021	Present position

KATAOKA Goushi

Date of Birth	Education
November 30, 1972	Keio University (1996, B.A. in Business and Commerce; and 2001, M.A. in Business and Commerce)
1996	Joined Sanwa Research Institute
2005	Senior Economist, Economic & Social Policy Department, UFJ Institute Ltd. ⁵
2006	Senior Economist, Economic & Social Policy Department, Mitsubishi UFJ Research and Consulting Co., Ltd. ⁶
2016	Senior Economist, Economic Policy Department, Mitsubishi UFJ Research and Consulting Co., Ltd.
2017	Present position

NAKAMURA Toyoaki

Date of Birth	Education
August 3, 1952	Keio University (1975, B.A. in Economics)
1975	Joined Hitachi, Ltd.
2006	General Manager of Finance Department I, Hitachi, Ltd.
2007	Representative Executive Officer, Senior Vice President (SVP) and Executive Officer, General Manager of Finance Department I and Director, Hitachi, Ltd.
2009	Representative Executive Officer, SVP and Executive Officer, in charge of Finance, Pension, Group Management and Business Development, Hitachi, Ltd.
2012	Representative Executive Officer, Executive Vice President (EVP) and Executive Officer, General Manager of Finance & Accounting Group, Hitachi, Ltd.
2014	Representative Executive Officer, EVP and Executive Officer, CFO, Hitachi, Ltd.
2016	Director, Hitachi, Ltd.
2020	Present position

NAKAGAWA Junko

Date of Birth	Education
July 26, 1965	Kobe University (1988, B.A. in Literature)
1988	Joined Nomura Securities Co., Ltd.
2001	Director of Financial Planning Group, Finance Department, Nomura Securities Co., Ltd.
2004	Resigned Nomura Securities Co., Ltd.
2008	Representative Director and President, Nomura Healthcare Co., Ltd.
2010	Co-Deputy Chief Financial Officer, Nomura Holdings, Inc.
2011	Executive Managing Director and Chief Financial Officer, Nomura Holdings, Inc.
2013	Senior Managing Director of Group Internal Audit, Nomura Holdings, Inc.
2017	Chief Risk Officer, Executive Vice President and Executive Managing Director, Nomura Asset Management Co., Ltd.
2019	President and Chief Executive Officer, Nomura Asset Management Co., Ltd.
2021	Chairperson, Nomura Asset Management Co., Ltd. Present position

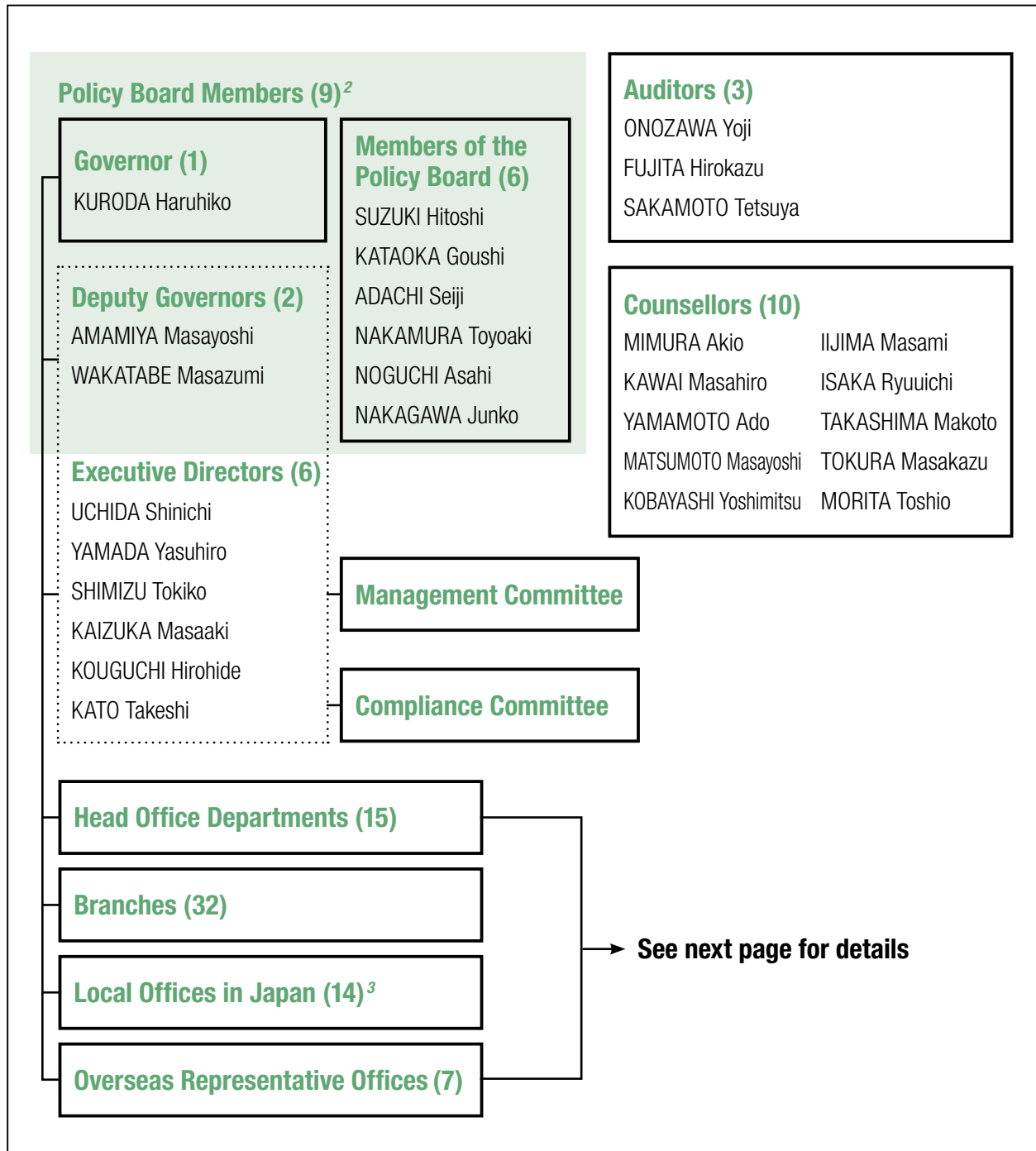
Notes: 3. Established in 1996 through merger of The Mitsubishi Bank, Ltd. and The Bank of Tokyo, Ltd.

4. Established in 2006 through merger of The Bank of Tokyo-Mitsubishi, Ltd. and UFJ Bank Ltd., and subsequently renamed MUFG Bank, Ltd. in April 2018.

5. Established in 2002 through merger of Sanwa Research Institute and Tokai Research & Consulting Inc.

6. Established in 2006 through merger of UFJ Institute Ltd., The Diamond Business Consulting Co., Ltd., and Tokyo Research International Co., Ltd.

IV. ORGANIZATION

Organization Chart of the Bank¹

Notes: 1. As of August 2, 2021.

2. As stipulated by Article 16, paragraph 2 of the Act, the Policy Board shall consist of the Governor, two Deputy Governors, and six Members of the Policy Board.

3. Includes the Computer Center represented by the Director-General of the Information System Services Department, and the Banknote Operations Center represented by the Director-General of the Currency Issue Department.

Head office departments	Officials
Secretariat of the Policy Board	NAKAJIMA Takeshi (Director-General) TAKEDA Naomi (Director-General, Senior Secretary to the Governor) FUJITA Kenji (Director-General for Management Strategy, Budget and Accounting)
Internal Auditors' Office	MIYASHITA Toshiro (Director-General)
Monetary Affairs Department	SHIMIZU Seiichi (Director-General)
Financial System and Bank Examination Department	MASAKI Kazuhiro (Director-General)
Payment and Settlement Systems Department	KAMIYAMA Kazushige (Director-General)
Financial Markets Department	OTANI Akira (Director-General)
Research and Statistics Department	KAMEDA Seisaku (Director-General)
International Department	HIROSHIMA Tetsuya (Director-General)
Currency Issue Department	KANNO Hiroyuki (Director-General)
Operations Department	CHIDA Hidetsugu (Director-General)
Information System Services Department	TANIGUCHI Fumikazu (Director-General)
Public Relations Department	WATANABE Masakazu (Director-General)
Personnel and Corporate Affairs Department	NAKAONE Yasuhiro (Director-General) HARIMOTO Keiko (Director-General for Personnel Management)
Administration Department	FUKUCHI Keita (Director-General)
Institute for Monetary and Economic Studies	MATSUSHITA Ken (Director-General)

Overseas representative offices		Telephone numbers	General managers/ chief representatives
New York	Bank of Japan Chief Representative Office for the Americas Bank of Japan Representative Office in New York 140 Broadway, 18th Floor, New York, NY 10005, U.S.A.	+1-212-269-6566	CHIKADA Ken (General Manager for the Americas and Chief Representative in New York)
Washington, D.C.	Bank of Japan Representative Office in Washington, D.C. 1801 Pennsylvania Ave., N.W., Suite 800, Washington, D.C. 20006, U.S.A.	+1-202-466-2228	MIYA Masafumi (Chief Representative in Washington, D.C.)
London	Bank of Japan Chief Representative Office for Europe Bank of Japan Representative Office in London Basildon House, 7-11 Moorgate, London EC2R 6AF, U.K.	+44-20-7606-2454	HANAJIRI Tetsuro (General Manager for Europe and Chief Representative in London)
Paris	Bank of Japan Representative Office in Paris 17 Avenue George V, 75008 Paris, France	+33-1-4720-7295	ENOMOTO Hidetaka (Chief Representative in Paris)
Frankfurt	Bank of Japan Representative Office in Frankfurt Taunusanlage 21, 60325 Frankfurt am Main, Germany	+49-69-9714310	FUKUNAGA Ichiro (Chief Representative in Frankfurt)
Hong Kong	Bank of Japan Representative Office in Hong Kong Suite 1012, One Pacific Place, 88 Queensway, Central, Hong Kong	+852-2525-8325	TOYOKURA Chikara (Chief Representative in Hong Kong)
Beijing	Bank of Japan Representative Office in Beijing 19th Floor, Unit 12C, China World Tower 2, No. 1 Jian Guo Men Wai Avenue, Beijing 100004, China	+86-10-6505-9601	SAKASHITA Hideto (Chief Representative in Beijing)

Functions of Committees/Departments/Offices

COMMITTEES AND HEAD OFFICE DEPARTMENTS

Management Committee

Examines and manages Bank-wide issues regarding the Bank's operations. The committee comprises the Deputy Governors and all Executive Directors.

Compliance Committee

Ensures that the officers and employees perform their duties fairly and in compliance with the relevant laws and regulations. The committee comprises members appointed from among the Deputy Governors and Executive Directors by the Governor, the Director-General of the Internal Auditors' Office, and one or more legal experts from outside the Bank.

Secretariat of the Policy Board

(1) Arranges proceedings for Policy Board meetings, (2) liaises with the Diet and the media, (3) reviews the content and wording of important documents, and offers a legal perspective on them, (4) plans and formulates measures relating to the Bank's business operations and organizational management, (5) handles the Bank's budget, settlement, and accounting, (6) provides administrative services for the Bank's officers, and (7) supports Auditors in auditing.

Internal Auditors' Office

Audits the Bank's business operations.

Monetary Affairs Department

Plans and formulates monetary policy measures.

Financial System and Bank Examination Department

(1) Plans and formulates measures that contribute to the maintenance of an orderly financial system, (2) conducts on-site examinations and off-site monitoring of financial institutions that hold current accounts at the Bank, (3) judges financial institutions' eligibility to hold current accounts at the Bank and to have access to its lending facilities, and (4) determines the specifics of credit extension and discounting of bills by the Bank.

Payment and Settlement Systems Department

Plans and formulates measures in the following areas: (1) policy issues relating to payment and settlement systems; (2) financial institutions' access to payment and settlement services provided by the Bank; and (3) the Bank's business continuity planning.

Financial Markets Department

(1) Determines the specifics of daily market operations, (2) conducts foreign exchange interventions, (3) works toward improving the functioning of Japanese financial markets, including the foreign exchange market, and (4) monitors and analyzes developments in financial markets in Japan as well as overseas, including foreign exchange markets.

Research and Statistics Department

(1) Conducts research on the domestic economy and fiscal situation, and (2) compiles and releases statistics.

International Department

(1) Liaises and coordinates with overseas central banks and international organizations, (2) makes arrangements for investment in yen assets by overseas central banks, and conducts operations aimed at providing international financial support, (3) manages foreign currency assets held by the Bank, (4) conducts research on global economic and financial conditions, and (5) compiles Japan's balance of payments and other such statistics.

Currency Issue Department

(1) Conducts planning and operations relating to banknotes, and (2) conducts payment/receipt of coins, and examines and takes custody of them.

Operations Department

Conducts banking operations including the following: (1) discounting of bills; (2) credit extension; (3) purchasing/selling of bills, Japanese government securities, and other securities; (4) borrowing/lending of securities with cash collateral; (5) accepting of deposits; (6) domestic funds transfers; (7) handling of treasury funds; and (8) operations relating to stocks purchased by the Bank.

Information System Services Department

Manages the development and operation of the Bank's computer systems.

Public Relations Department

(1) Conducts public relations activities, (2) administers the Bank's library, and (3) works toward raising public awareness and understanding of financial and economic issues.

Personnel and Corporate Affairs Department

Handles business in corporate affairs, personnel policy issues relating to recruitment, assessment of job performance, career planning and training, wages and salaries, and the Bank's code of ethics.

Administration Department

Conducts administrative operations relating to the Bank's facilities, supplies, security, and transportation.

Institute for Monetary and Economic Studies

(1) Studies theoretical, institutional, technological, and historical aspects of monetary and economic issues, (2) collects, preserves, and exhibits historical materials and documents related to monetary and economic issues, and (3) exchanges views with academics.

BRANCHES AND OFFICES

Branches

The 32 branches mainly conduct operations relating to currency issue and banking operations, and research on the economic and financial situation in their respective areas.

Local Offices in Japan

The Computer Center in Fuchu City, Tokyo, operates the Bank's systems. The Banknote Operations Center in Toda City, Saitama Prefecture, receives, pays, and stores banknotes. The other 12 local offices handle some of the operations of the Head Office or branches.

Overseas Representative Offices

The seven overseas representative offices perform a liaison function, gather information, and conduct research.

The Bank's Offices

Head Office, Branches, Local Offices, and Museums



Overseas Representative Offices¹



Note: 1. For details, see page 15.

The Bank's Business Operations

I. Monetary Policy

II. Financial System Policy

**III. Enhancement of Payment and Settlement Systems and
Market Infrastructures**

IV. International Operations

V. Issuance, Circulation, and Maintenance of Banknotes

VI. Services Relating to the Government

VII. Communication with the Public

I. MONETARY POLICY

The Bank of Japan decides and implements monetary policy under the price stability target of 2 percent in terms of the year-on-year rate of change in the consumer price index (CPI), with the aim of achieving price stability and thereby contributing to the sound development of the national economy, as stipulated in Article 2 of the Bank of Japan Act (hereafter the Act). Monetary policy is decided by the Policy Board at Monetary Policy Meetings (MPMs), and market operations—the Bank's day-to-day provision and absorption of funds in the market—are carried out based on the guideline decided at each MPM. The Bank held nine MPMs, including one unscheduled meeting, in fiscal 2020.

The Bank releases each quarter the *Outlook for Economic Activity and Prices* (hereafter the Outlook Report) after the Policy Board has decided the text of "The Bank's View" section at MPMs held, in principle, in January, April, July, and October. In the Outlook Report, the Bank presents its outlook for developments in economic activity and prices, assesses upside and downside risks, and outlines its views on the future conduct of monetary policy. For MPMs other than the above, the Policy Board members' assessment of the economic and financial situation is expressed in the statement on monetary policy released after each MPM.

In order to make appropriate policy decisions, the Bank conducts research and analysis on economic and financial developments at home and abroad. Major findings are reflected in the Bank's releases including the Outlook Report and the *Regional Economic Report*. The Bank also conducts fundamental studies on economic and financial issues; it publishes the major findings in the *Bank of Japan Working Paper Series*, the *Bank of Japan Research Laboratory Series*, and in research papers released by the Institute for Monetary and Economic Studies (IMES), specifically in the *Monetary and Economic Studies* and the *IMES Discussion Paper Series*.¹

The Bank, pursuant to Article 54, paragraph 1 of the Act, prepares the *Semiannual Report on Currency and Monetary Control* approximately every six months, covering matters related to the conduct of monetary policy (those listed in the items of Article 15, paragraph 1 of the Act) and business operations that the Bank has conducted based thereon, and submits it to the Diet through the Minister of Finance. In the most recent two issues of this report, the Bank explains in detail economic and financial developments as well as the Bank's conduct of monetary policy and market operations during fiscal 2020.²

1. Papers and statistics as well as lists of the Bank's publications in English are available on the Bank's website (<https://www.boj.or.jp/en/index.htm>) and on the IMES website (<https://www.imes.boj.or.jp/en/index.html>); for the list of the Bank's major publications and reports, see page 108.

2. The summaries of these two issues are available in English on the Bank's website; for excerpts from these summaries, see pages 30–41. The full texts are available in Japanese on the website (<https://www.boj.or.jp>).

II. FINANCIAL SYSTEM POLICY

One of the core purposes of the Bank, as stipulated in Article 1, paragraph 2 of the Act, is to ensure smooth settlement of funds among banks and other financial institutions, thereby contributing to the maintenance of financial system stability. To this end, the Bank provides safe and convenient settlement assets in the form of deposits in current accounts that financial institutions hold at the Bank, and takes measures to enhance the safety and efficiency of payment and settlement systems. In order to ensure financial system stability, the Bank also takes various measures to make sure that a financial institution's inability to complete settlement of a transaction does not result in a chain of settlement failures at other institutions and thus disrupt the overall functioning of the financial system.

Specifically, the Bank may provide financial institutions suffering a shortage of liquidity with the following: (1) loans against collateral in the form of securities, pursuant to Article 33; and/or (2) other forms of liquidity, in its role as the lender of last resort, pursuant to Articles 37 and 38 of the Act.

In order to be ready to act effectively as the lender of last resort, the Bank strives to gain an accurate grasp of business conditions at financial institutions and to encourage the maintenance of sound financial conditions, offering guidance and advice as necessary, through the conduct of on-site examinations (examinations that the Bank carries out by visiting the premises of financial institutions pursuant to Article 44 of the Act) as well as off-site monitoring (monitoring that is conducted through meetings with executives and staff of financial institutions, as well as through analysis of various

documents submitted by these institutions) (Tables 1 and 2). In addition, through activities such as seminars and workshops organized by the Bank's Center for Advanced Financial Technology (CAFT), the Bank encourages financial institutions' efforts to raise the sophistication of their business and risk management as well as of their business operations.

The Bank conducts research and analysis assessing risks in the financial system as a whole, i.e., taking a macroprudential perspective, by making use of insights obtained through its on-site examinations and off-site monitoring and paying due attention to the interconnectedness of the real economy, financial markets, and the behavior of financial institutions. The findings of this research and analysis are published in various forms—for example, the *Financial System Report*—and the Bank draws on them when taking part in initiatives with relevant parties to ensure the stability of the financial system. These findings are also made use of in developing and implementing policy. The Bank has also been participating in international initiatives to maintain the stability of the global financial system. These include discussions held by the Basel Committee on Banking Supervision, which comprises central banks and supervisory authorities from major economies.

The Bank, as and when necessary, conducts business requisite to maintaining financial system stability, including the provision of loans, pursuant to Article 38 of the Act (hereafter the term "special loans" covers all such business). The Bank decides on the extension of special loans based on the following four principles, taking into account the nature and purpose of the lender-of-last-resort function:

Principle 1

There must be a strong likelihood that systemic risk will materialize.

Principle 2

There must be no alternative to the provision of central bank money.

Principle 3

All relevant parties are required to take clear responsibility to avoid moral hazard.

Principle 4

The financial soundness of the Bank of Japan itself must not be impaired.

Table 1
Number of Financial Institutions That Conduct Transactions with the Bank as of the End of Fiscal 2020¹

	Financial institutions that hold current accounts at the Bank		Financial institutions that have concluded agreements for bilateral electronic lending with the Bank	Financial institutions that have concluded loans-on-bills agreements with the Bank	Financial institutions that have concluded intraday-overdraft agreements with the Bank
		Of which: Financial institutions that have concluded on-site examination contracts with the Bank			
City and regional banks	123 (123)	123 (123)	122 (122)	122 (122)	123 (123)
Trust banks	11 (13)	11 (13)	8 (10)	8 (10)	11 (13)
Foreign banks	50 (50)	50 (50)	37 (37)	41 (41)	38 (38)
<i>Shinkin</i> banks	247 (248)	247 (248)	112 (112)	135 (135)	189 (169)
Financial instruments business operators	36 (35)	36 (35)	30 (30)	35 (35)	34 (34)
Bankers associations	33 (33)	0 (0)	0 (0)	0 (0)	0 (0)
Other institutions	18 (18)	9 (9)	9 (9)	9 (9)	11 (11)
Total	518 (520)	476 (478)	318 (320)	350 (352)	406 (388)

Note: 1. Figures in parentheses indicate the number of institutions as of the end of fiscal 2019.

