

# The Bank's Review of Fiscal 2021

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## I. INTRODUCTION

In March 2019, the Bank of Japan formulated and released the *Medium-Term Strategic Plan (Fiscal 2019–2023)* (hereafter the Plan).<sup>1</sup> 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.

This section provides a brief review of economic and financial developments as well as decisions made at Monetary Policy Meetings (MPMs) in fiscal 2021, followed by 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 2021 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 2021" (see pages 53–56).

The Plan states that, in order to enable the Bank to address any changes in the environment, it shall conduct an interim review of the Plan in or around fiscal 2021 and shall 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 shall be conducted separately.

The Bank conducted its interim review of the Plan in March 2022.<sup>2</sup> It examined its accomplishments in the first three fiscal years of the Plan and clarified its strategy for the remaining period, particularly for the main challenges faced in conducting business operations and organizational management since the formulation of the Plan. The Bank positions the interim review as a complement to the Plan for the remaining period, namely, for fiscal 2022 and 2023.

1. For the text of the "*Medium-Term Strategic Plan (Fiscal 2019–2023)*," see Appendix 2 on pages 98–103.

2. For the text of the "*Interim Review of Medium-Term Strategic Plan (Fiscal 2019–2023)*," see Appendix 3 on pages 106–107.

## II. REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS AND MONETARY POLICY MEETINGS<sup>3</sup>

### A. First Half of Fiscal 2021 (April–September 2021)

#### 1. Economic developments

- a. During the period from April through September 2021, Japan's economy continued to pick up as a trend, although it remained in a severe situation due to the impact of the novel coronavirus (COVID-19) at home and abroad.

Exports and industrial production continued to increase as a trend, despite being weak in the second half of the April–September period due to the effects of supply-side constraints seen in some areas. Corporate profits and business sentiment continued to improve on the whole. Business fixed investment kept picking 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 remained stagnant due to continuing strong downward pressure on consumption of services, such as eating and drinking as well as accommodations. Housing investment had turned to a pick-up. Meanwhile, public investment had been more or less flat.

- b. Regarding price developments, the year-on-year rate of decline in the consumer price index (CPI, all items less fresh food), amid the impact of COVID-19, accelerated somewhat significantly for April due to the effects of a reduction in mobile phone charges, and then continued to decelerate, mainly reflecting a rise in energy prices. At the end of the April–September period, the year-on-year

rate of change in the CPI was at around 0 percent. Inflation expectations were more or less unchanged and thereafter turned to a pick-up.

#### 2. Developments in financial markets and conditions

- a. In global financial markets, prices of risky assets generally had followed an uptrend in advanced economies due to progress with the resumption of economic activity. On the other hand, stock prices in emerging economies had declined since summer, mainly reflecting the strengthening of various controls in China and concern over debt repayment by a major Chinese real estate firm. U.S. and European long-term interest rates had followed a declining trend through the first half of the April–September period but thereafter turned to an increase.
- 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 and corporate bonds had been at extremely low levels.

The Nikkei 225 Stock Average had been sluggish until late August. Thereafter, while the number of confirmed new cases of COVID-19 turned to a decline, it rose, mainly reflecting the correction of Japanese stock prices, which had been undervalued relative to those in the United States and Europe. The Nikkei Stock Average was at around 29,500 yen at the end of September.

3. 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 2021 and June 2022. The full texts of both issues in Japanese and summaries in English are available on the Bank's website.

In the foreign exchange market, the yen had been more or less flat against the U.S. dollar, and was at the 111 yen level at the end of September. The yen had been more or less flat against the euro on the whole during the April–September period.

- c. With regard to corporate financing, demand for funds that stemmed mainly from a rise in precautionary demand due to the impact of COVID-19 had subsided on the whole, as evidenced by large firms repaying loans by compressing their increased funds on hand. In this situation, although firms' financial positions had improved on the whole, mainly on the back of a pick-up in economic activity, weakness remained, particularly for firms in industries facing subdued sales due to the impact of COVID-19, as well as small and medium-sized ones. Meanwhile, in terms of supply of funds, financial institutions' lending attitudes as perceived by firms remained accommodative.
- d. The year-on-year rates of increase in both the monetary base (currency in circulation plus current account balances at the Bank) and money stock (M2) had decelerated relative to somewhat high growth last year; in September, the rate of increase in the monetary base was in the range of 10–15 percent and that in monetary stock was in the range of 4.0–4.5 percent.