Table 2
Number of Financial Institutions Examined/Interviewed¹

	On-site examinations		Remote intensive interviews
	Fiscal 2018	Fiscal 2019	Fiscal 2020
Domestically licensed banks ²	29	34	18
<i>Shinkin</i> banks	54	43	14
Other institutions ³	8	8	5
Total	91	85	37

Notes: 1. The Bank temporarily ceased on-site examinations in fiscal 2020 and instead conducted "remote intensive interviews"—in-depth interviews using remote methods.

2. Established and licensed under Japanese legislation, excluding the Bank and government-related organizations.

3. Including financial instruments business operators and Japanese branches of foreign banks.

III. ENHANCEMENT OF PAYMENT AND SETTLEMENT SYSTEMS AND MARKET INFRASTRUCTURES

The Bank provides safe and convenient settlement assets in the form of banknotes and deposits in current accounts that financial institutions hold at the Bank. In addition, the Bank conducts settlement for Japanese government securities (JGSs) in its role as the book-entry transfer institution in the Japanese government bond (JGB) Book-Entry System. To ensure the safety and efficiency of these services, the Bank operates a computer network system for the settlement of funds and JGSs, the Bank of Japan Financial Network System (BOJ-NET).

The Bank conducts oversight of payment and settlement systems, monitoring their safety and efficiency and inducing improvements where necessary. Moreover, the Bank participates with other central banks in various international discussions and initiatives related to payment and settlement systems, including those of the Committee on Payments and Market Infrastructures (CPMI) at the Bank for International Settlements (BIS).

In addition, in order to strengthen and improve the efficiency of the functioning of markets as well as to support more robust risk management and innovation in financial services and market transactions, the Bank, with an eye on international developments, takes initiatives to reinforce the infrastructures of financial and capital markets. Specifically, it exchanges views with market

participants, supports the formulation of additional rules on and revisions of market practices, and compiles and releases statistics on market transactions. As part of its initiatives, the Bank has continued to enhance its business continuity arrangements in preparation for times of disaster or other emergency, and has provided active support to market participants in developing effective business continuity planning (BCP) in financial markets, payment and settlement systems, and the financial system.

In order to effectively implement measures to enhance payment and settlement systems and market infrastructures, the Bank conducts research and analysis on the safety and efficiency of payment and settlement systems as well as on the financial system and financial markets, in addition to fundamental research on related issues. With regard to central bank digital currencies (CBDCs)—a new form of digital central bank money that is different from the deposits in current accounts that financial institutions hold at the Bank—although the Bank currently has no plan to issue a CBDC, it has been conducting the explorations necessary to be able to respond appropriately to changes in circumstances, from the viewpoint of ensuring the stability and efficiency of the overall payment and settlement systems.

IV. INTERNATIONAL OPERATIONS

The Bank conducts operations in the field of international finance, such as foreign exchange transactions, including those executed as part of the Bank's management of its foreign currency assets, as well as business related to assisting other central banks and international organizations in their investment in yen. The Bank also handles government affairs that relate to international finance, such as the compilation and dissemination of Japan's balance of payments (BOP) statistics and foreign exchange intervention.

In addition, the Bank takes part in international discussions on the state of the world economy as well as on measures to ensure the stability and improve the structure of financial markets. The Bank participates

in various forums, such as meetings of the Group of Twenty (G20), the Group of Seven (G7), the International Monetary Fund (IMF), the BIS, and the Financial Stability Board (FSB), as well as other meetings of monetary authorities including central banks in Asia.

With regard to Asia, the Bank engages in various activities including the following: the promotion of monetary cooperation, mainly through participation in the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) and the Association of Southeast Asian Nations Plus Three (ASEAN Plus Three); the strengthening of technical cooperation and staff training in support of efforts to ensure economic and financial stability in Asia; and the conduct of research on the region.

V. ISSUANCE, CIRCULATION, AND MAINTENANCE OF BANKNOTES

The Bank, as the country's sole issuer of banknotes (Bank of Japan notes), ensures the stability of banknote supply and maintains public confidence in banknotes through the conduct of the following operations at its Head Office and branches in Japan. First, the Bank receives banknotes from and pays banknotes to financial institutions that hold current accounts at the Bank (BOJ account holders). Second, the Bank counts the banknotes it receives from BOJ account holders, examines them to verify their authenticity, and checks their fitness for recirculation. As for coins, they are delivered to the Bank by the government, which is the

authorized issuer of coins, and then put into circulation.

As part of its measures to secure confidence in banknotes and coins, the Bank works to maintain the cleanliness of banknotes in circulation by preventing damaged or worn banknotes from being returned to circulation. In addition, the Bank remains active in advancing research and promoting public understanding regarding counterfeit deterrence and the smooth circulation of currency, in cooperation with relevant institutions at home and abroad, including other central banks.

VI. SERVICES RELATING TO THE GOVERNMENT

The Bank provides various services relating to the government, such as treasury funds and JGS services. Specifically, these are (1) receipt, disbursement, and accounting of treasury funds (the Bank classifies receipts and disbursements of treasury funds by the specific government account as well as by the individual government agency); (2) management of the deposits of the Japanese government; (3) custody of securities acquired by or submitted to the government; (4) issuance of, and principal and interest payment on, JGSs; and

(5) operations relating to its role as the book-entry transfer institution in the JGB Book-Entry System. For the convenience of the public, the Bank designates certain branches and offices of financial institutions throughout the country as its agents and entrusts them with some of the services relating to treasury funds and JGSs.

Besides the above operations, the Bank engages in various transactions with the government, such as purchasing and selling of JGSs.

VII. COMMUNICATION WITH THE PUBLIC

With a view to satisfying the requirements of public accountability, the Bank releases in a timely manner a document that contains a summary of the opinions presented at each MPM (Summary of Opinions), the minutes of MPMs, and public statements on most of the Policy Board decisions. The Bank actively provides information through a variety of channels including the following: reporting to and attendance at the Diet; press conferences held and speeches delivered by the Bank's officers; and the Bank's website. Transcripts of MPMs held more than 10 years previously are also released.

To promote a better understanding of the policies and

business operations of the Bank, not only in the eyes of financial professionals but also of the general public, the Bank endeavors to tailor its publications and releases to the diverse needs and interests of their users. It also works to promote financial literacy among the public.

The Bank compiles and releases various statistics to be widely shared with the public and takes steps to refine its statistics to improve their user-friendliness.

Meanwhile, the Bank discloses information in accordance with the Act on Access to Information Held by Independent Administrative Agencies.

The Bank's Review of Fiscal 2020

I. Introduction

II. Review of Economic and Financial Developments and Monetary Policy Meetings

- A. First Half of Fiscal 2020 (April–September 2020)
- B. Second Half of Fiscal 2020 (October 2020–March 2021)

III. Main Features of the Bank's Business Operations during the Novel Coronavirus (COVID-19) Pandemic

IV. Performance Reviews of Measures Taken under the *Medium-Term Strategic Plan*

- A. Plan and Formulate Monetary Policy Measures That Facilitate Policy Conduct
- B. Ensure the Stability and Improve the Functioning of the Financial System
- C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures
- D. Conduct Stable and Efficient Central Banking Operations
- E. Contribute to International Finance amid Globalization
- F. Contribute to Regional Economic and Financial Environments
- G. Strengthen External Communication

I. INTRODUCTION

In March 2019, the Bank of Japan formulated and released the *Medium-Term Strategic Plan (Fiscal 2019–2023)* (Plan).¹ The Plan's content will remain, in principle, fixed during the five-year period, with a view to clarifying the Bank's objectives over the medium term and to ensuring proper assessment of its performance. The Bank conducts and makes public performance reviews of measures taken under the Plan every fiscal year.

In fiscal 2020, as in fiscal 2019, the Bank's business operations were strongly affected by the novel coronavirus (COVID-19). This section provides (1) a brief review of economic and financial developments as well as decisions made at Monetary Policy Meetings (MPMs) in fiscal 2020, (2) an overview of the main features of the Bank's business operations during the COVID-19 pandemic, and (3) performance reviews of measures

taken under the Plan. Each performance review is divided into two parts: a description of progress in implementing specific measures during fiscal 2020 for each of the strategic objectives for its business operations laid out in the Plan, and the Bank's evaluation of that progress. The Bank's performance with regard to the strategic objectives for its organizational management is described in "The Bank's Organizational Management in Fiscal 2020" (see pages 59–62).

The Bank will conduct an interim review of the Plan in or around fiscal 2021, in order to enable the Bank to address any changes in the environment. It will flexibly revise the Plan as appropriate in response to any significant changes. A comprehensive review of its performance over the entire period of the Plan will be conducted separately.

II. REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS AND MONETARY POLICY MEETINGS²

A. First Half of Fiscal 2020 (April–September 2020)

1. Economic developments

- a. During the period from April through September 2020, Japan's economy remained in a severe situation due to the impact of COVID-19 at home and abroad. In the first half of the period, the economy became depressed significantly, mainly affected by the spread of COVID-19 and the declaration of a state of emergency. However, it picked up in the second half with economic activity resuming.

Exports and industrial production, particularly for those related to automobiles, declined substantially in the first half of the period but turned to an increase in the second half, mainly supported by the materialization of pent-up demand. Business fixed investment, which had been more or less flat, turned to a declining trend in the second half of the period against the background of deterioration in corporate profits and an increase in uncertainties over the future. The employment and income situation had been weak with the continuing impact of COVID-19. Private consumption had decreased

1. For the text of the "Medium-Term Strategic Plan (Fiscal 2019–2023)," see Appendix 2 on pages 94–99.

2. The review provided here comprises excerpts from the summaries of the latest two issues of the *Semiannual Report on Currency and Monetary Control* submitted to the Diet in December 2020 and June 2021. The full texts of both issues in Japanese and summaries in English are available on the Bank's website.

significantly due to the impact of COVID-19. Thereafter, although consumption of services, such as eating and drinking as well as accommodations, remained at a low level, private consumption as a whole, including consumption of goods, had picked up gradually. Housing investment had declined moderately. Meanwhile, public investment continued to increase moderately.

- b. On the price front, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food), which remained at around 0 percent, decelerated at the end of the period, mainly affected by the decline in energy prices and a decrease in hotel charges that reflected a discount through the "Go To Travel" campaign, thereby turning to a slightly negative figure. Inflation expectations had weakened somewhat.

2. Developments in financial markets and conditions

- a. With major central banks taking measures such as ample provision of liquidity and large-scale asset purchases, tension in the U.S. money markets, for example, that mainly stemmed from the spread of COVID-19 had eased gradually, and global financial markets had been stable since May. Prices of risky assets had increased on the whole with investors' risk aversion abating.
- b. Turning to domestic financial markets, money market rates had been at low levels on the whole.

With regard to developments in the bond market, the long-term interest rate had been stable at the target level of around zero percent under Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control. Issuance rates for CP had risen temporarily at the beginning of the period

but had been at low levels thereafter. Those for corporate bonds had been at extremely low levels.

The Nikkei 225 Stock Average had increased on the back of improvement in investors' risk sentiment that mainly reflected aggressive fiscal and monetary policies and a resumption of economic activity, being in the range of 23,000–23,500 yen at the end of September.

In the foreign exchange market, the yen had appreciated slightly against the U.S. dollar throughout the period, mainly on the back of the U.S. dollar market becoming stable again, being at the 105 yen level at the end of September. The yen had depreciated against the euro, mainly against the background of an agreement on the establishment of the European Union (EU) recovery fund.

- c. As for corporate financing, demand for funds had increased, mainly due to a decline in sales and a rise in precautionary demand, both of which reflected the impact of COVID-19. In this situation, firms' financial positions had deteriorated during the first half of the period, mainly reflecting the decline in sales due to the impact of COVID-19, and had shown weakness thereafter. Meanwhile, in terms of credit supply, financial institutions' lending attitudes as perceived by firms remained accommodative.
- d. The year-on-year rate of increase in the monetary base (currency in circulation plus current account balances at the Bank) had accelerated significantly, being in the range of 14.0–14.5 percent in September. That in the money stock (M2) also had accelerated significantly, being at around 9 percent in September.

3. MPMs³

- a. Five MPMs were held in the first half of fiscal 2020.

The Policy Board judged at the MPM held in April that Japan's economy had been in an increasingly severe situation due to the impact of the spread of COVID-19 at home and abroad, and at the June MPM, it deemed that the economy had been in an extremely severe situation due to the impact of COVID-19 at home and abroad. The Policy Board judged at the July MPM that Japan's economy had been in an extremely severe situation with the impact of COVID-19 remaining at home and abroad, although economic activity had resumed gradually. It deemed at the September MPM that the economy had started to pick up with economic activity resuming gradually, although it remained in a severe situation due to the impact of COVID-19 at home and abroad.

- b. In the conduct of monetary policy, the Policy Board decided upon the following guideline for market operations under QQE with Yield Curve Control at the April MPM with a view to conducting further active purchases of Japanese government bonds (JGBs) and treasury discount bills (T-Bills), as described later, given the impact of the spread of COVID-19.

(1) Yield curve control

The Bank decided to set the following guideline for market operations for the intermeeting period.

The short-term policy interest rate:

The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.

The long-term interest rate:

The Bank will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices.

At all the subsequent MPMs, the Policy Board maintained the above guideline for market operations.

At the April MPM, the Policy Board decided upon an increase in purchases of CP and corporate bonds, as described later, under the following guidelines for asset purchases, given the impact of the spread of COVID-19.

(1) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

- (a) In principle, the Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, it may increase or decrease the amount of purchases depending on market conditions. For the time being, the Bank will actively purchase these assets so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.

- (b) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at

3. Information related to MPMs is available on the Bank's website (https://www.boj.or.jp/en/mopo/mpmsche_minu/index.htm).

about 2 trillion yen and about 3 trillion yen, respectively. In addition, until the end of September 2020, it will conduct additional purchases with the upper limit of the amounts outstanding of 7.5 trillion yen for each asset.

In addition, at the May MPM, the Policy Board decided to extend the duration of additional purchases of CP and corporate bonds by 6 months, as described later, under the following guidelines for asset purchases.

(1) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

- (a) In principle, the Bank will purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, it may increase or decrease the amount of purchases depending on market conditions. For the time being, the Bank will actively purchase these assets so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.
- (b) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2 trillion yen and about 3 trillion yen, respectively. In addition, until the end of March 2021, it will conduct additional purchases with the upper limit of the amounts outstanding of 7.5 trillion yen for each asset.

At all the subsequent MPMs, the Policy Board maintained the above guidelines for asset purchases.

Given the impact of the spread of COVID-19, at the April MPM, the Policy Board judged it appropriate to further enhance monetary easing with a view to doing its utmost to ensure smooth financing, such as of financial institutions and firms, and maintaining stability in financial markets, and thus decided upon the following.

(1) Increase in purchases of CP and corporate bonds

The Bank decided to significantly increase the maximum amount of additional purchases of CP and corporate bonds and conduct purchases with the upper limit of the amount outstanding of about 20 trillion yen in total. In addition, the maximum amounts outstanding of a single issuer's CP and corporate bonds to be purchased will be raised substantially, and the maximum remaining maturity of corporate bonds to be purchased will be extended to 5 years.

(2) Strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)

With regard to the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19), which was introduced and became effective in March, the Bank decided to (1) expand the range of eligible collateral to private debt in general, including household debt (from about 8 trillion yen to about 23 trillion yen as of end-March 2020), (2) increase the number of eligible counterparties (to mainly include member financial institutions of central organizations of financial cooperatives),

and (3) apply a positive interest rate of 0.1 percent to the outstanding balances of current accounts held by financial institutions at the Bank that correspond to the amounts outstanding of loans provided through this operation. The Bank decided to strengthen this operation with a view to firmly supporting financial institutions to further fulfill the functioning of financial intermediation for a wide range of private sectors, mainly in terms of firms. This operation has been renamed to the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19).

In addition, with the aim of further supporting financing mainly of small and medium-sized firms, the chairman instructed the staff to swiftly consider a new measure to provide funds to financial institutions, taking account, for example, of the government's programs to support financing such as those in its emergency economic measures, and report back at a later MPM.

(3) Further active purchases of JGBs and T-Bills

In a situation where the liquidity in the bond market remains low, the increase in the amount of issuance of JGBs and T-Bills in response to the government's emergency economic measures will have an impact on the market. Taking this into account, the Bank will conduct further active purchases of both JGBs and T-Bills for the time being, with a view to maintaining stability in the bond market and stabilizing the entire yield curve at a low level.

At the May MPM, the Policy Board decided upon the following details of the new fund-provisioning measure, for which the staff were given instructions at the April MPM to swiftly consider in order to further support financing mainly of small and

medium-sized firms, with a view to addressing the spread of COVID-19.

(1) New fund-provisioning measure

(a) Overview

The Bank will provide funds to eligible counterparties against pooled collateral for up to 1 year at the loan rate of 0 percent with the maximum amounts outstanding of eligible loans reported by those counterparties.

(b) Eligible loans

(i) Loans based on the government's programs
Interest-free and unsecured loans based on the government's emergency economic measures and loans guaranteed by the credit guarantee corporations in response to COVID-19

(ii) Loans equivalent to (b) (i)

Loans to small and medium-sized firms affected by COVID-19 which are equivalent to (b) (i) in terms of loan conditions (the maximum amount for each eligible counterparty: 100 billion yen)

(c) Addition to the Macro Add-on Balances

Twice as much as the amounts outstanding of the loans will be included in the Macro Add-on Balances in current accounts held by financial institutions at the Bank.

(d) Application of a positive interest rate to current account balances

A positive interest rate of 0.1 percent will be applied to the outstanding balances of current accounts held by financial institutions at the Bank corresponding to the amounts outstanding of loans provided through this measure.

(e) Eligible counterparties

Member financial institutions of central organizations of financial cooperatives will also be included.

(f) Timing of implementation

The Bank's fund-provisioning through this measure will start in June, taking into account loans made by financial institutions as of end-May.

(g) Others

This measure and the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) will be conducted in an integrated manner.

The Bank already had implemented the following two measures to support financing mainly of firms: (1) purchases of CP and corporate bonds (maximum amount outstanding: about 20 trillion yen) and (2) the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) (fund-provisioning against private debt pledged as collateral: about 25 trillion yen <as of end-April>). As a third measure, a new fund-provisioning measure was introduced (fund-provisioning against eligible loans such as interest-free and unsecured loans made by eligible counterparties based on the government's emergency economic measures: about 30 trillion yen). The Bank decided to refer to these three measures as the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19) (the Special Program: total size of about 75 trillion yen). The Policy Board decided to extend the duration of these measures by 6 months and continue to conduct them until the end of March 2021.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following at the April MPM: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. For the time being, the Bank will closely monitor the impact of COVID-19 and will not hesitate to take additional easing measures if necessary, and also it expects short- and long-term policy interest rates to remain at their present or lower levels." At the MPMs held in June through September, the Policy Board confirmed the following: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. The Bank will continue to support financing mainly of firms and maintain stability in financial markets through (1) the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), (2) an ample provision of yen and foreign currency funds without setting upper limits mainly by purchasing JGBs and conducting the U.S. dollar funds-supplying operations, and (3) active purchases of ETFs and J-REITs. For the time being, the Bank will closely monitor the impact of COVID-19 and will not hesitate to take additional easing measures if necessary, and

also it expects short- and long-term policy interest rates to remain at their present or lower levels."

B. Second Half of Fiscal 2020 **(October 2020–March 2021)**

1. Economic developments

a. During the period from October 2020 through March 2021, Japan's economy continued to pick up as a trend, although it remained in a severe situation due to the impact of COVID-19 at home and abroad.

Exports and industrial production continued to increase. Corporate profits and business sentiment had improved on the whole, reflecting a pick-up in economic activity. Business fixed investment had turned to a pick-up, although weakness had been seen in some industries. The employment and income situation remained weak due to the impact of COVID-19. Private consumption had picked up gradually from the bottom observed at the beginning of the period from April through September 2020, but the pick-up paused in the second half of the October–March period because downward pressure on consumption of services, such as eating and drinking as well as accommodations, had increased along with a resurgence of COVID-19. Housing investment had declined moderately and then almost bottomed out. Meanwhile, public investment continued to increase moderately.

b. Regarding price developments, the year-on-year rate of change in the CPI (all items less fresh food) had been negative, mainly affected by COVID-19, the past decline in crude oil prices, and a decrease in hotel charges through the "Go To Travel" campaign. However, toward the end of the October–March

period, the rate of decline decelerated due to the suspension of the campaign and the dissipation of the effects of the decline in crude oil prices. Inflation expectations had weakened somewhat and thereafter were more or less unchanged.

2. Developments in financial markets and conditions

a. In global financial markets, stock prices and long-term interest rates had risen on the whole, reflecting heightened expectations for an economic recovery, mainly on the back of an anticipated early vaccine rollout and the conduct of the additional economic measures in the United States. However, stock prices had declined and the currencies of emerging economies had depreciated, such as at the time when U.S. long-term interest rates had risen to a somewhat large degree.

b. Turning to domestic financial markets, money market rates had been at low levels on the whole.

With regard to developments in the bond market, the long-term interest rate had been stable at the target level of around zero percent under QQE with Yield Curve Control. Issuance rates for CP and corporate bonds had been at extremely low levels.

The Nikkei 225 Stock Average had increased due to improvement in investors' risk sentiment, mainly on the back of expectations for a recovery in the global economy owing to such factors as aggressive fiscal and monetary policies. It was in the range of 29,000–29,500 yen at the end of March.

In the foreign exchange market, the yen had depreciated against the U.S. dollar on the whole during the period, mainly on the back of the rise in U.S. long-term interest rates, and was at the 110 yen level at the end of March. The yen had also

depreciated against the euro due to improvement in investors' risk sentiment that mainly reflected expectations for a recovery in the global economy.

- c. With regard to corporate financing, demand for funds that stemmed mainly from a decline in sales and a rise in precautionary demand, both affected by COVID-19, remained at a high level, although an increase in demand by large firms in particular had leveled off. In this situation, although firms' financial positions had improved moderately, they continued to show weakness, mainly reflecting the decline in sales due to the impact of COVID-19. Meanwhile, in terms of supply of funds, financial institutions' lending attitudes as perceived by firms remained accommodative.
- d. The year-on-year rate of increase in the monetary base continued to accelerate, and was at around 20 percent in March. That in the M2 also continued to accelerate and thereafter was at around 9.5 percent toward the end of fiscal 2020.

3. MPMs⁴

- a. Four MPMs were held in the second half of fiscal 2020.

The Policy Board made the following judgement on economic and financial developments at the MPM held in October: "Japan's economy has picked up with economic activity resuming, although it has remained in a severe situation due to the impact of COVID-19 at home and abroad." It then deemed at the December MPM as follows: "Japan's economy has picked up, although it has remained in a severe situation due to the impact of COVID-19 at home and abroad." At the January and March MPMs, the Policy Board judged as follows: "Japan's economy has picked up as

a trend, although it has remained in a severe situation due to the impact of COVID-19 at home and abroad."

- b. In the conduct of monetary policy, the Policy Board decided at the MPMs held in October through January to maintain the following guideline for market operations under QQE with Yield Curve Control.

(1) Yield curve control

The Bank decided to set the following guideline for market operations for the intermeeting period.

The short-term policy interest rate:

The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.

The long-term interest rate:

The Bank will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices.

At the March MPM, the Assessment for Further Effective and Sustainable Monetary Easing was conducted, as described later, and the Policy Board decided upon the following guideline for market operations.

(1) Yield curve control

The Bank decided to set the following guideline for market operations for the intermeeting period.

The short-term policy interest rate:

The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at

4. Information related to MPMs is available on the Bank's website (https://www.boj.or.jp/en/mopo/mpmsche_minu/index.htm).

the Bank.

The long-term interest rate:

The Bank will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

With regard to asset purchases, the Policy Board decided at the October MPM to maintain the following guidelines.

(1) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

(a) In principle, the Bank will purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, it may increase or decrease the amount of purchases depending on market conditions. For the time being, the Bank will actively purchase these assets so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.

(b) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2 trillion yen and about 3 trillion yen, respectively. In addition, until the end of March 2021, it will conduct additional purchases with the upper limit of the amounts outstanding of 7.5 trillion yen for each asset.

At the December MPM, the Policy Board extended the duration of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19) and made adjustments

to the program, as described later. It also decided upon the following guidelines for asset purchases.

(1) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

(a) In principle, the Bank will purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, it may increase or decrease the amount of purchases depending on market conditions. For the time being, the Bank will actively purchase these assets so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.

(b) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2 trillion yen and about 3 trillion yen, respectively. In addition, until the end of September 2021, it will conduct additional purchases with an upper limit on the amount outstanding of these assets of 15 trillion yen in total.

At the January MPM, the Policy Board maintained the above guidelines for asset purchases.

At the March MPM, the Assessment for Further Effective and Sustainable Monetary Easing was conducted, as described later, and the Policy Board decided upon the following guidelines for asset purchases.

(1) Guidelines for asset purchases

With regard to asset purchases other than JGB

purchases, the Bank decided to set the following guidelines.

- (a) The Bank will purchase ETFs and J-REITs as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.
- (b) The Bank will purchase CP and corporate bonds with an upper limit on the amount outstanding of about 20 trillion yen in total until the end of September 2021.

At the December MPM, the Policy Board judged it appropriate to extend the duration of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19) by 6 months and make adjustments to the program, with a view to continuing to support financing, mainly of firms, given that such financing was likely to remain under stress for the time being while vigilance against COVID-19 continued. To this end, the Policy Board decided upon the following. In addition, it announced that, depending on the future impact of COVID-19, it would consider further extension of the program if necessary.

(1) Additional purchases of CP and corporate bonds

The Bank will extend the duration of additional purchases of CP and corporate bonds by 6 months until the end of September 2021. It will continue conducting purchases of these assets with an upper limit on the amount outstanding of about 20 trillion yen in total. Out of 20 trillion yen, 15 trillion yen will be for the additional purchases of CP and corporate bonds and it will be distributed between each asset depending on market conditions.

(2) Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)

The Bank will extend the duration of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) by 6 months until the end of September 2021. In addition, in order to further actively encourage private financial institutions to make loans on their own in response to COVID-19 mainly to small and medium-sized firms, the Bank will remove the upper limit of funds it provides to each eligible counterparty (i.e., 100 billion yen) against loans that private financial institutions make on their own, which are part of eligible loans under this operation.

In addition, given that economic activity and prices were projected to remain under downward pressure for a prolonged period due to the impact of COVID-19, the Policy Board decided to conduct the Assessment for Further Effective and Sustainable Monetary Easing, with a view to supporting the economy and thereby achieving the price stability target of 2 percent. In doing so, since the framework of QQE with Yield Curve Control had been working well thus far, the Policy Board judged that there was no need to change it. The Policy Board decided to assess various measures conducted under this framework and make public its findings, likely at the March 2021 MPM.

At the March MPM, the Assessment for Further Effective and Sustainable Monetary Easing was conducted. Based on the findings, the Policy Board judged that the following basic stance on monetary policy was important: with a view to achieving the price stability target of 2 percent,

the Bank will continue with monetary easing in a sustainable manner and make nimble and effective responses without hesitation to counter changes in developments in economic activity and prices, as well as in financial conditions.

In this regard, the Policy Board decided upon the following actions.

- (1) With a view to enabling the Bank to cut short- and long-term interest rates nimbly while considering the impact on the functioning of financial intermediation, the Bank will establish the Interest Scheme to Promote Lending. In this scheme, interest rates, which will be linked to the short-term policy interest rate, will be applied to a certain amount of financial institutions' current account balances.
- (2) In order to conduct yield curve control flexibly during normal times, the Bank will make clear that the range of 10-year JGB yield fluctuations would be between around plus and minus 0.25 percent from the target level. At the same time, it will introduce "fixed-rate purchase operations for consecutive days" as a powerful tool to set an upper limit on interest rates when necessary.
- (3) The Bank will purchase ETFs and J-REITs as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding. While these upper limits were originally set as a temporary measure in response to the impact of COVID-19, the Bank will maintain them even after COVID-19 subsidies.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following

at the MPMs held in October through January: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. The Bank will continue to support financing mainly of firms and maintain stability in financial markets through (1) the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), (2) an ample provision of yen and foreign currency funds without setting upper limits mainly by purchasing JGBs and conducting the U.S. dollar funds-supplying operations, and (3) active purchases of ETFs and J-REITs. For the time being, the Bank will closely monitor the impact of COVID-19 and will not hesitate to take additional easing measures if necessary, and also it expects short- and long-term policy interest rates to remain at their present or lower levels." At the March MPM, the Policy Board confirmed the following: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. The Bank will continue to support financing mainly of firms and maintain stability in financial markets through (1) the Special Program to Support Financing in Response to the Novel Coronavirus

(COVID-19), (2) an ample provision of yen and foreign currency funds without setting upper limits mainly by purchasing JGBs and conducting the U.S. dollar funds-supplying operations, and (3) purchases of ETFs and J-REITs with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their

amounts outstanding. For the time being, the Bank will closely monitor the impact of COVID-19 and will not hesitate to take additional easing measures if necessary, and also it expects short- and long-term policy interest rates to remain at their present or lower levels."

III. MAIN FEATURES OF THE BANK'S BUSINESS OPERATIONS DURING THE NOVEL CORONAVIRUS (COVID-19) PANDEMIC

With the impact of COVID-19 continuing throughout fiscal 2020, the Bank conducted its business operations flexibly, taking into account the characteristics of each business operation, as follows.

The Bank, as a designated public institution under the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, and in line with the government's Basic Policies for Novel Coronavirus Disease Control (hereafter the Basic Policies), carried out measures to prevent the spread of COVID-19 and used all its capabilities to continue providing essential central banking services to ensure the stability of people's daily lives and economic activities. Specifically, in response to the government's instating of a state of emergency in April 2020, the Bank—taking account of the period during which the state of emergency would be in place and the objectives laid out in the Basic Policies—proceeded with the stable conduct of such business operations as (1) market operations, (2) settlement of funds and Japanese government securities (JGSs), (3) services relating to treasury funds, and (4) receipt and payment of banknotes, while reducing some of its operations to curtail the number of office staff commuting. Thereafter, it instructed the staff to adhere to the following infection control measures, set out in the Basic Policies as guidelines for the prevention of COVID-19 in workplaces: regular handwashing and use of hand sanitizer, ventilation inside office buildings, ensuring that staff with fever or other symptoms characteristic of COVID-19 refrain from commuting to workplaces, and the use of videoconferencing systems to minimize the need for traveling on business. The Bank also made adjustments to its operational arrangements, including during the period

after the government reinstated the state of emergency in January 2021, so as to continue providing central banking services in a stable manner, by implementing split shifts as well as promoting staggered commuting hours and teleworking.

As for policy responses, the Bank continued to implement necessary measures from the end of fiscal 2019 to address the impact of COVID-19 on financial markets and the real economy. Specifically, in fiscal 2020, it decided at the MPM held in April to further enhance monetary easing by increasing purchases of CP and corporate bonds, strengthening the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), and conducting further active purchases of JGBs and T-Bills. Moreover, the Bank held an unscheduled MPM in May where it decided upon the details of a new fund-provisioning measure to further support financing mainly of small and medium-sized firms. At this meeting, it also decided to extend by six months the duration of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19)—a program comprised of (1) purchases of CP and corporate bonds, (2) the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), and (3) the new fund-provisioning measure. In the MPM held in December, amid continued vigilance against COVID-19, the Bank decided to extend the duration of this Special Program by a further six months and to make adjustments to the program. With COVID-19 affecting the economy, the Bank continued to support financing mainly of firms and to maintain stability in financial markets through powerful monetary easing via

the following three measures: (1) the Special Program; (2) an ample and flexible provision of funds mainly by purchasing JGBs and T-Bills and by conducting the U.S. dollar funds-supplying operations; and (3) purchases of ETFs and J-REITs.

At the turn of fiscal 2020, the Bank temporarily suspended many of its business operations that had been conducted face to face. However, with the impact of COVID-19 continuing, it introduced and successively implemented procedures for conducting such business operations even amid the pandemic by making use of IT. Specifically, the Bank held the following events online: meetings with business or local leaders and other events such as speeches delivered by the Bank's officers and employees as well as seminars organized by its Center for Advanced Financial Technology (CAFT). The Bank also introduced "remote intensive interviews" with financial institutions—in-depth interviews using

remote methods in place of on-site examinations. The Bank made active use of videoconferencing systems in conducting other exchanges of opinions with individual firms and financial institutions, while taking into consideration the operational burden on those entities. Through these initiatives, the Bank worked to secure its opportunities for communication. As for tours of the Currency Museum, the Bank of Japan Otaru Museum, and the Bank's Head Office and branches, the Bank conducted these taking into account circumstances such as the COVID-19 situation in each region and requests by the national and local governments, and took necessary measures to prevent infection when admitting tour participants. The Bank will continue to take full advantage of its experience in responding to COVID-19 and work to strengthen external communication during the pandemic.

IV. PERFORMANCE REVIEWS OF MEASURES TAKEN UNDER THE *MEDIUM-TERM STRATEGIC PLAN*

A. Plan and Formulate Monetary Policy

Measures That Facilitate Policy Conduct

1. Progress in implementing specific measures

- (1) With a view to contributing to monetary policy conduct, the Bank conducted research and analysis from multiple perspectives regarding economic and financial conditions at home and abroad, mainly focusing on the impact of COVID-19. In the current phase, the Bank gained an accurate grasp of rapid changes in circumstances stemming from the impact of COVID-19 by making use of high-frequency data and other information. The results of these analyses were released, for example, in the quarterly *Outlook for Economic Activity and Prices* (hereafter the Outlook Report) and in the *Bank of Japan Review Series*.
- (2) In view of rapid changes in circumstances stemming from the impact of COVID-19, the Bank moved nimbly to plan and formulate the following monetary policy responses by, for example, holding an unscheduled MPM in May 2020.
 - (a) The "Enhancement of Monetary Easing" (April 2020), including (1) an increase in purchases of CP and corporate bonds, (2) strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), and (3) further active purchases of JGBs and T-Bills.
 - (b) The "Introduction of a New Fund-Provisioning Measure to Support Financing Mainly of Small and Medium-Sized Firms" (May 2020).
 - (c) Extension of the duration of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19) (May and December 2020)—a program comprised of (1) purchases of CP and corporate bonds, (2) the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), and (3) the new fund-provisioning measure; and adjustments to the program (December 2020).
- (3) The Bank conducted a multi-perspective assessment, particularly of the policy efficacy and impacts of QQE with Yield Curve Control; based on the findings, it formulated policy actions for implementing further effective and sustainable monetary easing.
 - (a) The "Assessment for Further Effective and Sustainable Monetary Easing" and policy actions based on this (March 2021), including (1) establishment of the Interest Scheme to Promote Lending, (2) clarification of the range of fluctuations in long-term interest rates as well as introduction of "fixed-rate purchase operations for consecutive days," and (3) revisions to the guidelines for purchases of ETFs and J-REITs.
- (4) The Bank maintained regular dialogue with market participants by, for example, actively exchanging opinions on such occasions as the "Meeting on Market Operations" and the "Bond Market Group Meeting," each held twice in fiscal 2020 online or via telephone conferencing.
- (5) Progress was made in fundamental research on the following: monetary policy; the macroeconomy; financial markets; legal and accounting systems, as well as information security, in finance-related fields; and monetary history. The Bank communicated its research findings to the public through the

release of research papers and presentations at academic conferences at home and abroad. It also disseminated information in a timely manner by, for example, introducing the latest economic studies relating to COVID-19.

2. Evaluation of progress

With a view to contributing to monetary policy conduct, the Bank conducted research and analysis from multiple perspectives regarding economic and financial conditions at home and abroad; it also carried out multi-perspective analysis on the efficacy and impacts of monetary policy. In light of its findings, the Bank moved nimbly to plan and formulate the policy measures, such as policy responses to the impact of COVID-19 and policy actions for implementing further effective and sustainable monetary easing. In addition, the Bank maintained dialogue with market participants through, for example, the "Meeting on Market Operations" and the "Bond Market Group Meeting," and made steady adjustments to its operational arrangements so as to ensure that monetary policy continued to be conducted appropriately.

Based on the above, the Bank considers that, in fiscal 2020, it achieved its intended objectives in implementing measures and provided a firm underpinning for monetary policy conduct, while addressing in a timely manner new challenges brought about by COVID-19. In fiscal 2021, the Bank will continue to work to conduct research and analysis that appropriately reflect various changes in economic and financial conditions, including the impact of COVID-19 as well as the effects of advances in IT, to plan policy measures flexibly, and to have the necessary operational arrangements in place to conduct market operations properly.

B. Ensure the Stability and Improve the Functioning of the Financial System

1. Progress in implementing specific measures

- (1) With a view to preventing the spread of COVID-19 and reducing the operational burden on financial institutions striving to provide financing support to firms and households, the Bank temporarily ceased its on-site examinations in fiscal 2020. From the middle of fiscal 2020, while taking into consideration the operational burden on financial institutions, it started to conduct remote intensive interviews in place of on-site examinations; such interviews were carried out with 37 financial institutions. Interviews were based on institutions' risk profiles and focused on their provision of support for financing to firms and households as well as their management of credit and market risks, thereby enabling the Bank to thoroughly assess the impact of COVID-19 on financial institutions' business operations and on the various risks inherent in their operations.
- (2) With regard to off-site monitoring of financial institutions, the Bank closely followed developments in, for example, business operations, risk management, and profitability, while focusing on assessing the impact of the spread of COVID-19. It also conducted in-depth research and analysis, particularly on the efficacy and impacts of QQE with Yield Curve Control and of various policy responses to the pandemic, as well as on efforts toward digitalization. In addition, the Bank conducted off-site monitoring of systemically important financial institutions given developments such as changes in business models and risk profiles. In light mainly of the heightened instability in U.S. dollar funding conditions due to the growing impact of COVID-19, it strengthened the monitoring of foreign currency

liquidity risk management at these institutions. With regard to regional financial institutions, the Bank worked to assess and analyze their business conditions in the face of the increasingly severe situation in regional economies.

- (3) In the two issues of the 2020 *Financial System Report*, released in April and October, the Bank described recent developments in financial markets and financial intermediation activities amid the ongoing impact of COVID-19, and then analyzed and assessed the impact and risks posed by the pandemic in terms of financial stability. In addition, it released six issues of the *Financial System Report Annex Series* in fiscal 2020, providing more detailed analysis of and insight into selected topics. Meanwhile, on the communications side, the Bank made use of online communication tools on various occasions to provide explanations to a wide range of relevant parties, including financial institutions, analysts, the media, and academics, mainly through holding seminars and giving presentations at various international meetings (there were 49 such occasions in total in fiscal 2020).
- (4) The Bank planned and formulated the Special Deposit Facility to Enhance the Resilience of the Regional Financial System (hereafter the Special Deposit Facility), with the aim of strengthening the business foundations of regional financial institutions so that they could firmly support regional economies into the future and smoothly fulfill their financial intermediation function. The Bank began implementing the facility from March 2021.
- (5) The Bank and the Financial Services Agency (FSA) continued to work to increasingly share awareness of challenges and risks at all levels, for example, by holding meetings of the Council for Cooperation on

Financial Stability. As part of these efforts, at the turn of fiscal 2020, the two entities jointly announced an easing of regulation on the leverage ratio requirement in response to the impact of the spread of COVID-19. They also steadily pushed forward with joint projects, such as surveys on overseas credit investment/lending and on the use of LIBOR as well as supervisory simultaneous stress testing based on common scenarios. In addition, with a view to implementing higher quality monitoring and reducing the operational burden on financial institutions, the FSA and the Bank established the "Collaborative Task Force to Further Strengthen the Linkage between the FSA's Monitoring Function and the BOJ's Examination Function"; they proceeded with specific deliberations at meetings of the task force and released in March 2021 a document presenting their efforts toward further strengthening coordination between the FSA and the Bank.

- (6) The Bank continued its stable execution of business operations for the Loan Support Program.
- (7) The Bank hosted, via livestream, seminars on business management reform and cybersecurity at financial institutions, as well as workshops on topics such as finance for achieving the Sustainable Development Goals (SDGs), and finance integrating environmental, social, and governance (ESG) criteria.

2. Evaluation of progress

In carrying out remote intensive interviews in place of on-site examinations and conducting off-site monitoring, the Bank thoroughly assessed business operations and risk management at financial institutions in particular through the collection of information via due use of online communication tools; it also facilitated necessary improvements. In addition, it began implementing the Special Deposit Facility with the aim of facilitating

efforts toward strengthening the business foundations of regional financial institutions. In the *Financial System Report*, it carried out multi-perspective analysis on the impact of COVID-19 on the financial system and the risks posed by the pandemic, and presented its assessment of challenges faced in maintaining and improving the stability and functioning of the financial system.

The Bank carried out, in an efficient and appropriate manner, the selection of financial institutions with which to conduct transactions as well as business operations relating to the provision of loans. It also further strengthened coordination on the prudential front with the FSA through the carrying out of joint projects as well as increased cooperation between FSA inspections and the Bank's on-site examinations.

During fiscal 2020, there were no circumstances that required the Bank to provide loans pursuant to Articles 37 and 38 of the Bank of Japan Act.

Based on the above, the Bank considers that it achieved its intended objectives in implementing measures toward ensuring the stability and improving the functioning of the financial system, dealing flexibly with the new challenges stemming from COVID-19. In fiscal 2021, the Bank will thoroughly assess business operations and risk management at financial institutions in particular while continuing to implement measures to prevent COVID-19 infection, by making use of remote methods to conduct examinations and continuing with its initiatives to further strengthen coordination with the FSA. In addition, it will continue to make efforts toward strengthening the business foundations of regional financial institutions through the Special Deposit Facility. The Bank will also step up its efforts to deal with new challenges such as the digitalization of finance and climate-related financial risks.

C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures

1. Progress in implementing specific measures

- (1) The Bank made substantial progress with its initiatives pertaining to central bank digital currencies (CBDCs), and actively participated in discussions at home and abroad regarding new possibilities and challenges that IT advances present for payment and settlement services.
 - (a) The Bank set up the Digital Currency Group to take charge of digitalization of payment and settlement systems as well as matters relating to CBDCs in July 2020.
 - (b) In October 2020, the Bank released "The Bank of Japan's Approach to Central Bank Digital Currency."
 - (c) The Bank, as a member of the group of major central banks assessing potential cases for CBDCs with the Bank for International Settlements (BIS), jointly released with the group a report entitled "Central Bank Digital Currencies: Foundational Principles and Core Features" in October 2020.
 - (d) The Bank made necessary arrangements to start experimenting with CBDCs—Proof of Concept (PoC) Phase 1.
 - (e) In March 2021, the Bank established and held the first meeting of the "Liaison and Coordination Committee on Central Bank Digital Currency," which included members from the government and private sector, as well as the Bank.
 - (f) The Bank actively participated in discussions on the future of payment and settlement services and related infrastructures with a wide range of relevant parties, through occasions such as the "Future of Payments Forum" held in May, July, September, and December 2020.