### 3. MPMs<sup>4</sup>

- a. Four MPMs were held in the first half of fiscal 2021.

The Policy Board made the following judgement on economic and financial developments at all the MPMs held during the period: "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 all the MPMs held in the first half of fiscal 2021 to maintain the following guideline for market operations under QQE with Yield Curve Control.

#### 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 Japanese government bonds (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 April MPM to maintain the following guidelines.

#### 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 exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on

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

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 June MPM, the Policy Board extended the duration of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), as described later. It also decided upon the following guidelines for asset purchases.

#### **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 March 2022.

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

At the June MPM, the Policy Board decided to extend the duration of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19) by 6 months until the end of March 2022 with a view to continuing to support financing, mainly of firms, given that such financing was likely to remain under stress due to the impact of COVID-19, although it had improved compared with a while ago.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following at all the MPMs held in the first half of fiscal 2021: "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."

Regarding actions to address climate change, the Policy Board made the following statement at the June MPM.

Climate change issues could exert an extremely large impact on developments in economic activity and prices as well as financial conditions from a medium- to long-term perspective. The Bank considers that supporting the private

sector's efforts on the issues from a central bank's standpoint will contribute to stabilizing the macroeconomy in the long run. In taking actions from the monetary policy side, the Bank deems it important to give consideration to market neutrality. Against this background, in order to support private financial institutions' various efforts in the field related to climate change, the Bank judged it appropriate to introduce a new fund-provisioning measure, through which it provides funds to financial institutions for investment or loans that they make to address climate change issues based on their own decisions. This new measure will be a successor to the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth. Although loan disbursement under the existing measure will continue to be made through June 2022 as scheduled, the Bank will launch the new measure likely within 2021. It will make public the preliminary outline of the measure at the next July MPM.

At the July MPM, the Policy Board decided on the preliminary outline of the new fund-provisioning measure to support private financial institutions' various efforts in fields related to climate change, a measure which was announced at the June MPM to be introduced. At the September MPM, the Policy Board decided on the details of the Funds-Supplying Operations to Support Financing for Climate Change Responses (Climate Response Financing Operations), of which the preliminary outline was made public at the July MPM.

## **B. Second Half of Fiscal 2021 (October 2021–March 2022)**

### **1. Economic developments**

a. During the period from October 2021 through March 2022, Japan's economy continued to pick up as a trend, despite being affected by COVID-19 and other factors. A pick-up in the economy had temporarily become evident in the first half of the October–March period, with the number of confirmed new cases of COVID-19 being contained. Thereafter, however, some weakness had been seen in part, mainly reflecting a resurgence of COVID-19 and a rise in commodity prices.

Exports and industrial production continued to increase as a trend, despite the remaining effects of supply-side constraints. Corporate profits continued to improve on the whole, but business sentiment had seen a pause in its improvement in the second half of the October–March period, mainly due to the impact of COVID-19 and the rise in commodity prices. Business fixed investment kept picking up, although weakness had been seen in some industries. The employment and income situation remained relatively weak on the whole, although improvement had been seen in some parts. In the first half of the October–March period, a pick-up in private consumption had become evident, with downward pressure stemming from COVID-19, particularly on services consumption, waning. Thereafter, however, the pick-up had paused due to the impact of the resurgence of COVID-19. Housing investment had been more or less flat. Public investment had been relatively weak, albeit at a high level.

b. Regarding price developments, the year-on-year rate of change in the CPI (all items less fresh food),

despite continuing to be affected by a reduction in mobile phone charges, had increased in positive territory, reflecting price rises in energy and other items, and had been in the range of 0.5–1.0 percent at the end of the October–March period. Inflation expectations, particularly short-term ones, had risen.

## 2. Developments in financial markets and conditions

a. In global financial markets, amid concern over acceleration in the pace of reduction in monetary accommodation in advanced economies, long-term interest rates had risen significantly. Risk asset prices had been firm through the end of 2021. Since the turn of the year, however, as long-term interest rates had increased significantly, they generally had declined, with considerable fluctuations due to uncertainties over the situation surrounding Ukraine. Meanwhile, international commodity prices had risen substantially, reflecting factors such as improvement in the outlook for global demand and concern over supply declines associated with geopolitical risks.