- (g) The Bank contributed to discussions on international standards in financial services through, for example, hosting the "Meeting of the International Organization for Standardization (ISO) Panel" in November and December 2020.
- (2) The Bank joined the Task Force for the Next-Generation Payment Systems, set up by the Japanese Banks' Payment Clearing Network (Zengin-Net). It contributed to discussions regarding the participation of funds transfer service providers in the Zengin Data Telecommunication System (Zengin System), as well as how to enhance the convenience of frequent payments in small amounts, and supported the compilation and release by Zengin-Net of a report detailing the results of these deliberations.
- (3) The Bank supported initiatives taken by relevant parties regarding the safety and efficiency of payment and settlement systems, such as a shift to a T+2 settlement cycle for JGB retail trading and corporate and other bond transactions in July 2020.
- (4) The Bank steadily promoted preparations with the Hong Kong Monetary Authority toward implementation of a cross-border delivery-versus-payment (DVP) link between the Bank of Japan Financial Network System (BOJ-NET) JGB Services and the Hong Kong Dollar Clearing House Automated Transfer System (HKD CHATS); preparations for launching the cross-border DVP link in April 2021 were completed.
- (5) The Bank continued to encourage market participants in Japan to declare their commitment to adhere to the FX Global Code.
- (6) In its role as the secretariat of the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks, the Bank supported market participants' initiatives on

the reform of Japanese yen interest rate benchmarks by, for example, (1) supporting the publication of prototype rates for Term Reference Rates in May 2020 and (2) releasing the "Draft Roadmap to Prepare for the Discontinuation of LIBOR" in August 2020 and the "Final Report on the Results of the Second Public Consultation on the Appropriate Choice and Usage of Japanese Yen Interest Rate Benchmarks" in November 2020.⁵

2. Evaluation of progress

The Bank worked on reinforcing arrangements pertaining to CBDCs so that it could respond appropriately to various changes in the environment. At the same time, it released "The Bank of Japan's Approach to Central Bank Digital Currency" and steadily proceeded with arrangements to start PoC Phase 1. In addition, it actively contributed to discussions at home and abroad regarding the new possibilities and challenges that IT advances present for payment and settlement services. Meanwhile, the Bank made steady progress in working toward the enhancement of Japan's payment and settlement services, and completed preparations for launching the cross-border DVP link as scheduled.

As for the reinforcement of the infrastructures of financial and capital markets, the Bank continued to encourage market participants in Japan to declare their commitment to adhere to the FX Global Code, and supported market participants' initiatives on the reform of Japanese yen interest rate benchmarks.

Based on the above, the Bank considers that, in fiscal 2020, it achieved its intended objectives in implementing measures, and made notable contributions to enhancing payment and settlement services and reinforcing the infrastructures of financial and capital markets in Japan.

5. This roadmap has since been updated and released as the "Roadmap to Prepare for the Discontinuation of Japanese Yen LIBOR," which is available on the Bank's website (<https://www.boj.or.jp/en/index.htm>).

In fiscal 2021, with respect to payment and settlement services, the Bank will contribute to discussions at home and abroad regarding CBDCs, while steadily promoting PoC Phase 1 and exploring requisite institutional arrangements; it will also continue to work toward the enhancement of retail payments in Japan. Furthermore, as for the reinforcement of the infrastructures of financial and capital markets in Japan, the Bank will continue with, for example, its support for market participants' initiatives on the reform of Japanese yen interest rate benchmarks.

D. Conduct Stable and Efficient Central Banking Operations

1. Progress in implementing specific measures

- (1) Taking account of the government's Basic Policies for Novel Coronavirus Disease Control, the Bank implemented measures to ensure smooth conduct of central banking operations even when there were cases of staff infection. These measures included the introduction of split shifts for those engaged in, for example, (1) market operations, (2) settlement of funds and JGSs, (3) services relating to treasury funds, and (4) receipt and payment of banknotes.
- (2) The Bank continued, on a daily basis, to settle financial transactions involving current account deposits that financial institutions hold at the Bank in an accurate and stable manner.
- (3) The Bank conducted market operations appropriately in accordance with the guidelines decided at MPMs for market operations and asset purchases. It duly responded to changes in the market environment by, for example, revising the tools for market operations as well as their frequency and size in a timely and flexible manner, depending on market developments.
- (4) The Bank proceeded with the stable conduct of its business operations relating to foreign currencies, including its U.S. Dollar Funds-Supplying Operations against Pooled Collateral as well as financial transactions pertaining to the Foreign Exchange Fund Special Account entrusted to it by the government.
- (5) In coordination with the Ministry of Finance and other relevant parties, the Bank proceeded with preparations for the introduction of a new series of Bank of Japan notes and a new 500 yen coin.
- (6) The Bank ensured the smooth supply of clean banknotes from its Head Office and branches and maintained the cleanliness of banknotes in circulation by examining the banknotes it received. As part of the process, it monitored and improved the level of the cleanliness of banknotes in circulation.
- (7) The Bank, by gathering information from relevant parties, strengthened its understanding of changes in cash circulation and conducted cash transportation and other operational procedures efficiently.
- (8) The Bank carried out a wide range of treasury funds and JGS services with precision. It also worked to streamline and digitize business operations by, for example, reducing the number of agents and promoting further use of cashless payments of treasury funds through the provision of support to relevant parties. In addition, the Bank—while responding positively to the need for financial institutions to improve the efficiency of their business processes—cooperated with the ministries and agencies responsible to promote digitalization of various administrative procedures related to treasury funds and JGS services, as well as the abolition of the use of *hanko* (the affixing of seals) on paper documents for these procedures.

2. Evaluation of progress

Taking account of the government's Basic Policies for

Novel Coronavirus Disease Control, the Bank—as a designated public institution under the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response—implemented measures to ensure smooth conduct of central banking operations.

With regard to banking operations, the Bank continued to settle financial transactions involving current account deposits that financial institutions hold at the Bank in an accurate and stable manner, and conducted market operations appropriately in accordance with the guidelines decided at MPMs.

As for business operations relating to cash, the Bank carried out the receipt and payment of banknotes and coins in a stable and efficient manner. In addition, it proceeded steadily with preparations for the introduction of a new series of Bank of Japan notes and a new 500 yen coin, in coordination with the Ministry of Finance and other relevant parties. The Bank worked to secure confidence in banknotes by, for example, proceeding smoothly with replacing automatic banknote examination machines with the new model; it also made progress in understanding the current situation of cash circulation by gathering information from relevant parties.

The Bank, on a daily basis, carried out treasury funds and JGS services in a stable manner; it also worked to streamline and digitize business operations and reviewed its business processes in response to changes in its operational environment.

Based on the above, the Bank considers that, in fiscal 2020, despite the impact of COVID-19 persisting throughout the year, it conducted stable central banking operations on a daily basis while ensuring that the appropriate operational arrangements were in place, and advanced steadily with the reviewing of its business processes in response to changes in its

operational environment. In fiscal 2021, while continuing to implement measures to prevent COVID-19 infection, the Bank will conduct its business operations at its Head Office and branches in a stable manner, and constantly pursue excellence in central banking services in light of trending changes, both qualitative and quantitative, in its operations.

E. Contribute to International Finance amid Globalization

1. Progress in implementing specific measures

- (1) The Bank, as the central bank of Japan, actively participated in meetings such as those organized by the Association of Southeast Asian Nations Plus Three (ASEAN Plus Three), the BIS, the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), the Financial Stability Board (FSB), the Group of Seven (G7), the Group of Twenty (G20), the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD). In fiscal 2020, while these meetings were held mainly through the use of online communication tools instead of face to face due to the impact of COVID-19, the Bank dealt appropriately with the changes in the environment and achieved the following.
 - (a) The Bank contributed to discussions on the international financial response to the spread of COVID-19.
 - (b) The Bank contributed to discussions at global forums on fostering economic growth as well as on strengthening the robustness of the financial system based on its analysis of overseas economic and financial developments, while also promoting an understanding of its conduct of monetary policy.
 - (c) With regard to financial regulation and supervision,

the Bank, in cooperation with the FSA, actively participated in discussions on responses to the impact of COVID-19, the implementation and impact assessment of, for example, international financial regulations, and the enhancement of supervision; it also contributed appropriately to policy-making processes for ensuring the stability of the international financial system.

- (d) The Bank continued to participate in and contribute to, for example, discussions in the fields of global financial markets, financial market infrastructures, interest rate benchmark reform, the FX Global Code, and statistics.
 - (e) In relation to the EMEAP, the Bank played a key role in discussions on economic and financial conditions in the region as well as in the management of the Asian Bond Fund (ABF).
 - (f) At some BIS- and EMEAP-related committees, the Bank played a leadership role, for example, by moderating discussions as the chair. Also, as a central bank of an ASEAN Plus Three co-chair country for 2020, the Bank, together with the Ministry of Finance, took the lead in discussions on various topics.
 - (g) The Bank participated in the Irving Fisher Committee on Central Bank Statistics (IFC), with an official serving as a member of the IFC Executive, and played a part in discussions at the global level, for example, on big data.
- (2) The Bank actively exchanged information with overseas authorities on business conditions at systemically important financial institutions, mainly through supervisory colleges.
 - (3) The Bank obtained prompt access to a wide range of information, for example, on economic and financial conditions, the financial system, and central banking

operations, through individual exchanges of opinions with major central banks and other relevant parties as well as the continued strengthening of relations with monetary authorities in Asia.

- (4) The Bank participated in international forums organized by, for example, the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), a group committed to helping improve environmental and climate risk management in the financial sector, and played a part in discussions at the global level. It also held an international research workshop on climate-related financial risks online, attended by both domestic and overseas participants in the field.
- (5) With regard to international monetary cooperation, in the area of currency swaps, the Bank continued with necessary deliberations and coordination with the People's Bank of China and with the Bank of Thailand toward establishing operational arrangements for implementing foreign currency swaps, with a view to providing liquidity backstops that meet the local currency funding needs of Japanese financial institutions operating overseas.
- (6) Under the framework of ASEAN Plus Three, the Bank, together with the Ministry of Finance, took the lead in the planning and implementation of currency swap exercises based on the Chiang Mai Initiative Multilateralisation (CMIM), while playing a key role in various deliberations toward enhancing their practicability.
- (7) In response to the IMF's request to the Japanese government, the Bank, in cooperation with the Ministry of Finance, contributed to the smooth implementation of financial assistance for low-income countries using the Foreign Exchange Fund Special Account, among other such activities.

(8) The Bank continued to provide technical assistance, hold seminars, and exchange personnel, mainly with other central banks in Asia, making use of online communication tools given the difficulties in conducting face-to-face activities (there were 39 such occasions in total in fiscal 2020). The Bank thus contributed to the stability and development of financial and capital markets in Asia and established and strengthened medium- to long-term relationships with overseas authorities.

2. Evaluation of progress

The Bank, as the central bank of Japan, participated in discussions at the global level on responses to COVID-19, thereby playing a part in international cooperation. It also actively participated in meetings such as those organized by the BIS and the EMEAP on topics including financial regulation, financial markets, and financial market infrastructures. Through these initiatives, the Bank contributed to and played a leadership role in discussions toward ensuring the stability of the international currency and financial system. Moreover, it boosted bilateral monetary cooperation in the Asian region and provided technical assistance, most of which was provided within the region. The Bank maintained and strengthened cooperation with overseas authorities, especially central banks, and obtained prompt access to a wide range of information, for example, on economic and financial conditions, the financial system, and central banking operations.

Based on the above, the Bank considers that it made steady progress in fiscal 2020 in terms of measures taken to contribute, as the central bank of Japan, toward ensuring the stability of the international currency and financial system as well as toward securing the stability and development of financial and capital markets in Asia. In fiscal 2021, the Bank will continue to work in

cooperation with relevant parties to deepen and extend the initiatives taken to date, particularly in Asia, while also participating in discussions at the global level on responses to COVID-19. In addition, it will actively contribute to discussions at the global level on climate change.

F. Contribute to Regional Economic and Financial Environments

1. Progress in implementing specific measures

- (1) While ensuring that the system continued to provide essential services despite the spread of COVID-19, the Bank, at its Head Office and branches, stably conducted central banking operations, including business operations relating to banknote issuance as well as services relating to treasury funds and JGSs, holding working-level meetings with financial institutions that hold current accounts at the Bank as well as ministries and government agencies through, for example, the use of online communication tools.
- (2) At its Head Office as well as Akita, Sendai, Fukushima, Niigata, Kanazawa, Matsumoto, Nagoya, Matsue, Fukuoka, Oita, Kumamoto, and Kagoshima branches, the Bank, in cooperation with the respective local finance bureaus, requested that financial institutions take special measures in response to disasters.
- (3) The Bank maintained a detailed grasp of regional economic and financial conditions via its Head Office, branches, and local offices by conducting interviews mainly with local businesses and financial institutions, making use of online communication tools as needed. The Bank utilized its findings in conducting monetary policy as well as in ensuring the stability and improving the functioning of the financial system.

- (a) With regard to demand for rebuilding and reconstruction following the Great East Japan Earthquake and the Kumamoto Earthquake, as well as large-scale storm and flood damage that occurred in Japan in recent years, the Bank maintained a thorough grasp of the situation by making use of its networks of branches and offices in the disaster-stricken areas.
- (4) The Bank disseminated the results of its research and analysis on regional economic developments as well as the thinking behind its policies and business operations to each region by, for example, organizing speeches and undertaking other public relations activities, taking account of the COVID-19 situation in respective regions. The Bank's findings from research and analysis on regional economic developments were also compiled and released each quarter in the *Regional Economic Report*.
- (5) In fiscal 2020, the Bank's CAFT hosted the following seminars and workshops via livestream, targeted mainly at regional financial institutions: six seminars on business management reform and cybersecurity, as well as three workshops on issues surrounding regional medical care, regional public transportation services, and regional trading companies.

2. Evaluation of progress

The Bank, at its Head Office and branches, conducted central banking operations in a stable manner despite the spread of COVID-19. It also maintained a detailed grasp of economic and financial conditions specific to each region through daily research efforts; it disseminated its findings to each region and utilized them in conducting monetary policy as well as in ensuring the stability and improving the functioning of the financial system.

Based on the above, the Bank considers that, despite the impact of COVID-19, it made progress in fiscal 2020 in terms of initiatives taken to contribute to regional economic and financial environments, making due use of the functions performed as the country's central bank by its Head Office, branches, and local offices. In fiscal 2021, the Bank will continue to provide appropriate central banking services in each region of the country. It will also work particularly to maintain an accurate grasp of regional economic and financial conditions and of region-specific challenges as well as to disseminate its findings, with a view to supporting sustainable development. In doing so, the Bank will continue to closely monitor the impact of COVID-19 on regional economic and financial conditions. With regard to organizing speeches and undertaking other public relations activities, the Bank will make the appropriate decision in each case in light of the COVID-19 situation in respective regions and will strengthen efforts to develop alternatives that make use of, for example, online communication tools as needed.

G. Strengthen External Communication

1. Progress in implementing specific measures

- (1) In accordance with the Bank of Japan Act, the Bank kept the public fully informed regarding its conduct of monetary policy and business operations via the following.
- (a) Releasing the minutes and transcripts of MPMs.
- (b) Submitting the *Semiannual Report on Currency and Monetary Control* to the Diet in June and December 2020, and releasing the full texts of the two issues in Japanese as well as the summaries in English on the Bank's website.⁶

6. Excerpts from the summaries of the two issues of the report dealing with developments in fiscal 2020, namely, the issues released in December 2020 and June 2021, can be found on pages 30–41.

- (c) Publishing the *Gyomu Gaikyo Sho* (Outline of Business Operations) for fiscal 2019 in May 2020.
- (2) The Bank made use of a variety of channels to communicate its conduct of monetary policy and business operations to the public, working to promote a deeper understanding of its policy intentions. These communication channels included the following.
- (a) Public statements on the Bank's monetary policy decisions, such as the "Statement on Monetary Policy"; the Outlook Report released in April, July, and October 2020 as well as in January 2021; and a document that contains a summary of the opinions presented at each MPM (Summary of Opinions).
- (b) The "Assessment for Further Effective and Sustainable Monetary Easing," released in March 2021.
- (c) Press conferences, speeches, and articles by the Governor, Deputy Governors, and Members of the Policy Board. Meetings with business or local leaders were held from August 2020, in an online format.
- (3) While enhancing the digital contents of its communication platforms and making use of online communication tools with the spread of COVID-19 impacting face-to-face activities, the Bank engaged in the following public relations activities, which it sought to make clear, intelligible, and accessible to a wide range of target audiences, thereby promoting a better understanding among the public of its conduct of monetary policy and business operations.
- (a) In addition to making the Bank's releases available on its websites, the Bank made use of social networking sites, thereby disseminating information to a wider audience in an apposite and timely manner. The number of page views on the Bank's website was around 604 million, of which around 387 million were made to its English-language pages. The number of page views on its branches' websites was around 4.7 million in total. Followers of the Bank's Twitter and Facebook accounts totaled around 141,000 and around 4,600, respectively.
- (b) The Bank enhanced the content of *Nichigin*, its public relations magazine (available only in Japanese), for example, by including articles that provided accessible descriptions of its policies and business operations.
- (c) The Bank conducted in-house tours of its Head Office and branches in accordance with the government's Basic Policies for Novel Coronavirus Disease Control, and taking into account the situation in each region including requests by local governments. At the Head Office, in-house tours were temporarily suspended for the first half of fiscal 2020, but were resumed in the second half of the fiscal year, with preventive measures being taken against the spread of COVID-19 such as limiting the number of tour participants. At branches, tours were cautiously offered, depending on the system in place at each branch for accepting participants. The total number of tour participants at the Head Office was around 1,200 and that of branches was around 800. Meanwhile, the Bank launched on its website a page entitled "BOJ from Home," offering a 3-D/virtual reality (VR) online tour of the Bank's Head Office. The number of page views on "BOJ from Home" totaled around 88,000.
- (d) Through enhancing the digital contents of its communication platforms and hosting various public relations events utilizing online communication tools, the Bank provided opportunities for the

public to deepen their understanding of its policies and business operations. For example, the Bank replaced the annual special in-house tours for families visiting with primary and junior high school children with a web page that allows users to partially recreate this experience from their homes or other locations. It also launched on the website of the Currency Museum a page entitled "Currency Museum from Home," which introduced various digital contents, including educational materials. Moreover, the Bank—via remote connections among multiple venues—hosted the "BOJ Grand-Prix," an essay and presentation contest primarily for college students, for which there were 112 entries.

- (e) The Bank gave lectures to young people on its functions and operations. Its Head Office gave a total of six online lectures to college students.
- (4) The Bank actively disseminated information on its conduct of monetary policy and business operations in English.
- (5) The Bank worked to gain a better grasp of public opinion as well as public needs regarding its policies and business operations from people across a wide range of fields via the following.
 - (a) Holding online meetings and dialogues with financial institutions, firms, economic organizations, academics, and other parties concerned in the Bank's business operations, in addition to conventional face-to-face meetings.
 - (b) Provision of pertinent responses to around 3,700 inquiries and comments received at the Head Office via phone calls or e-mails (excluding those for sales purposes or those that were incorrectly addressed).
- (6) The Bank operated the Currency Museum and the

Bank of Japan Otaru Museum appropriately through, for example, (1) temporarily closing the museums, taking into account circumstances such as the COVID-19 situation in each region and requests by the national and local governments, and (2) taking necessary preventive measures against the spread of COVID-19 when admitting visitors. That said, due to the impact of COVID-19, the number of visitors during fiscal 2020 was below the usual levels, with the museums receiving around 24,000 and 23,000 visitors, respectively.

- (7) The Bank responsibly managed the activities of its Archives, which have the status of "the National Archives of Japan, etc." as stipulated in the Public Records and Archives Management Act as well as the order for enforcement of this Act. A total of 1,751 historical official documents were added to the Archives, and 98 requests for access were made.
- (8) The Bank made public the findings of its research and analysis on economic and financial developments, releasing 17 papers in the *Bank of Japan Review Series*, 13 in the *Bank of Japan Working Paper Series*, 25 in the *IMES Discussion Paper Series*, and 7 research papers.
- (9) Although some meetings such as international conferences were canceled due to the impact of COVID-19, the Bank and the University of Tokyo co-hosted a forum on big data in November 2020 that was held simultaneously online to facilitate distance participation.
- (10) The Bank revised, rebased, and made appropriate enhancements to its statistics so as to accommodate changes in the economic and regulatory environment.
 - (a) As for the *Tankan* (Short-Term Economic Survey of Enterprises in Japan), the Bank began releasing figures for a new survey category "overseas

business activities" from July 2020.

- (b) With regard to Japan's balance of payments (BOP) statistics, the Bank—in response to the Basic Policy for the Fundamental Reform of Economic Statistics, issued by the government—made changes to the recording method for reinvested earnings and added new components under "goods" from the September 2020 figures released in November.
 - (c) The Bank proceeded with efforts toward rebasing the corporate goods price index (CGPI) to 2020, and released the basic policy governing the rebasing in March 2021.
- (11) Through the following measures, the Bank promoted an in-depth understanding of its statistics.
- (a) In October 2020, the Bank released the "Changes in the Compilation and Dissemination of the Balance of Payments Statistics in Response to the 'Basic Policy for the Fundamental Reform of Economic Statistics,'" which explained the background to and overview of the changes made in Japan's BOP statistics.
 - (b) In October 2020, the Bank released a research paper explaining a new estimation method applied when making quality adjustments in the compilation of the CGPI and the services producer price index (SPPI).
- (12) As the secretariat of the Central Council for Financial Services Information (CCFSI), and in light of changes in the environment surrounding the provision of financial information to the public, the Bank supported the CCFSI's efforts to develop a range of financial information-related activities in cooperation with relevant parties such as ministries, local public bodies, and financial and economic organizations. In fiscal 2020,

with COVID-19 impacting face-to-face activities, the CCFSI made use of online communication tools in organizing financial education seminars and other events, and in providing lectures to college students on financial literacy. Also, it worked toward publishing user-friendly website pages including those designed for smartphones (available only in Japanese) on the CCFSI's official website *Shiruporuto* (Gateway to Knowledge) by, for example, making use of social networking sites.

2. Evaluation of progress

The Bank employed a variety of channels to communicate its conduct of monetary policy and business operations to various audiences at home and abroad, including the general public, and made efforts to promote a deeper understanding of its policy intentions. In disseminating information, it made use of online communication tools and enhanced the digital contents of its communication platforms to address the impact of COVID-19 on face-to-face activities.

The Bank worked to gain a better grasp of public opinion and public needs by, for example, holding dialogues with financial institutions and firms, as well as providing pertinent responses to inquiries and comments received at the Bank.

The Bank proceeded with efforts to revise and rebase its statistics so as to accommodate changes in the economic and regulatory environment; it also implemented measures to improve their user-friendliness.

As the secretariat of the CCFSI, and in light of changes in the environment surrounding the provision of financial information to the public, the Bank supported the CCFSI's efforts to develop a range of financial information-related activities, thereby contributing to the promotion of financial literacy among the public.

Based on the above, the Bank considers that, in fiscal 2020, it made progress in terms of strengthening external communication in spite of the impact of COVID-19 on face-to-face activities, making use of online communication tools and enhancing the digital contents of its communication platforms. In fiscal 2021, the Bank will continue (1) to work to achieve multilateral and effective communication at home and abroad regarding its conduct of monetary policy and business operations by making use of various communication platforms, and

(2) to better grasp public opinion and public needs by maintaining and strengthening relationships with people, firms, and economic organizations across a wide range of fields. Meanwhile, the Bank will take appropriate measures regarding implementation of certain public relations activities in light of the COVID-19 situation, and will strengthen its initiatives for communication by incorporating advances in digitalization and online technologies.

The Bank's Organizational Management in Fiscal 2020

I. Statement of Accounts and Budget for Expenses

II. IT Investment

III. Human Resources

IV. Organizational Management Measures

V. Internal Audits

I. STATEMENT OF ACCOUNTS AND BUDGET FOR EXPENSES

As for the Bank of Japan's expenses for fiscal 2020, the Bank duly made, in line with the budget, the disbursements necessary to cover the *Medium-Term Strategic Plan (Fiscal 2019–2023)* (Plan). With regard to the Bank's statement of accounts for fiscal 2020, the total amount of actual expenses decreased from

the previous fiscal year by 0.6 percent (1.1 billion yen) to 198.8 billion yen. Regarding the Bank's budget for expenses for fiscal 2021, the Bank carefully examined overall expenditure in compiling a suitable budget for the year while securing the necessary budget to perform its role as the country's central bank.

II. IT INVESTMENT

The Bank steadily carried out the system development projects necessary to achieve the goals set out in the Plan, while working to raise the efficiency and streamline the development of such projects. The scale

of system development for fiscal 2020 was 13,354 person-months¹ (including 10,239 person-months that were outsourced).

III. HUMAN RESOURCES

The Bank maintained the number of employees necessary to achieve the goals set out in the Plan without breaking the ceiling on the number of full-time employees for fiscal 2020, which was set at 4,900. Following the Bank's efforts to further increase the efficiency of its overall business operations while securing the necessary employee numbers, the number of full-time employees stood at 4,634 at the end of March 2021, up 8 from the previous fiscal year (Table 1).

Regarding remuneration, in fiscal 2020, the Bank reduced the annual remuneration for its officers—through

decreasing their bonuses—by 0.4 percent from the previous fiscal year.

As for its employees, the Bank reduced the annual remuneration for fiscal 2020 by 0.1 percent from the previous fiscal year. Specifically, for those in non-managerial positions, the Bank raised the base levels of salaries by 0.1 percent from the previous fiscal year and paid semiannual bonuses in May and November, each amounting to 2.173 months of salary, on a basis excluding the base salary increase. For those in managerial positions, the Bank paid 2.319 months of salary per semiannual bonus.

¹ In system development, one person-month is the workload equivalent of one person working for one month.

Table 1

Number of Full-Time Employees as of the End of March 2021

number of people; figures in parentheses are as of the end of March 2020

Total		4,634	(4,626)
	Head Office ¹	2,750	(2,738)
	Branches	1,814	(1,817)
	Local offices ¹	47	(47)
	Overseas representative offices	23	(24)

Note: 1. Full-time employees of the Computer Center and the Banknote Operations Center are included in the number of full-time employees at the Head Office.

IV. ORGANIZATIONAL MANAGEMENT MEASURES

With a view to addressing the strategic objectives for its business operations stated in the Plan, the Bank implemented various organizational management measures in order to execute its business operations flexibly and secure the requisite staff for this purpose, to manage its operational risks appropriately, and to strengthen its business continuity arrangements.

Specifically, the Bank stepped up its efforts to take advantage of IT advances by expanding significantly the usage of tablet devices and videoconferencing systems, partly in response to the novel coronavirus (COVID-19) (see "The Bank's Review of Fiscal 2020" on pages 29–57 for details). Moreover, the Bank worked to secure the requisite staff for executing its business operations and organizational management, to further promote diversity in the workplace, and to steadily realize varied and flexible working arrangements aimed at further improving the work-life balance and well-being of its employees via the following.

(1) The Bank enhanced various staff education and training programs—including through the introduction of online communication tools—and continued to work to promote personnel exchanges with institutions

inside and outside Japan.

(2) The Bank, under an action plan compiled and released in March 2016 pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace, undertook initiatives to ensure that its female employees could fully realize their potential at work, and strived to cultivate a workplace environment conducive to the well-being of all of its employees. In addition, given that the five-year term of the above action plan will draw to a close at the end of fiscal 2020, the Bank compiled and released in March 2021 the second phase of its action plans pursuant to this act. The Bank also continued to work to further improve terms of employment and working conditions based on the fourth phase of the action plans set out in "Measures to Support Raising Next-Generation Children" so that its employees can balance work and child-rearing.

(3) With regard to staff recruitment for fiscal 2021, the Bank proactively recruited women, with the aim that they should account for about 30 percent of future candidates for positions of Director, Chief Manager, and above.²

2. Employees in the positions of Director, Chief Manager, and above oversee the execution of business operations assigned to them, and are responsible for organizational management within their sections.

In addition to the above, the Bank took business continuity-related actions in response to COVID-19. It also implemented measures to strengthen business continuity arrangements that included the steady enhancement of the disaster countermeasures in place at its Head Office and branches based on its experience following the Great East Japan Earthquake, the

Kumamoto Earthquake, and large-scale storm and flood damage, as well as the government's reappraisal of potential damage scenarios for large-scale earthquakes directly hitting Tokyo or occurring in the Nankai Trough area.

V. INTERNAL AUDITS

The Internal Auditors' Office at the Bank conducts internal audits of the Bank's business operations at its Head Office, branches, local offices, and overseas representative offices in order to examine the appropriateness of its business operations and the adequacy of its operational risk management as well as the fairness with which its business operations are executed. The results of audits are reported to the Policy Board.

In fiscal 2020, the Internal Auditors' Office audited five departments at the Bank's Head Office (the Monetary Affairs Department, the International Department, the Operations Department, the Information System Services Department, and the Institute for Monetary and Economic Studies), six branches (Niigata, Shizuoka, Osaka, Kobe, Okayama, and Fukuoka), and one local office (Saga).

The Bank's Accounts:

Financial Statements
and Other Documents
for Fiscal 2020

**I. Assets and Liabilities, Profits and Losses, and
Capital Adequacy Ratio**

II. Financial Statements

III. Schedule for the Financial Statements

IV. Expenses

On May 27, 2021, the Bank of Japan released the "Financial Statements for the 136th Fiscal Year" (partially available in English), which contains the Bank's financial statements (the inventory of property, balance sheet, and statement of income) for the 136th fiscal year, i.e., fiscal 2020 (April 1, 2020–March 31, 2021), and the schedule for the financial statements for fiscal 2020.

The Bank submitted the financial statements, together with the Auditors' opinion, to the Minister of Finance, and received the Minister's approval. 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 financial results for fiscal 2020 is as below.

I. ASSETS AND LIABILITIES, PROFITS AND LOSSES, AND CAPITAL ADEQUACY RATIO

The balance sheet of the Bank at the end of fiscal 2020 shows that total assets increased by 18.2 percent (110,072.0 billion yen) from the previous fiscal year-end to 714,556.6 billion yen, mainly due to increases in loans and bills discounted and holdings of Japanese government securities (JGSs).⁷ Total liabilities increased by 18.3 percent (110,083.4 billion yen) from the previous fiscal year-end to 710,020.6 billion yen, mainly due to an increase in current deposits (Table 1).

Detailed developments in the Bank's balance sheet in fiscal 2020 are as follows.

Looking at assets at the fiscal year-end, loans and bills discounted increased by 71,511.6 billion yen from the previous fiscal year-end to 125,840.2 billion yen, due to an increase in funds provision mainly through the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19). As the Bank proceeded with its asset purchases, holdings of JGSs increased by 46,247.1 billion yen from the previous fiscal year-end to 532,165.2 billion yen, and pecuniary trusts (index-linked exchange-traded funds held as trust property) increased by 6,160.6 billion yen from the previous fiscal year-end to 35,879.6 billion yen.

Turning to liabilities, current deposits increased by 127,314.2 billion yen from the previous fiscal year-end to 522,570.3 billion yen, reflecting an increase in funds provision through, for example, the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) and JGS purchases. Meanwhile, the amount outstanding of banknotes issued (banknotes in circulation) increased by 6,395.1 billion yen from the previous fiscal year-end to 116,011.6 billion yen.

7. JGSs comprise Japanese government bonds (JGBs) and treasury discount bills (T-Bills).

With regard to the Bank's statement of income for fiscal 2020, operating profits increased by 338.8 billion yen from the previous fiscal year to 1,976.4 billion yen, mainly due to net foreign exchange-related gains arising from the depreciation of the yen and to rises in net gains on pecuniary trusts (index-linked exchange-traded funds held as trust property) (Tables 2 and 3).

Meanwhile, net special losses amounted to 523.4 billion yen. This was mainly due to (1) the transfer of funds to the provision for possible losses on bonds transactions to compensate for any fluctuation in net income arising from the implementation of Quantitative and Qualitative Monetary Easing with Yield Curve Control, and (2) the transfer of funds to the provision for possible losses on foreign exchange transactions following net foreign exchange-related gains.

Net income for the term—after subtracting corporate income tax and inhabitants and enterprise taxes—decreased by 76.1 billion yen from the previous fiscal year to 1,219.1 billion yen. After transferring 60.9 billion yen to the legal reserve (5 percent of net income for the term) 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 (1,158.1 billion yen).

The capital adequacy ratio, after the appropriation of net income, rose from its previous fiscal year-end level of 8.79 percent to 8.87 percent at the end of fiscal 2020 (Table 4).

Table 1

Principal Assets and Liabilities¹

bil. yen

Item	End of fiscal 2019 (Mar. 31, 2020)	End of fiscal 2020 (Mar. 31, 2021)
Total assets	604,484.6 (+8.5) <+47,460.2>	714,556.6 (+18.2) <+110,072.0>
Of which:		
Japanese government securities	485,918.1 (+3.4) <+15,964.2>	532,165.2 (+9.5) <+46,247.1>
Commercial paper	2,551.8 (+25.0) <+509.8>	2,876.4 (+12.7) <+324.6>
Corporate bonds	3,220.8 (+0.4) <+14.1>	7,498.4 (2.3 times) <+4,277.6>
Pecuniary trusts (stocks held as trust property)	727.7 (-18.9) <-169.2>	581.0 (-20.2) <-146.6>
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	29,718.9 (+19.9) <+4,934.0>	35,879.6 (+20.7) <+6,160.6>
Pecuniary trusts (Japan real estate investment trusts held as trust property)	575.3 (+11.1) <+57.4>	666.8 (+15.9) <+91.5>
Loans and bills discounted	54,328.6 (+14.5) <+6,892.4>	125,840.2 (2.3 times) <+71,511.6>
Foreign currency assets	25,966.2 (3.9 times) <+19,234.0>	7,678.7 (-70.4) <-18,287.5>
Total liabilities	599,937.2 (+8.4) <+46,722.6>	710,020.6 (+18.3) <+110,083.4>
Of which:		
Banknotes	109,616.5 (+1.9) <+2,057.3>	116,011.6 (+5.8) <+6,395.1>
Deposits (excluding those of the government)	447,076.2 (+6.1) <+25,697.9>	549,372.7 (+22.9) <+102,296.4>
Deposits of the government	12,633.8 (-27.9) <-4,888.9>	36,917.9 (2.9 times) <+24,284.0>
Payables under repurchase agreements	24,116.3 (126.4 times) <+23,925.5>	594.7 (-97.5) <-23,521.5>

Note: 1. Figures in parentheses are the percentage changes from a year earlier except where otherwise noted; figures in angle brackets are changes in billions of yen from a year earlier.

[Reference to Table 1]

Loans Provided through the Loan Support Program¹

bil. yen

Item	End of fiscal 2018 (Mar. 31, 2019)	End of fiscal 2019 (Mar. 31, 2020)	End of fiscal 2020 (Mar. 31, 2021)
Total amount outstanding	48,645.2	51,741.4	62,412.2
Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth	8,922.6	8,927.6	8,157.9
Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending	39,722.6	42,813.8	54,254.3

Note: 1. Includes foreign currency-denominated loans that are not included in "loans and bills discounted."

Table 2

Principal Profits and Losses¹

bil. yen

Item	Fiscal 2019 (Apr. 1, 2019–Mar. 31, 2020)	Fiscal 2020 (Apr. 1, 2020–Mar. 31, 2021)
Operating profits/losses	1,637.5 (–18.2) <–363.3>	1,976.4 (+20.7) <+338.8>
Of which: "Core" operating income ²	1,317.0 <–91.9>	1,164.6 <–152.4>
Net government bond-related gains/losses ³	… <…>	… <…>
Net foreign exchange-related gains/losses ⁴	–214.4 <–440.1>	247.8 <+462.2>
Net gains/losses on pecuniary trusts (stocks held as trust property)	205.0 <–45.9>	250.5 <+45.4>
Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property)	604.7 <+163.0>	727.5 <+122.8>
Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property)	7.9 <–13.2>	29.2 <+21.2>
Interest on excess reserve balances under the complementary deposit facility ⁵	–188.2 <–1.6>	–217.9 <–29.6>
Special profits/losses⁶	–270.6 <+655.4>	–523.4 <–252.7>
Of which:		
Net transfer to/from provision for possible losses on bonds transactions	–383.7 <+431.7>	–398.7 <–15.0>
Net transfer to/from provision for possible losses on foreign exchange transactions	107.2 <+220.0>	–123.9 <–231.1>
Net income before taxes	1,366.9 (+27.2) <+292.1>	1,452.9 (+6.3) <+86.0>
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	71.6 <–416.2>	233.8 <+162.2>
Net income⁷	1,295.2 (2.2 times) <+708.3>	1,219.1 (–5.9) <–76.1>

Notes: 1. Figures in parentheses are the percentage changes from the previous fiscal year except where otherwise noted; figures in angle brackets are changes in billions of yen from the previous fiscal year. "…" indicates that figures are not applicable.

2. The total of interest on loans and discounts, interest on receivables under resale agreements, interest and discounts on JGSs, interest on commercial paper (CP), 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 sales of JGBs.

4. Net gains/losses on foreign currency assets resulting from revaluation following fluctuations in foreign exchange rates.

5. Net difference between interest payment on excess reserve balances to which a positive interest rate is applied (–246.4 billion yen) and interest income on the balances to which a negative interest rate is applied (28.5 billion yen).

6. A minus sign shows net transfer to the relevant provisions (negative figures reduce net income).

7. 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 providing for the amount transferred to the legal reserve and for 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.

Table 3

Changes in Profits and Losses¹

bil. yen

Item	Fiscal 2018 (Apr. 1, 2018– Mar. 31, 2019)	Fiscal 2019 (Apr. 1, 2019– Mar. 31, 2020)	Fiscal 2020	First half of the fiscal year (Apr. 1, 2020– Sept. 30, 2020)	Second half of the fiscal year (Oct. 1, 2020– Mar. 31, 2021)
1. Net government bond-related gains/losses	...	...	...	...	...
Of which:					
Gains on sale of Japanese government bonds	...	...	...	...	...
Losses on sale of Japanese government bonds	...	...	...	...	...
2. Net foreign exchange-related gains/losses²	225.7	-214.4	247.8	-103.9	351.7
3. Net gains/losses on pecuniary trusts (stocks held as trust property)	251.0	205.0	250.5	97.2	153.2
Of which:					
Dividends and others	58.0	45.1	33.3	16.3	16.9
Losses on impairment	-4.2	-22.4	-0.3	-4.7	4.4
Net gains/losses on sale	197.2	182.3	217.6	85.6	131.9
4. Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property)	441.6	604.7	727.5	675.9	51.6
Of which:					
Distributions and others	441.6	604.7	727.5	675.9	51.6
Losses on impairment	...	...	...	...	...
Net gains/losses on sale	...	...	...	...	...
5. Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property)	21.1	7.9	29.2	14.3	14.8
Of which:					
Distributions and others	21.1	23.9	29.2	14.3	14.8
Losses on impairment	...	-15.9	...	...	...
Net gains/losses on sale	...	...	...	...	...

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

2. Net gains/losses on foreign currency assets resulting from revaluation following fluctuations in foreign exchange rates.

bil. yen, except where otherwise noted

Item	Fiscal 2018 (Apr. 1, 2018– Mar. 31, 2019)	Fiscal 2019 (Apr. 1, 2019– Mar. 31, 2020)	Fiscal 2020	First half of the fiscal year (Apr. 1, 2020– Sept. 30, 2020)	Second half of the fiscal year (Oct. 1, 2020– Mar. 31, 2021)
6. "Core" operating income	1,409.0	1,317.0	1,164.6	611.9	552.7
Yen assets	1,282.8	1,195.2	1,087.2	552.7	534.4
Of which:					
Interest on loans and discounts	0.0	0.0	0.0	0.0	0.0
Interest on receivables under resale agreements	0.0	–0.0	...	...	...
Interest and discounts on Japanese government securities	1,283.9	1,196.0	1,086.6	552.4	534.1
Treasury discount bills	–22.7	–19.2	–52.9	–23.0	–29.8
Japanese government bonds	1,306.6	1,215.3	1,139.6	575.5	564.0
Interest on commercial paper	–0.0	0.0	–0.3	0.1	–0.4
Interest and discounts on corporate bonds	–1.0	–0.7	0.8	0.1	0.7
Interest on foreign currency assets	126.2	121.8	77.4	59.1	18.2
7. Interest-bearing assets (average amount outstanding)	523,563.0	543,032.3	639,936.3	613,608.6	666,408.7
Yen assets	516,853.3	535,933.0	625,568.7	591,800.9	659,522.1
Of which:					
Loans and bills discounted	46,480.6	47,877.1	91,386.6	70,854.2	112,031.8
Receivables under resale agreements	0.0	25.1	...	...	...
Japanese government securities	464,907.5	482,632.6	524,609.9	512,670.7	536,614.6
Treasury discount bills	15,429.6	10,354.4	34,852.7	29,641.3	40,092.7
Japanese government bonds	449,477.8	472,278.1	489,757.2	483,029.3	496,521.9
Commercial paper	2,264.8	2,202.0	4,223.9	4,103.2	4,345.3
Corporate bonds	3,200.2	3,196.1	5,348.2	4,172.6	6,530.2
Foreign currency assets	6,709.7	7,099.2	14,367.5	21,807.7	6,886.5
8. Yield on interest-bearing assets (percent)	0.269	0.242	0.181	0.198	0.166
Yen assets	0.248	0.223	0.173	0.186	0.162
Of which:					
Loans and bills discounted	0.000	0.000	0.000	0.000	0.000
Receivables under resale agreements	0.000	–0.093	...	...	...
Japanese government securities	0.276	0.247	0.207	0.214	0.199
Treasury discount bills	–0.147	–0.186	–0.152	–0.155	–0.149
Japanese government bonds	0.290	0.257	0.232	0.237	0.227
Commercial paper	–0.002	0.001	–0.007	0.006	–0.020
Corporate bonds	–0.033	–0.024	0.016	0.008	0.021
Foreign currency assets	1.881	1.716	0.538	0.540	0.532

Table 4

The Bank's Capital Base and Capital Adequacy Ratio¹

bil. yen, except where otherwise noted

Item	End of fiscal 2018 (Mar. 31, 2019)	End of fiscal 2019 (Mar. 31, 2020)	End of fiscal 2020 (Mar. 31, 2021)	Changes from a year earlier	[Reference] End of the first half of fiscal 2020 (Sept. 30, 2020)
Capital accounts (A)	3,252.1	3,316.8	3,377.8	+60.9	3,316.8
Capital	0.1	0.1	0.1	...	0.1
Legal reserve and others ²	3,252.0	3,316.7	3,377.7	+60.9	3,316.7
Provisions (B)	5,930.3	6,206.8	6,729.4	+522.6	6,352.2
Provision for possible loan losses (excluding special provision for possible loan losses)	...	...	...	...	...
Provision for possible losses on bonds transactions	4,415.5	4,799.2	5,198.0	+398.7	4,996.6
Provision for possible losses on foreign exchange transactions	1,514.7	1,407.5	1,531.4	+123.9	1,355.5
Capital base³ (C) = (A) + (B)	9,182.4	9,523.7	10,107.3	+583.6	9,669.1
Annual average of banknotes issued (D)	105,391.6	108,275.2	113,821.4	+5,546.2	112,458.8
Capital adequacy ratio (C)/(D) × 100 (percent)	8.71	8.79	8.87	+0.08	8.59

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.

[Reference]

Market Value of the Bank's Securities Holdings¹

bil. yen

Item	End of fiscal 2019 (Mar. 31, 2020)			End of fiscal 2020 (Mar. 31, 2021)		
	Book value	Market value ²	Difference	Book value	Market value ²	Difference
Japanese government securities	485,918.1	499,362.0	13,443.9	532,165.2	541,596.6	9,431.4
Commercial paper	2,551.8	2,551.8	...	2,876.4	2,876.4	...
Corporate bonds	3,220.8	3,210.2	-10.5	7,498.4	7,478.7	-19.7
Pecuniary trusts ³ (stocks held as trust property)	708.2	1,531.1	822.8	566.1	1,736.4	1,170.2
Pecuniary trusts ³ (index-linked exchange-traded funds held as trust property)	30,912.2	31,220.3	308.1	36,064.9	51,509.3	15,444.4
Pecuniary trusts ³ (Japan real estate investment trusts held as trust property)	575.5	622.2	46.7	657.4	850.4	192.9

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

2. Based on market prices and other factors at the end of the fiscal year.

3. Comprises trust property on a contract basis; thus, book values are not necessarily equal to balance sheet amounts.

II. FINANCIAL STATEMENTS

1. Inventory of property as at March 31, 2021

Item	Value in yen	Unit (except where otherwise noted)
ASSETS		
Gold	441,253,409,037	
Cash	199,171,685,512	
Japanese government securities	532,165,254,025,240	Face value at 520,421,835,600,000 yen
Commercial paper	2,876,498,321,594	Face value at 2,876,300,000,000 yen
Corporate bonds	7,498,464,253,763	Face value at 7,466,000,000,000 yen
Pecuniary trusts (stocks held as trust property)	581,052,196,685	
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	35,879,608,384,323	
Pecuniary trusts (Japan real estate investment trusts held as trust property)	666,862,432,759	
Loans and bills discounted	125,840,264,000,000	
Electronic loans	125,840,264,000,000	2,007
Foreign currency assets	7,678,725,322,447	
Foreign currency deposits	3,236,039,822,888	
Foreign currency securities	1,960,183,406,414	
Foreign currency mutual funds	66,590,078,145	
Foreign currency loans	2,415,912,015,000	
Deposits with agents	18,140,315,418	Deposits with 75 agents
Other assets	488,470,717,403	
Bills and checks in process of collection	139,288,712	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
Withdrawn cash to be returned to the government	18,153,197,339	6
Accrued interest receivable	442,867,839,088	
Others	11,807,017,900	
Tangible fixed assets	222,790,202,481	
Buildings	107,714,922,130	606,827.52 square meters
Land	84,123,687,005	504,450.18 square meters
Lease assets	7,127,736,211	Number of lease property: 20,098
Construction in progress	12,450,857,762	
Other tangible fixed assets	11,372,999,373	Number of movable property: 9,952
Intangible fixed assets	123,898,021	
Utility rights	123,898,021	
Total assets	714,556,679,164,683	
LIABILITIES		
Banknotes	116,011,687,897,828	
Deposits (excluding those of the government)	549,372,716,990,778	
Current deposits	522,570,301,095,603	1,109
Other deposits	26,802,415,895,175	142
Deposits of the government	36,917,905,068,030	
Treasury deposit	150,000,000,000	
Domestic designated deposit	36,550,226,554,339	
Other government deposits	217,678,513,691	
Payables under repurchase agreements	594,785,230,947	15
Other liabilities	189,068,741,931	
Remittances payable	20,688,693,628	
Taxes payable	118,969,000,000	
Lease liabilities	7,524,737,035	
Others	41,886,311,268	
Provision for retirement benefits	205,016,728,470	
Provision for possible losses on bonds transactions	5,198,050,993,013	
Provision for possible losses on foreign exchange transactions	1,531,442,000,000	
Total liabilities	710,020,673,650,997	
NET ASSETS		
Capital	100,000,000	
Legal reserve	3,316,771,429,522	
Special reserve	13,196,452	
Net income	1,219,120,887,712	
Total net assets	4,536,005,513,686	
Total liabilities and net assets	714,556,679,164,683	

2. Balance sheet as at March 31, 2021

yen

ASSETS	
Gold	441,253,409,037
Cash	199,171,685,512
Japanese government securities	532,165,254,025,240
Commercial paper	2,876,498,321,594
Corporate bonds	7,498,464,253,763
Pecuniary trusts (stocks held as trust property)	581,052,196,685
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	35,879,608,384,323
Pecuniary trusts (Japan real estate investment trusts held as trust property)	666,862,432,759
Loans and bills discounted	125,840,264,000,000
Electronic loans	125,840,264,000,000
Foreign currency assets	7,678,725,322,447
Foreign currency deposits	3,236,039,822,888
Foreign currency securities	1,960,183,406,414
Foreign currency mutual funds	66,590,078,145
Foreign currency loans	2,415,912,015,000
Deposits with agents	18,140,315,418
Other assets	488,470,717,403
Bills and checks in process of collection	139,288,712
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
Withdrawn cash to be returned to the government	18,153,197,339
Accrued interest receivable	442,867,839,088
Others	11,807,017,900
Tangible fixed assets	222,790,202,481
Buildings	107,714,922,130
Land	84,123,687,005
Lease assets	7,127,736,211
Construction in progress	12,450,857,762
Other tangible fixed assets	11,372,999,373
Intangible fixed assets	123,898,021
Utility rights	123,898,021
Total assets	714,556,679,164,683
LIABILITIES	
Banknotes	116,011,687,897,828
Deposits (excluding those of the government)	549,372,716,990,778
Current deposits	522,570,301,095,603
Other deposits	26,802,415,895,175
Deposits of the government	36,917,905,068,030
Treasury deposit	150,000,000,000
Domestic designated deposit	36,550,226,554,339
Other government deposits	217,678,513,691
Payables under repurchase agreements	594,785,230,947
Other liabilities	189,068,741,931
Remittances payable	20,688,693,628
Taxes payable	118,969,000,000
Lease liabilities	7,524,737,035
Others	41,886,311,268
Provision for retirement benefits	205,016,728,470
Provision for possible losses on bonds transactions	5,198,050,993,013
Provision for possible losses on foreign exchange transactions	1,531,442,000,000
Total liabilities	710,020,673,650,997
NET ASSETS	
Capital	100,000,000
Legal reserve	3,316,771,429,522
Special reserve	13,196,452
Net income	1,219,120,887,712
Total net assets	4,536,005,513,686
Total liabilities and net assets	714,556,679,164,683

3. Statement of income for fiscal 2020 (April 1, 2020–March 31, 2021)

yen

Operating income	2,419,191,239,190
Interest on loans and discounts	86,714
Interest on loans	86,714
Interest and discounts on Japanese government securities	1,086,663,074,241
Interest on commercial paper	-306,629,619
Interest and discounts on corporate bonds	875,300,133
Gains on foreign currency assets	301,249,039,993
Foreign exchange gains	247,813,868,509
Gains on foreign currency securities	2,932,099,572
Gains on foreign currency mutual funds	4,736,776,343
Interest on foreign currency deposits and loans	45,766,295,569
Other operating income	1,030,710,367,728
Gains on pecuniary trusts (stocks held as trust property)	250,571,860,615
Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property)	727,587,733,770
Gains on pecuniary trusts (Japan real estate investment trusts held as trust property)	29,201,412,233
Fees and commissions	8,728,322,696
Other income	14,621,038,414
Operating expenses	442,774,087,299
Interest on payables under repurchase agreements	-5,585,015,571
General and administrative expenses and costs	199,023,651,189
Cost of production of banknotes	49,021,254,562
Administrative expenses for treasury business and Japanese government securities	17,970,476,583
Personnel expenses	51,219,945,101
Expenses for transportation and communications	2,909,836,544
Expenses for maintenance and repairs	2,087,038,211
Other general and administrative expenses and costs	46,156,804,770
Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes	14,193,473,539
Depreciation and amortization	15,464,821,879
Other general and administrative expenses	249,335,451,681
Interest on excess reserve balances under the complementary deposit facility	217,911,413,882
Fees and commissions paid	143,598,147
Other expenses	31,280,439,652
Operating profits	1,976,417,151,891
Special losses	523,455,482,018
Losses on disposal of fixed assets	791,482,018
Transfer to provision for possible losses on bonds transactions	398,758,000,000
Transfer to provision for possible losses on foreign exchange transactions	123,906,000,000
Net income before taxes	1,452,961,669,873
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	233,840,782,161
Net income	1,219,120,887,712

4. Summary of significant accounting policies

a. Securities

Yen-denominated bonds and CP² 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.

Stocks, beneficiary interests in index-linked exchange-traded funds, and investment equities issued by real estate investment corporations are valued at cost determined by the moving-average method.

Impairment procedures will be applied for CP, corporate bonds,³ stocks, beneficiary interests in index-linked exchange-traded funds, and investment equities issued by real estate investment corporations whose market values have fallen considerably.

Securities held as trust property in pecuniary trusts⁴ 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 on or 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. However, depreciation for accessory equipment acquired on or after April 1, 2016, is computed using the straight-line 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.

2. CP here comprises the following types, in dematerialized or physical form: (1) CP issued by domestic corporations; (2) CP issued by foreign corporations with guarantees (dematerialized only); (3) asset-backed CP; and (4) CP issued by real estate investment corporations.

3. Includes bonds issued by real estate investment corporations.

4. 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.

(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 foreign exchange rate prevailing at the time of subscription. Assets and liabilities deriving from the Bank's U.S. Dollar Funds-Supplying Operations against Pooled Collateral are translated into yen at the 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

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

The method of attributing projected benefits to periods up to the fiscal year-end is based on the straight-line method. Prior service cost is amortized 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 10 years). Unrecognized actuarial differences are amortized from the fiscal year following the one in which the difference arises; this is also done using the straight-line method.

(3) Provision for possible losses on bonds transactions

The provision for possible losses on bonds transactions is maintained pursuant to the following rules and regulations: Article 15 of the Order for Enforcement of the Bank of Japan Act and Article 1-2 of the Supplementary Provisions of this order; Articles 9, 10, and 11 of the Ordinance for Enforcement of the Bank of Japan Act and Article 3 of the Supplementary Provisions of this ordinance; and Article 18 of the Bank's Accounting Rules and the Supplementary Provisions of these rules.

(4) Provision for possible losses on foreign exchange transactions

The provision for possible losses on foreign exchange transactions is maintained pursuant to the following rules and regulations: Article 15 of the Order for

Enforcement of the Bank of Japan Act; 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.

(5) Provisions for unrealized losses on stockholdings, index-linked exchange-traded fund holdings, and Japan real estate investment trust holdings

Provisions for unrealized losses on stockholdings, index-linked exchange-traded fund holdings, and Japan real estate investment trust holdings will be registered for the difference between the market value and the book value for each in cases where the market value is less than the book value.

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 and intangible fixed assets.

2. Operating lease transactions

Future minimum lease payments for non-cancelable operating lease transactions

a. Lessee

	mil. yen
Within one year	177
More than one year	422
<hr/>	
Total	599

b. Lessor

	mil. yen
Within one year	1
More than one year	26
<hr/>	
Total	28

Explanatory Notes to Accounting for Retirement Benefits¹

1. Reconciliation of beginning and ending balances of the projected benefit obligation

	yen
Projected benefit obligation at the beginning of fiscal 2020	232,046,676,000
Service cost	5,827,258,000
Interest cost	927,945,000
Actuarial differences	3,260,105,478
Retirement benefits paid	-9,866,305,478
Prior service cost	...
<hr/>	
Projected benefit obligation at the end of fiscal 2020	232,195,679,000

2. Reconciliation of the projected benefit obligation and the provision for retirement benefits

	yen
Projected benefit obligation	232,195,679,000
Fair value of plan assets	...
<hr/>	
Unfunded projected benefit obligation	232,195,679,000
Unrecognized actuarial differences	-33,784,215,655
Unrecognized prior service cost	6,605,265,125
<hr/>	
Net amount recorded on the balance sheet	205,016,728,470
Prepaid pension cost	...
<hr/>	
Provision for retirement benefits	205,016,728,470

3. Retirement benefit cost

	yen
Service cost	5,827,258,000
Interest cost	927,945,000
Expected return on plan assets	...
Amortization of actuarial differences	6,298,445,757
Amortization of prior service cost	-1,487,408,600
<hr/>	
Retirement benefit cost	11,566,240,157

4. Assumptions

Discount rate	0.4%
Long-term expected rate of return on plan assets	...

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

5. Auditors' opinion⁵

May 12, 2021

Auditors' Opinion on the Bank of Japan's Financial Statements for Fiscal 2020

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 2020 indicated below. In our opinion, the financial statements present fairly the state of property and the results of operations for fiscal 2020.

The financial statements comprise the following:
Inventory of property as at March 31, 2021;
Balance sheet as at March 31, 2021; and
Statement of income for fiscal 2020.

ONOZAWA Yoji
FUJITA Hirokazu
SAKAMOTO Tetsuya

Auditors, Bank of Japan

6. Appropriation of net income for fiscal 2020

yen

Net income	1,219,120,887,712
Appropriations:	
Transfer to legal reserve	60,956,044,386
Dividends, 5 percent of share face value	5,000,000
Payment to the government	1,158,159,843,326
Total	1,219,120,887,712

5. This presents a translation, for convenience only, of the original report issued in Japanese.

III. SCHEDULE FOR THE FINANCIAL STATEMENTS

1. Details of assets

yen

Item	Balance at the beginning of fiscal 2020	Balance at the end of fiscal 2020	Changes during fiscal 2020
1. Gold	441,253,409,037	441,253,409,037	0
2. Cash¹	205,061,074,044	199,171,685,512	-5,889,388,532
3. Japanese government securities	485,918,129,988,422	532,165,254,025,240	46,247,124,036,818
Treasury discount bills	12,376,748,753,584	36,388,231,152,452	24,011,482,398,868
Japanese government bonds	473,541,381,234,838	495,777,022,872,788	22,235,641,637,950
2-year bonds	24,652,914,488,787	31,044,438,948,862	6,391,524,460,075
5-year bonds	103,090,204,751,684	102,544,470,974,306	-545,733,777,378
10-year bonds	195,783,509,606,789	207,750,903,943,789	11,967,394,337,000
20-year bonds	100,693,959,571,233	104,291,742,669,927	3,597,783,098,694
30-year bonds	35,650,417,776,620	36,946,706,216,180	1,296,288,439,560
40-year bonds	7,736,061,284,948	7,855,409,556,225	119,348,271,277
Floating-rate bonds	3,190,677,058,322	1,877,939,316,754	-1,312,737,741,568
Inflation-indexed bonds	2,743,636,696,455	3,465,411,246,745	721,774,550,290
4. Commercial paper²	2,551,889,033,716	2,876,498,321,594	324,609,287,878
Dematerialized commercial paper	2,551,889,033,716	2,876,498,321,594	324,609,287,878
5. Corporate bonds³	3,220,825,190,968	7,498,464,253,763	4,277,639,062,795
6. Pecuniary trusts (stocks held as trust property)⁴	727,714,519,973	581,052,196,685	-146,662,323,288
Stocks	708,268,080,053	566,152,079,265	-142,116,000,788
Dividends receivable and others	19,446,439,920	14,900,117,420	-4,546,322,500
7. Pecuniary trusts (index-linked exchange-traded funds held as trust property)⁵	29,718,938,645,617	35,879,608,384,323	6,160,669,738,706
Index-linked exchange-traded funds	29,718,938,645,617	35,879,567,019,446	6,160,628,373,829
Money trust received as collateral	0	159,478,011,467	159,478,011,467
Accrued income receivable from lending transactions	0	41,364,877	41,364,877
Payables under lending transactions	0	159,478,011,467	159,478,011,467
8. Pecuniary trusts (Japan real estate investment trusts held as trust property)⁶	575,305,889,680	666,862,432,759	91,556,543,079
Japan real estate investment trusts	567,476,100,601	657,491,826,035	90,015,725,434
Distributions receivable	7,829,789,079	9,370,606,724	1,540,817,645
9. Loans and bills discounted	54,328,648,000,000	125,840,264,000,000	71,511,616,000,000
Electronic loans	54,328,648,000,000	125,840,264,000,000	71,511,616,000,000
Loans by Funds-Supplying Operations against Pooled Collateral ⁷	54,328,648,000,000	125,840,264,000,000	71,511,616,000,000
10. Foreign currency assets	25,966,256,288,216	7,678,725,322,447	-18,287,530,965,769
Foreign currency deposits ⁸	1,732,262,396,986	3,236,039,822,888	1,503,777,425,902
Foreign currency securities ⁹	2,355,224,668,143	1,960,183,406,414	-395,041,261,729
Foreign currency mutual funds	60,613,713,087	66,590,078,145	5,976,365,058
Foreign currency loans ¹⁰	21,818,155,510,000	2,415,912,015,000	-19,402,243,495,000
11. Deposits with agents¹¹	23,994,220,003	18,140,315,418	-5,853,904,585

Notes: 1. Coins reserved for circulation.

2. Comprises the following types in dematerialized or physical form: (1) CP issued by domestic corporations; (2) CP issued by foreign corporations with guarantees (dematerialized only); (3) asset-backed CP; and (4) CP issued by real estate investment corporations.

3. Includes corporate bonds issued by real estate investment corporations.

4. Comprises stocks purchased from financial institutions through a trust bank, and dividends receivable and others.

5. Comprises (1) beneficiary interests in index-linked exchange-traded funds purchased through a trust bank, (2) distributions receivable, (3) money trust received as collateral in transactions involving the lending of beneficiary interests in index-linked exchange-traded funds, (4) accrued income receivable from lending transactions, and (5) payables under lending transactions (liabilities) for money trust received as collateral.

6. Comprises investment equities issued by real estate investment corporations purchased through a trust bank and distributions receivable.

7. Includes the amounts outstanding of: (1) loans made through the Fixed-Rate Funds-Supplying Operation against Pooled Collateral; (2) loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth (hereafter the Growth-Supporting Funding Facility) conducted through the Loan Support Program (excluding loans disbursed pursuant to the special rules for the U.S. dollar lending arrangement); (3) loans made under the Fund-Provisioning Measure to Stimulate Bank Lending conducted through the Loan Support Program; and (4) loans made through the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), as the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19) were renamed on April 27, 2020. The balance at the fiscal year-end also includes the amount outstanding of loans made through the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas. In addition, the balances at the beginning and end of the fiscal year include the amounts outstanding of loans made under the principal terms and conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas and the principal terms and conditions for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas of the 2016 Kumamoto Earthquake, both of which became invalid on June 30, 2020.

8. Deposits held at foreign central banks and the Bank for International Settlements (BIS).

9. Includes securities issued by foreign governments.

10. The amount outstanding at the beginning of the fiscal year comprises that of loans disbursed pursuant to the special rules for the U.S. dollar lending arrangement to enhance the Growth-Supporting Funding Facility conducted through the Loan Support Program and that of loans arising from the U.S. Dollar Funds-Supplying Operations against Pooled Collateral. The amount outstanding at the fiscal year-end comprises that of loans disbursed pursuant to the special rules for the U.S. dollar lending arrangement to enhance the Growth-Supporting Funding Facility conducted through the Loan Support Program.

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

yen

Item	Balance at the beginning of fiscal 2020	Balance at the end of fiscal 2020	Changes during fiscal 2020
12. Other assets	590,051,545,382	488,470,717,403	-101,580,827,979
Bills and checks in process of collection ¹²	6,356,685	139,288,712	132,932,027
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 ¹³	15,278,374,364	15,278,374,364	0
Withdrawn cash to be returned to the government ¹⁴	38,707,429,941	18,153,197,339	-20,554,232,602
Refund on accrued tax	52,621,989,719	0	-52,621,989,719
Accrued interest receivable	470,183,576,216	442,867,839,088	-27,315,737,128
Others	13,028,818,457	11,807,017,900	-1,221,800,557

Notes: 12. Checks and bills received as cash and in process of collection.

13. A subscription to the BIS.

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

yen

Item	Balance at the beginning of fiscal 2020	Increase during fiscal 2020	Decrease during fiscal 2020	Of which:	Balance at the end of fiscal 2020	Cumulative total of depreciation
				Depreciation		
13. Tangible fixed assets¹⁵	216,444,108,401	31,501,825,140	25,155,731,060	14,199,490,214	222,790,202,481	375,355,538,647
Buildings ^{16,17}	105,726,690,246 (613,442.13)	9,765,865,800 (1,629.47)	7,777,633,916 (8,244.08)	7,435,457,607 (...)	107,714,922,130 (606,827.52)	344,288,596,586 (...)
Land ¹⁶	84,124,182,999 (507,049.75)	0 (131.86)	495,994 (2,731.43)	... (...)	84,123,687,005 (504,450.18)	... (...)
Lease assets ^{18,19}	7,598,665,055 (21,983)	3,340,953,107 (1,519)	3,811,881,951 (3,404)	3,802,315,121 (...)	7,127,736,211 (20,098)	9,281,299,929 (...)
Construction in progress ²⁰	7,458,248,538	15,570,470,251	10,577,861,027	...	12,450,857,762	...
Other tangible fixed assets ^{21,22}	11,536,321,563 (9,940)	2,824,535,982 (369)	2,987,858,172 (357)	2,961,717,486 (...)	11,372,999,373 (9,952)	21,785,642,132 (...)

Notes: 15. "..." indicates that figures are not applicable.

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

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

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

19. The increase in "lease assets" was mainly due to new lease contracts on electronic data processing systems.

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

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

22. The increase in "other tangible fixed assets" was mainly due to purchase of new automatic banknote examination machines.

yen

Item	Balance at the beginning of fiscal 2020	Increase during fiscal 2020	Decrease during fiscal 2020	Of which:	Balance at the end of fiscal 2020	Cumulative total of depreciation
				Depreciation		
14. Intangible fixed assets	129,890,768	1,705,017	7,697,764	7,697,764	123,898,021	882,706,343
Utility rights	129,890,768	1,705,017	7,697,764	7,697,764	123,898,021	882,706,343

Appendix: Details of loans provided through the Loan Support Program

yen

Item	Balance at the beginning of fiscal 2020	Balance at the end of fiscal 2020	Changes during fiscal 2020
Total amount outstanding	51,741,428,000,000	62,412,276,015,000	10,670,848,015,000
Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth ¹	8,927,628,000,000	8,157,976,015,000	-769,651,985,000
Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending	42,813,800,000,000	54,254,300,000,000	11,440,500,000,000

Note: 1. The amount outstanding of loans made under the Growth-Supporting Funding Facility conducted through the Loan Support Program (including loans disbursed pursuant to the special rules for the U.S. dollar lending arrangement).

2. Details of liabilities and net assets

yen

Item	Balance at the beginning of fiscal 2020	Balance at the end of fiscal 2020	Changes during fiscal 2020
1. Banknotes	109,616,575,483,650	116,011,687,897,828	6,395,112,414,178
10,000 yen notes	101,595,164,260,000	107,784,191,960,000	6,189,027,700,000
5,000 yen notes	3,396,965,820,000	3,577,432,612,500	180,466,792,500
2,000 yen notes	195,340,610,000	192,673,421,000	-2,667,189,000
1,000 yen notes	4,285,752,109,500	4,315,216,634,000	29,464,524,500
Other banknotes ¹	143,352,684,150	142,173,270,328	-1,179,413,822
2. Deposits (excluding those of the government)	447,076,239,363,367	549,372,716,990,778	102,296,477,627,411
Current deposits	395,256,035,035,254	522,570,301,095,603	127,314,266,060,349
Other deposits ²	51,820,204,328,113	26,802,415,895,175	-25,017,788,432,938
3. Deposits of the government	12,633,850,593,434	36,917,905,068,030	24,284,054,474,596
Treasury deposit	150,001,026,112	150,000,000,000	-1,026,112
Domestic designated deposit ³	12,239,860,364,524	36,550,226,554,339	24,310,366,189,815
Other government deposits ⁴	243,989,202,798	217,678,513,691	-26,310,689,107
4. Payables under repurchase agreements⁵	24,116,347,566,200	594,785,230,947	-23,521,562,335,253
Sales of Japanese government securities under repurchase agreements	4,010,698,682,000	0	-4,010,698,682,000
Securities lending as a secondary source of Japanese government securities	860,938,924,202	594,785,230,947	-266,153,693,255
Securities lending to provide Japanese government securities as collateral for the U.S. dollar funds-supplying operations	19,244,709,959,998	0	-19,244,709,959,998
5. Other liabilities	84,086,119,657	189,068,741,931	104,982,622,274
Remittances payable	14,760,764,172	20,688,693,628	5,927,929,456
Taxes payable	28,031,000,000	118,969,000,000	90,938,000,000
Lease liabilities	7,988,759,130	7,524,737,035	-464,022,095
Others ⁶	33,305,596,355	41,886,311,268	8,580,714,913

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 foreign central banks and others.

3. A deposit to which the surplus funds from management of the treasury are transferred from the "treasury deposit."

4. 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.

5. Monetary obligations arising from sales of JGSs under repurchase agreements.

6. 37,428,470,229 yen of the amount outstanding of "others" at the fiscal year-end comprises accrued interest on excess reserve balances under the complementary deposit facility.

yen

Item	Balance at the beginning of fiscal 2020	Increase during fiscal 2020	Decrease during fiscal 2020	Balance at the end of fiscal 2020
6. Provisions⁷	6,410,145,786,804	534,230,240,157	9,866,305,478	6,934,509,721,483
Provision for retirement benefits	203,316,793,791	11,566,240,157	9,866,305,478	205,016,728,470
Provision for possible losses on bonds transactions	4,799,292,993,013	398,758,000,000	0	5,198,050,993,013
Provision for possible losses on foreign exchange transactions	1,407,536,000,000	123,906,000,000	0	1,531,442,000,000
7. Net assets	3,252,120,822,545	64,763,803,429	0	3,316,884,625,974
Capital	100,000,000	0	0	100,000,000
Legal reserve ⁸	3,252,007,626,093	64,763,803,429	0	3,316,771,429,522
Special reserve ⁹	13,196,452	0	0	13,196,452

Notes: 7. Appropriated in accordance with the Bank's significant accounting policies.

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

9. To ease the reconstruction of financial institutions after World War II, the Bank, along with private financial institutions, suspended the 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 for fiscal 2020

a. Operating income

Interest on loans and discounts	
Interest on loans	86,714 yen from electronic loans.
Interest and discounts on Japanese government securities	1,086,663,074,241 yen from interest income on Japanese government securities after adjustment.
Interest on commercial paper	-306,629,619 yen from interest income on commercial paper after adjustment.
Interest and discounts on corporate bonds	875,300,133 yen from interest income on corporate bonds after adjustment.
Gains on foreign currency assets	
Foreign exchange gains	247,813,868,509 yen from gains on foreign currency assets resulting from revaluation following fluctuations in foreign exchange rates.
Gains on foreign currency securities	Total of 31,662,636,348 yen from interest and discounts on foreign currency securities and 3,801,039 yen from lending fees on them; and 28,734,337,815 yen of losses arising from sale, redemption, and revaluation at end-March 2021 of foreign currency securities.
Gains on foreign currency mutual funds	4,736,776,343 yen
Interest on foreign currency deposits and loans	45,766,295,569 yen
Other operating income	
Gains on pecuniary trusts (stocks held as trust property)	250,571,860,615 yen mainly from gains on sales.
Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property)	727,587,733,770 yen mainly from distributions.
Gains on pecuniary trusts (Japan real estate investment trusts held as trust property)	29,201,412,233 yen mainly from distributions.
Fees and commissions	8,728,322,696 yen for fees and commissions for operations regarding Japanese government securities, the Bank of Japan Financial Network System (BOJ-NET), foreign exchange transactions, and other operations.
Other income	14,621,038,414 yen from transfer from provision for retirement benefits and other income.

b. Operating expenses

Interest on payables under repurchase agreements	5,585,015,571 yen from interest income on sales of Japanese government securities under repurchase agreements.
General and administrative expenses and costs	
Cost of production of banknotes	49,021,254,562 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	17,970,476,583 yen from fees and commissions paid to agents of the Bank for administration of treasury business and Japanese government securities.
Personnel expenses	429,811,400 yen for remuneration of the officers; 40,885,684,223 yen for remuneration of the employees; and 9,904,449,478 yen for retirement allowances.
Expenses for transportation and communications	1,037,871,973 yen for expenses for transportation and 1,871,964,571 yen for expenses for communications.
Expenses for maintenance and repairs	2,087,038,211 yen on offices and other premises.
Other general and administrative expenses and costs	933,870,609 yen for the cost of expendable supplies; 1,408,233,223 yen for expenses for electricity and water supply; 6,155,776,973 yen for leasing fees for buildings and equipment; 10,121,503,632 yen for expenses for maintenance of buildings and equipment; and 27,537,420,333 yen for miscellaneous expenses.
Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes	14,193,473,539 yen for taxes and public charges (including fixed-asset tax and urban development tax).
Depreciation and amortization	15,464,821,879 yen on buildings and lease assets.
Other general and administrative expenses	
Interest on excess reserve balances under the complementary deposit facility	217,911,413,882 yen (net difference between interest payment of 246,487,545,887 yen on excess reserve balances to which a positive interest rate is applied and interest income of 28,576,132,005 yen on the balances to which a negative interest rate is applied).
Fees and commissions paid	143,598,147 yen
Other expenses	31,280,439,652 yen for interest payments on currency swap transactions, transfer to provision for retirement benefits, withholding income tax not subject to tax credit, and other expenses.

c. Special losses

Losses on disposal of fixed assets	791,482,018 yen for losses on demolition of offices and other losses.
Transfer to provision for possible losses on bonds transactions	398,758,000,000 yen
Transfer to provision for possible losses on foreign exchange transactions	123,906,000,000 yen

d. Net income

Net income before taxes	1,452,961,669,873 yen
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	233,840,782,161 yen
Net income	1,219,120,887,712 yen

IV. EXPENSES

With regard to the Bank's statement of accounts for fiscal 2020 (the 136th fiscal year), the total amount of actual expenses decreased by 0.6 percent (1.1 billion yen) to 198.8 billion yen compared to the previous fiscal year. This was due to decreases in the "cost of fixed-asset purchases" and in a wide range of other items including "expenses for transportation and communications," mainly reflecting the impact of COVID-19, although there were increases in "administrative expenses for treasury business and Japanese government securities" and the "cost of production of banknotes."

1. Statement of accounts for fiscal 2020

yen

Item	Initial budget	Adjusted budget ¹	Actual	Surpluses	Changes from the previous year (actual)
Cost of production of banknotes	53,923,404,000	53,923,404,000	53,923,380,000	24,000	1,496,188,000
Administrative expenses for treasury business and Japanese government securities	20,549,844,000	20,549,844,000	19,648,159,845	901,684,155	2,747,292,656
Personnel expenses	53,134,130,000	53,134,130,000	51,288,627,543	1,845,502,457	-930,168,138
Remuneration of the officers	432,821,000	432,821,000	429,811,400	3,009,600	-2,929,700
Remuneration of the employees	42,155,660,000	42,155,660,000	40,954,366,665	1,201,293,335	-621,312,943
Retirement allowances	10,545,649,000	10,545,649,000	9,904,449,478	641,199,522	-305,925,495
Expenses for transportation and communications	4,347,283,000	4,347,283,000	3,153,366,764	1,193,916,236	-836,841,541
Expenses for transportation	2,187,263,000	2,187,263,000	1,127,489,324	1,059,773,676	-838,715,607
Expenses for communications	2,160,020,000	2,160,020,000	2,025,877,440	134,142,560	1,874,066
Expenses for maintenance and repairs	2,338,222,000	2,338,222,000	2,295,742,001	42,479,999	-319,446,202
Other general and administrative expenses and costs	53,435,000,000	53,435,000,000	49,853,311,303	3,581,688,697	-1,404,341,219
Cost of expendable supplies	1,136,148,000	1,136,148,000	1,026,006,233	110,141,767	-126,742,121
Expenses for electricity and water supply	1,892,815,000	1,892,815,000	1,548,737,105	344,077,895	-114,109,878
Leasing fees for buildings and equipment	6,914,564,000	6,914,564,000	6,663,096,686	251,467,314	-49,982,800
Expenses for maintenance of buildings and equipment	11,664,554,000	11,664,554,000	11,127,664,624	536,889,376	934,881,305
Miscellaneous expenses	31,826,919,000	31,826,919,000	29,487,806,655	2,339,112,345	-2,048,387,725
Subtotal	187,727,883,000	187,727,883,000	180,162,587,456	7,565,295,544	752,683,556
Cost of fixed-asset purchases	19,091,405,000	19,091,405,000	18,657,073,440	434,331,560	-1,857,653,475
Of which: Subject to the approval of the Minister of Finance ²	4,456,878,000	4,456,878,000	4,342,246,539	114,631,461	-494,206,909
Contingency funds	1,000,000,000	1,000,000,000	0	1,000,000,000	0
Total	207,819,288,000	207,819,288,000	198,819,660,896	8,999,627,104	-1,104,969,919
Of which: Subject to the approval of the Minister of Finance ²	193,184,761,000	193,184,761,000	184,504,833,995	8,679,927,005	258,476,647

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 statement 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.

2. Expenses by area of business operation for fiscal 2020'

mil. yen

Area of business operation	Expenses	Changes from a year earlier	
		Changes from a year earlier	Share of total (percent)
Issuance of banknotes	85,429	+1,043	42.9
Monetary policy	21,347	-1,266	10.7
Financial system policy	18,191	-251	9.1
Payment and settlement systems	29,331	-445	14.7
Services relating to the government ²	44,726	+1,187	22.5
Total	199,024	+268	100.0

Notes: 1. Calculated based on "general and administrative expenses and costs" (199.0 billion yen) in the statement of income for fiscal 2020 (the 136th 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.

Appendixes

■ **Appendix 1: Overview of Audits of the Bank of Japan**

■ **Appendix 2: Medium-Term Strategic Plan
(Fiscal 2019–2023)**

APPENDIX 1: OVERVIEW OF AUDITS OF THE BANK OF JAPAN

Pursuant to the provisions of the Bank of Japan Act and in accordance with the Bank's internal rules, the following audits were conducted by the Auditors of the Bank in fiscal 2020 and at the beginning of fiscal 2021.

I. Audits of the Bank's Financial Statements and Other Documents¹

A. Financial Statements and Other Documents for Fiscal 2019

In May 2020, the Auditors audited the Bank's financial statements and other documents, specifically, the inventory of property, the balance sheet, the statement of income, the statement of accounts, the appropriation of net income, and the schedule for the financial statements for fiscal 2019 (the 135th fiscal year) as well as the statement of income for the second half of fiscal 2019.

The Auditors submitted to the Governor their written opinions indicating that the financial statements and other documents presented fairly the state of property, the results of operations, and the expenses for fiscal 2019 as well as the results of operations for the second half of fiscal 2019.

B. Financial Statements and Other Documents for the First Half of Fiscal 2020

From October through to early November 2020, the Auditors audited the Bank's financial statements and other documents, specifically, the inventory of property, the balance sheet, the statement of income, and the

schedule for the financial statements for the first half of fiscal 2020 (the 136th fiscal year).

The Auditors submitted to the Governor their written opinions indicating that the financial statements and other documents presented fairly the state of property and the results of operations for the first half of fiscal 2020.

C. Financial Statements and Other Documents for Fiscal 2020

From April through to early May 2021, the Auditors audited the Bank's financial statements and other documents, specifically, the inventory of property, the balance sheet, the statement of income, the statement of accounts, the appropriation of net income, and the schedule for the financial statements for fiscal 2020 as well as the statement of income for the second half of fiscal 2020.

The Auditors submitted to the Governor their written opinions indicating that the financial statements and other documents presented fairly the state of property, the results of operations, and the expenses for fiscal 2020 as well as the results of operations for the second half of fiscal 2020.

II. Audits of Cash, Securities, and Books

In fiscal 2020, the Auditors conducted a total of 37 audits on 7 Head Office departments and 23 branches of the Bank, examining cash and securities in their custody as well as their books.

1. The first half of the fiscal year runs from April 1 through September 30, and the second half from October 1 through March 31.

III. Audits of the Bank's Business Operations and Expenses

In fiscal 2020, the Auditors conducted audits on 23 branches and 8 of the Bank's local offices in Japan to assess business operations and expenses. They also conducted a total of 151 meetings with Head Office departments to review the execution of business

operations and expenses, receiving explanatory overviews of business operations at each department as well as reports concerning high-priority issues from relevant departments. In addition, they conducted 299 examinations of key documents and 8 special on-site visits to the Bank's premises.

APPENDIX 2: MEDIUM-TERM STRATEGIC PLAN (FISCAL 2019–2023)^{1,2}**I. Introduction**

The Bank's *Medium-Term Strategic Plan (Fiscal 2019–2023)* (Plan) sets the basic direction for the Bank's business operations and organizational management during the five-year period.

The Plan's content will remain, in principle, fixed during fiscal 2019–2023, with a view to clarifying the Bank's objectives over the medium term and to ensuring proper assessment of its performance.

The Bank will conduct an interim review of the Plan in or around fiscal 2021, in order to enable the Bank to address any changes in the environment. It will flexibly revise the Plan as appropriate in response to any significant changes.

II. The Bank's Organizational Principles

The Bank's organizational principles constitute the set of fundamental values to be respected by the Bank, as the central bank of Japan. The officers and employees of the Bank must respect these principles at all times in the conduct of business operations. The Bank will secure public confidence through the appropriate conduct of its policies and business operations in accordance with the organizational principles listed below.

Public Interest

The Bank shall promote the public interest by fulfilling the core purposes stipulated in the Bank of Japan Act.³

Transparency

The Bank shall demonstrate proper accountability in its policies and business operations via its various external relationships.

Excellence

The Bank shall pursue excellence in the provision of central banking services, responding appropriately to changes in the environment.

Integrity

The Bank shall ensure integrity in the execution of duties by each officer and employee, requiring that they uphold high moral standards.

Effectiveness and Efficiency

The Bank shall make effective and efficient use of management resources in its conduct of business operations and organizational management.

III. Background and Management Guidelines

Turning to the environment surrounding central banks, economic and financial globalization has continued. Meanwhile, innovation and application of information technology (IT) such as digitalization have accelerated, and this has started to produce wide-ranging and diverse effects on economic and financial activities. In Japan, the economic and financial impact of structural social changes such as the declining and aging of the population has been increasing. In the wider context of the global economy and society, Japan is expected to address the Sustainable Development Goals (SDGs) adopted in 2015 at the United Nations General Assembly. These conditions

1. Decided by the Policy Board on March 22, 2019.

2. Following *The Bank of Japan's Strategic Priorities for Fiscal 2014–2018* ending in March 2019, the Bank formulated this statement for the five-year period starting April 2019.

3. The Bank of Japan Act determines the Bank's core purposes as follows: Article 1 stipulates that the Bank is required to issue banknotes, carry out currency and monetary control, and maintain the stability of the financial system, and Article 2 stipulates that currency and monetary control shall be aimed at achieving price stability, thereby contributing to the sound development of the national economy.

present central banks with an increasingly wide range of challenges, and it has become ever more important for them to respond appropriately to changes in the environment.

Based on the above understanding, in order to properly perform its role as the central bank of Japan, the Bank has set the following three management guidelines for the Plan.

A. Work Cohesively to Fulfill Its Missions

The Bank's missions are to achieve price stability and to ensure the stability of the financial system. To achieve price stability, the Bank has set the price stability target at 2 percent in terms of the year-on-year rate of change in the consumer price index (CPI). It will continue to work cohesively to fulfill these missions, with its officers and employees sharing the understanding that doing so promotes the public interest. In this regard, it is important for the Bank to communicate to the public its policies and business operations in a readily understandable way and to listen carefully to outside opinion. Recognizing this, the Bank will further enhance its communication while expanding its relationships both inside and outside Japan.

B. Enhance Flexibility in Responding to a Changing Environment

The environment surrounding central banks has been subject to significant change, and thus it has become important for them to enhance their flexibility in responding to these changes. To this end, the Bank will reinforce its operational arrangements for responding to such changes through initiatives including continuously reviewing and revising its business operations, raising operational efficiency, and making effective use of management resources. It will also secure the staff needed to effectively execute its business operations and organizational management by fostering human

resources with a high degree of central banking expertise while also promoting diversity in the workplace. With this in mind, the Bank will cultivate a workplace environment favorable to improving the productivity of business operations and conducive to varied and flexible working arrangements, so that each employee can realize their full potential.

C. Execute Business Operations with Stability and Integrity

The Bank's missions are fulfilled through the execution of a wide range of central banking operations; the stability and integrity with which it executes these operations are what underpin public confidence in the Bank. Meanwhile, central banks have been facing, and are expected to continue to face, an increasingly wide range of challenges. Given these considerations, the Bank will ensure the stable execution of business operations by managing its operational risks properly while maintaining and further enhancing the operational reliability and individual expertise of its employees, which have been cultivated through long years of workplace experience. It will also continue to secure the complete integrity with which its officers and employees execute their duties.

IV. Challenges Accompanying IT Advances

The Bank will pursue its strategic objectives for business operations and organizational management, in accordance with the organizational principles that constitute the Bank's fundamental values, and the management guidelines that indicate the priorities of the Plan. In a situation where advances in IT have started to produce wide-ranging and diverse effects on economic and financial activities, it is highly important for the Bank to address the accompanying challenges in conducting both business operations and organizational management.

While considering from a medium- to long-term perspective how the growing impact of advances in IT will affect the Bank's business operations and the conditions at counterparties such as financial institutions, the Bank will proactively address any new challenges that arise and make all necessary operational adjustments. With regard to organizational management, the Bank, putting an emphasis on further use of IT, will tackle a wide range of tasks to improve operational efficiency, reduce operational risks, and use management resources effectively throughout the five-year period of the Plan. The Bank will also coordinate its efforts with the initiatives of the government and private sector in utilizing IT.

V. Strategic Objectives for Business Operations

The Bank will focus on the following strategic objectives for its business operations.

A. Plan and Formulate Monetary Policy Measures That Facilitate Policy Conduct

On its way to achieving sustainable growth with price stability, Japan's economy is expected to experience various changes in economic and financial conditions, including the impact of advances in IT.

With a view to responding appropriately to such changes and providing a firm underpinning for the conduct of monetary policy, the Bank will carry out the requisite research and analysis on economic and financial conditions at home and abroad from multiple perspectives.

Based on such multi-perspective analysis of the efficacy and impacts of monetary policy, the Bank will plan and formulate monetary policy measures flexibly. In addition, it will work to have the necessary operational arrangements in place so that market operations are conducted properly, in line with monetary policy decisions.

B. Ensure the Stability and Improve the Functioning of the Financial System

It is essential to ensure the stability and improve the functioning of the financial system in order to provide support from the financial side for Japan's economy to strengthen its growth potential.

In this regard, the Bank will appropriately plan, formulate, and execute business operations such as the selection of financial institutions that can hold current accounts at the Bank and the provision of loans.

The Bank, through on-site examinations and off-site monitoring, will also thoroughly assess business conditions at individual financial institutions in terms of their business environments, business strategies and operations, risk management, profitability, and capital bases, while considering the impacts of demographic changes and advances in IT. In particular, due attention will be paid to structural issues affecting their profits and to changes in their risk profiles accompanying developments in their business operations at home and abroad. Based on its assessments, the Bank, while utilizing IT, will identify and share issues of managerial concern with financial institutions and provide support as they make necessary improvements.

In planning and formulating financial system policy measures, the Bank will continue to place importance on taking a macroprudential perspective. As a prerequisite for this, it will enhance its research and analysis on the stability and functioning of the financial system as a whole, taking into consideration, for example, the diversification of financial service providers.

Meanwhile, in order to ensure financial system stability, the Bank will stand ready to act effectively as the lender of last resort for individual financial institutions and financial markets if necessary.

The Bank will address these objectives in due cooperation with relevant parties.

C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures

The Bank will enhance Japan's payment and settlement services in response to the diversification of payment and settlement needs and financial globalization while maintaining an accurate grasp of environmental changes such as the spread of new financial and settlement services and operational changes at financial institutions. From this perspective, the Bank, as a central bank, will actively contribute to discussions and initiatives regarding new possibilities and challenges accompanying IT advances through close communication with a wide range of relevant service providers at home and abroad.

Regarding its payment and settlement services, the Bank will promote initiatives to realize payment and settlement for cross-border transactions in yen or Japanese government bonds by making effective use of the Bank of Japan Financial Network System (BOJ-NET). It will also proceed with wide-ranging deliberations on the applicability of newly developed IT to its payment and settlement infrastructure.

Meanwhile, the Bank will conduct appropriate oversight of financial market infrastructures, while considering changes in the environment.

The Bank will also work actively to reinforce financial market infrastructures in Japan to reduce settlement risk and strengthen market functioning, while giving due consideration to international developments and working in close cooperation with market participants.

D. Conduct Stable and Efficient Central Banking Operations

The Bank will work to secure confidence in the use of banknotes and coins while employing new technology. In this regard, it will conduct business operations such as the receipt and payment of cash and the examination of banknotes and coins in a precise and stable manner.

In addition, the Bank will, in cooperation with relevant institutions, strengthen the monitoring of the cleanliness of banknotes in circulation and enhance its efforts to address counterfeiting.

The Bank will also maintain an accurate grasp of trends in cash circulation and improve the stability and efficiency of operational frameworks based on the information gathered.

With regard to banking operations, the Bank will, on a daily basis, continue to settle financial transactions involving current account deposits that financial institutions hold at the Bank and conduct market operations, implementing all of these in an accurate and stable manner. As for treasury funds and Japanese government securities (JGSs), the Bank will carry out a wide range of services with precision.

For both banking operations and services relating to treasury funds and JGSs, the Bank will continuously assess the stability and efficiency of its operational and other frameworks, while taking due account of, for example, trend changes in workloads and developments in the environment surrounding counterparties.

E. Contribute to International Finance amid Globalization

Amid further globalization and continuing growth in business and financial transactions between Japanese institutions and counterparties located in Asia, economic and financial stability around the globe, particularly in Asia, has become ever more crucial to Japan's economy.

Based on this recognition, the Bank will play its due part as a central bank in ensuring the stability of the international currency system, in cooperation with relevant authorities at home and abroad. It will also play a leadership role at many different international meetings, while paying appropriate attention to Japan's stance. Furthermore, in support of efforts to ensure economic

and financial stability in Asia, the Bank will, among other initiatives, further strengthen monetary cooperation and technical assistance work in the region.

F. Contribute to Regional Economic and Financial Environments

Making due use of the functions available at its head office, branches, and local offices in activities such as providing appropriate central banking services in each region of the country, the Bank will contribute to regional economic and financial environments, with a view to supporting sustainable development.

Regarding central banking services, the Bank will aim to ensure that it can conduct its business operations in a stable manner even at times of natural disasters. It will maintain an accurate grasp of regional economic and financial conditions and of region-specific challenges through close communication with local financial institutions, firms, and economic organizations. At the same time, the Bank will provide careful explanations of (1) its view of Japanese and overseas economic and financial conditions and (2) the thinking behind its policies and business operations. It will make active use of information gained through such efforts in conducting monetary policy and business operations.

G. Strengthen External Communication

With a view to ensuring broad public confidence, the Bank will clearly and accessibly communicate its conduct of monetary policy and business operations not only to financial professionals but also to the general public at home and abroad.

Aiming to better grasp public opinion as well as public needs regarding its policies and business operations, the Bank will further strengthen its communication with financial institutions closely involved in its conduct of policies and business operations, and will build and strengthen relationships with people, firms, and economic organizations across a wide range of fields.

Taking the above matters into consideration, the Bank will work to achieve multilateral and effective communication by making use of various communication platforms, including its website. It will also aim to enhance the content of in-house tours of its head office and branches.

The Bank will publish the findings from its research and analysis in effective ways. It will also appropriately compile and release statistics, mainly with a view to improving their user-friendliness and responding to changes in Japan's economic and industrial structure.

In addition to the above efforts, the Bank, in cooperation with relevant parties, will work to support the activities of the Central Council for Financial Services Information and associated committees to promote financial literacy among the public.

VI. Strategic Objectives for Organizational Management

A. Organizational Management

The Bank will focus on the following strategic objectives for its organizational management and all sections of its head office, branches, and local offices will coordinate their efforts to achieve them.

1. Execute Business Operations Flexibly and Secure Requisite Staff

In view of the increasingly wide range of challenges facing central banks and the need to be able to respond flexibly to changes in the environment, the Bank will enhance its capability in planning business operations by accumulating a high degree of central banking expertise as well as maintaining and further enhancing the individual staff expertise cultivated through long years of workplace experience. It will revise and restructure its business processes to make full use of IT and work actively to enhance efficiency and stability in its

business operations via computerization. Through these efforts, the Bank will further increase its effective use of management resources.

The Bank will secure the staff—that is, individuals possessing a high degree of central banking expertise—that it requires for executing its business operations and organizational management. At the same time, it will continue to foster employees' ability to tackle new tasks and to excel in international arenas, while taking into consideration changes in working arrangements. In addition, the Bank will further promote diversity in the workplace by, for example, improving the inclusion of women and senior employees and expanding the opportunities available to them. It will also steadily realize varied and flexible working arrangements to further improve the work-life balance and well-being of its employees. Through these efforts, the Bank will continue to foster a workplace environment in which diverse employees can realize their full potential.

2. Manage Operational Risks Appropriately

In order to maintain public confidence, it is important for the Bank to continue to execute all business operations with precision and deliberation. To this end, it will work cohesively to manage operational risks effectively, giving due consideration to changes in the composition of its workforce and in working arrangements. In doing so, the Bank will promote the reduction of operational risks and efficiency of risk management by making active use of IT.

In managing operational risks, it is essential for the Bank to ensure that its officers and employees execute their duties with integrity. To this end, the Bank will continue to work to ensure strict compliance with accepted social and ethical standards and to promote the appropriate management of information security.

3. Strengthen Business Continuity Arrangements

Based on its experience following the Great East Japan Earthquake, the Kumamoto Earthquake, and a succession of other natural disasters, as well as the government's reappraisal of potential damage scenarios for large-scale earthquakes such as those directly hitting Tokyo or occurring in the Nankai Trough area, the Bank will further reinforce its business continuity arrangements through the effective use of its management resources.

B. Management Resources

1. Number of Employees

In order to carry out the strategic objectives stated in the Plan, the Bank will work to secure the necessary employee numbers and to increase the efficiency of its overall business operations. The ceiling on the number of full-time employees for each fiscal year will be decided and made public based on this basic understanding.⁴

2. Expense Budget

In order to carry out the strategic objectives stated in the Plan, the Bank will secure the necessary budget and achieve more streamlined overall spending. The budget for each fiscal year will be decided and made public based on this basic understanding.⁵

VII. Performance Reviews of the Plan

With a view to (1) steadily carrying out the strategic objectives for business operations and organizational management stated in the Plan and (2) reviewing and revising as necessary the allocation of management resources, the Bank will conduct and make public performance reviews of measures taken under the Plan every fiscal year. In addition, it will conduct a comprehensive review of its performance over the entire period of the Plan.

4. See Attachment 2 for Appendix 2 on page 101 for the ceiling on the number of full-time employees for fiscal 2021.

5. See Attachment 1 for Appendix 2 on page 100 for the budget for expenses for fiscal 2021.

THE BANK OF JAPAN'S BUDGET FOR EXPENSES FOR FISCAL 2021¹

The Bank of Japan's budget for expenses for fiscal 2021 (the 137th fiscal year) is as follows (Table 1).² While securing the necessary budget to perform its role as the central bank of Japan, the Bank has also thoroughly examined each item of expenditure to achieve more streamlined overall spending.

The budget for expenses for fiscal 2021 marked an increase of 2.4 percent from the previous year, of which the amount subject to the approval of the Minister of Finance increased by 1.2 percent. This overall increase was mainly due to changes in the following items: cost of fixed-asset purchases increased by 18.1 percent, mainly owing to a rise in expenses related to improvements to the Bank's premises, and the administrative expenses for treasury business and Japanese government securities increased by 5.8 percent, mainly reflecting a revision of fees and commissions paid to agents of the Bank for administration of treasury business. On the other hand, expenses for transportation and communications as well as personnel expenses decreased by 1.7 percent and 0.6 percent, respectively.

1. Decided by the Policy Board on March 23, 2021.

2. The Bank prepares a budget for expenses every fiscal year. Its budget, excluding the cost of purchasing fixed assets used for the Bank's business operations, is subject to the approval of the Minister of Finance under Article 51, paragraph 1 of the Bank of Japan Act before the beginning of each fiscal year. After obtaining authorization from the Minister of Finance, the Bank implements the budget from the start of the fiscal year. All figures, including those in Table 1, are rounded off.

Table 1

Budget for Expenses for Fiscal 2021 (The 137th Fiscal Year)

Item	Initial budget (thous. yen)	Change from the previous year (percent)
Cost of production of banknotes	54,291,715	0.7
Administrative expenses for treasury business and Japanese government securities	21,749,787	5.8
Personnel expenses	52,817,522	-0.6
Remuneration of the officers	429,737	-0.7
Remuneration of the employees	41,894,727	-0.6
Retirement allowances	10,493,058	-0.5
Expenses for transportation and communications	4,274,275	-1.7
Expenses for transportation	2,005,415	-8.3
Expenses for communications	2,268,860	5.0
Expenses for maintenance and repairs	2,507,673	7.2
Other general and administrative expenses and costs	53,614,915	0.3
Cost of expendable supplies	1,253,116	10.3
Expenses for electricity and water supply	1,859,093	-1.8
Leasing fees for buildings and equipment	6,019,868	-12.9
Expenses for maintenance of buildings and equipment	10,228,136	-12.3
Miscellaneous expenses	34,254,702	7.6
Subtotal	189,255,887	0.8
Cost of fixed-asset purchases	22,547,616	18.1
Of which: Subject to the approval of the Minister of Finance ¹	5,298,242	18.9
Contingency funds	1,000,000	0.0
Total²	212,803,503	2.4
Of which: Subject to the approval of the Minister of Finance ¹	195,554,129	1.2

Notes: 1. Excludes the cost of purchasing fixed assets used for the Bank's business operations.

2. Of the budget for expenses, those related to computerization amounted to 30,657,593 thousand yen, a 0.7 percent increase from the previous year, and are included in expenses for communications, leasing fees for buildings and equipment, expenses for maintenance of buildings and equipment, and miscellaneous expenses.

Budget estimates of computerization expenses assume required outsourcing of approximately 11,477 person-months (one person-month is the workload equivalent of one person working for one month in system development), and a total of approximately 14,703 person-months when the workload of the Bank's employees is included.

**THE CEILING ON THE NUMBER OF FULL-TIME EMPLOYEES
OF THE BANK OF JAPAN FOR FISCAL 2021¹**

The Bank has set the ceiling on the number of full-time employees for fiscal 2021 at 4,900.

1. Decided by the Policy Board on March 26, 2021.

Information

I. Bank of Japan Website

II. Visiting the Bank of Japan

III. Publications and Reports

I. BANK OF JAPAN WEBSITE

<https://www.boj.or.jp/en/index.htm>

Provides various kinds of information, including monetary policy releases, speeches and statements, reports and research papers, financial and economic statistics, as well as general facts about the Bank.

The screenshot displays the Bank of Japan's English website homepage. At the top, it features the Bank's logo and navigation links for Home, Help, Contact, E-mail Service, and Site Map. A search bar is also present. Below the navigation, there are several key sections:

- The Bank's Market Operations:** This section provides real-time data on monetary base (647,560 billion yen), current account balance (526,700 billion yen), and the short-term policy interest rate (minus 0.1%).
- What's New:** A list of recent news items, including statistics on Bank of Japan Accounts, international finance news about swap arrangements, and research studies on real exports and imports.
- Highlights:** A section featuring key reports and speeches, such as the 'Outlook for Economic Activity and Prices' and 'Welcome Remarks by Governor KURODA'.
- Services and Information:** Includes links for 'Search by Topic', 'Services', 'FAQs', 'Release Schedule', and 'Annual Review'.
- Important Notices:** Alerts regarding the 'Price Stability Target' of 2 Percent, warnings against scams, and information on releases related to natural disasters.

Bank of Japan FAQs:

<https://www.boj.or.jp/en/announcements/education/oshiete/index.htm>

Provides helpful answers to frequently asked questions on the Bank's functions and business operations as well as related topics. Continually updated to reflect changes.

■ **BOJ from Home:**

<https://www.boj.or.jp/en/announcements/education/ouchi.htm>

Offers online opportunities to explore the tour route of the Main Building at the Bank's Head Office—the oldest of its buildings and designated an Important Cultural Property—through contents including a video showing the tour's "must-sees" and an interactive 3-D/virtual reality (VR) map.



■ **Virtual Tour:**

<https://www.boj.or.jp/en/z/tour/b/index.htm>

Introduces the Bank's business operations and history with photographs and explanatory notes.



■ **Introductory Video "The Bank of Japan in Our Daily Lives":**

<https://www.boj.or.jp/en/announcements/education/thisisboj.htm>

Explains the importance of maintaining people's confidence in the currency, as well as the Bank's policies and operations toward this end.



■ PR Brochure "Bank of Japan: Its Functions and Organization":

https://www.boj.or.jp/en/announcements/education/boj_pamphlet.htm

Provides a concise and easy-to-follow overview of the Bank's functions and operations, as well as of its history and organizational structure.



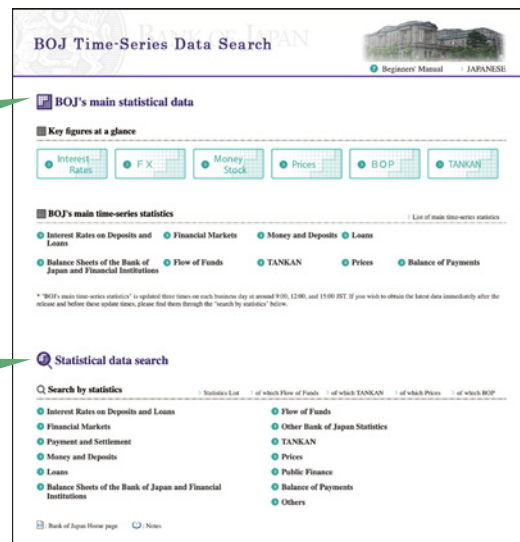
■ BOJ Time-Series Data Search:

https://www.stat-search.boj.or.jp/index_en.html

Provides time-series statistical data released by the Bank, which are available for viewing, searching, downloading, and the drawing of graphs.

Time-series data for the Bank's main statistics

Detailed explanations on statistics and data search



Find Us on Social Media

The Bank maintains an active presence on the social networking sites, Twitter and Facebook. The Bank's accounts below provide updates concerning releases on the Bank's website. They may also be used by the Bank as extra channels for communication, for example, in cases of emergency.

▶ **Twitter Account:** [@Bank_of_Japan_e](https://twitter.com/Bank_of_Japan_e)

▶ **Facebook Account:** [@BankofJapan.en](https://www.facebook.com/BankofJapan.en)

For the Bank's social networking site management policy, see <https://www.boj.or.jp/en/snspolicy.htm>

II. VISITING THE BANK OF JAPAN

■ Bank of Japan (Head Office)

2-1-1 Nihonbashi-Hongokucho, Chuo-ku, Tokyo 103-0021, Japan
Tel: +81-3-3279-1111

A guide map for the Head Office is available on the Bank's website:

<https://www.boj.or.jp/en/about/outline/location/index.htm>



Tours of the Bank's Head Office

The Bank offers guided tours to help visitors learn more about the Bank's role and business operations.

For details, visit the Bank's website:

<https://www.boj.or.jp/en/about/services/kengaku.htm>

Online Tour Reservation:

<https://www5.revn.jp/bojtour>

■ Bank of Japan Currency Museum

1-3-1 Nihonbashi-Hongokucho, Chuo-ku, Tokyo 103-0021, Japan
Tel: +81-3-3277-3037

<https://www.imes.boj.or.jp/cm/english/index.html>

The Museum looks to provide visitors with opportunities to think about the history and role of currency and its relation to culture and society by viewing the Museum's collection of coins and notes, as well as perusing related materials and research findings.



■ Bank of Japan Otaru Museum

1-11-16 Ironai, Otaru, Hokkaido 047-0031, Japan
<https://www3.boj.or.jp/otaru-m/en/index.html>

The Bank of Japan Otaru Museum opened in May 2003, in what was previously the Otaru Branch building. It provides displays on the Bank's history, operations, and the development of Otaru City.



III. PUBLICATIONS AND REPORTS

About the Bank

Title	URL	Frequency
Annual Review	https://www.boj.or.jp/en/about/activities/act/index.htm	Annual
Functions and Operations of the Bank of Japan	https://www.boj.or.jp/en/about/outline/fobj.htm	—

About Monetary Policy

Title	URL	Frequency
Outlook for Economic Activity and Prices	https://www.boj.or.jp/en/mopo/outlook/index.htm	Quarterly
Semiannual Report on Currency and Monetary Control (Summary)	https://www.boj.or.jp/en/mopo/diet/d_report/index.htm	Semiannual

Reports & Research Papers

Title	URL	Frequency
Financial System Report	https://www.boj.or.jp/en/research/brp/fsr/index.htm	Semiannual
Payment and Settlement Systems Report	https://www.boj.or.jp/en/research/brp/psr/index.htm	Ad hoc basis
Regional Economic Report	https://www.boj.or.jp/en/research/brp/rer/index.htm	Quarterly
Monetary and Economic Studies	https://www.boj.or.jp/en/research/imes/mes/index.htm	Annual

Data Compiled in Statistical Publications

Title	URL	Frequency
Financial and Economic Statistics Monthly	https://www.boj.or.jp/en/statistics/pub/sk/index.htm	Monthly
<i>Tankan</i> (Short-Term Economic Survey of Enterprises in Japan)	https://www.boj.or.jp/en/statistics/tk/index.htm	Quarterly

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