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, 10-year JGB yields 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 been firm until early January, mainly on the back of favorable financial results. Thereafter, reflecting rises in U.S. and European interest rates and heightened uncertainties over factors such as the situation surrounding Ukraine, it had fluctuated significantly, as seen in relatively large declines when investors'

sentiment deteriorated globally. The Nikkei Stock Average was in the range of 27,500–28,000 yen at the end of March.

In the foreign exchange market, the yen had depreciated against the U.S. dollar, mainly due to a widening of the yield differential between Japan and the United States and dollar purchasing by Japanese importers given factors such as the rise in commodity prices. The U.S. dollar was in the range of 121–122 yen at the end of March. The yen had also depreciated against the euro on the whole during the October–March period, reflecting a rise in European interest rates, although it had temporarily appreciated due to a worsening of the situation surrounding Ukraine.

c. With regard to corporate financing, demand for working capital had risen particularly in the CP market, reflecting raw material cost increases, whereas precautionary demand for liquidity due to the impact of COVID-19 had subsided on the whole. With respect to firms' financial positions, weakness remained—particularly for firms in industries that are susceptible to the impact of COVID-19, as well as for small and medium-sized ones—and these positions had been affected by raw material cost increases through the end of the fiscal year; however, they continued on an improving trend on the whole on the back of a pick-up in Japan's economy. 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, while decelerating compared with a while ago, remained at somewhat less than 10 percent. That in the M2, while also decelerating compared with a while ago, had been in the range of around

3.5–4.5 percent.

### 3. MPMs<sup>5</sup>

- a. Four MPMs were held in the second half of fiscal 2021.

Regarding economic and financial developments, the Policy Board judged at the October and December MPMs that "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." It then deemed at the January MPM that "a pick-up in Japan's economy has become evident as the impact of COVID-19 at home and abroad has waned gradually." The Policy Board judged at the March MPM that "Japan's economy has picked up as a trend, although some weakness has been seen in part, mainly due to the impact of COVID-19."

- b. In the conduct of monetary policy, the Policy Board decided at all the MPMs held in the second half of fiscal 2021 to maintain the following guideline for market operations under QQE with Yield Curve Control.

#### 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.

With regard to asset purchases, the Policy Board decided to maintain the following guidelines at the MPMs held in October through January.

#### 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 March 2022.

Based on the decisions made at the December MPM regarding the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), as described later, the Policy Board decided at the March MPM upon the following guidelines for asset purchases.

#### 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

5. Information related to MPMs is available on the Bank's website ([https://www.boj.or.jp/en/mopo/mpmsche\\_minu/index.htm](https://www.boj.or.jp/en/mopo/mpmsche_minu/index.htm)).



outstanding of about 20 trillion yen in total until the end of March 2022. From April onward, it will purchase these assets at about the same pace as prior to the COVID-19 pandemic, so that their amounts outstanding will gradually return to pre-pandemic levels, namely, about 2 trillion yen for CP and about 3 trillion yen for corporate bonds.

At the December MPM, the Policy Board confirmed the following with regard to financial conditions.

Financial conditions in Japan have improved on the whole, despite the continued significant impact of COVID-19 on domestic and overseas economies. With regard to financial conditions surrounding large firms, issuance conditions for CP and corporate bonds have been favorable, and precautionary demand for liquidity has subsided in the loan market. Regarding small and medium-sized firms, their financial positions have been on an improving trend on the whole, but weakness has remained in some segments, such as the face-to-face services industry.

Given these developments, the Policy Board decided to extend the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19) in part by six months until the end of September 2022, with a view to continuing to support financing, mainly of small and medium-sized firms. The details of the decisions are as follows.

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

(i) Regarding the fund-provisioning against loans that financial institutions make on

their own ("non-government-supported loans") in response to COVID-19, mainly to small and medium-sized firms, the Bank will extend the implementation period by six months under the current terms and conditions.

(ii) Regarding the fund-provisioning against loans that financial institutions make on the back of government support ("government-supported loans") in response to COVID-19, mainly to small and medium-sized firms, the Bank will extend the implementation period by six months under the revised terms and conditions. Specifically, from April 2022 onward, this fund-provisioning will fall under Category III in the Interest Scheme to Promote Lending, for which the applied interest rate is 0 percent, and the amount to be added to the Macro Add-on Balances in current accounts held by financial institutions at the Bank will be the amount outstanding of funds they receive. In accordance with the revised terms and conditions, the Bank will continue to provide funds to financial institutions against government-supported loans they make.

(iii) The Bank will complete the fund-provisioning against private debt pledged as collateral, which mainly consists of debt issued by large firms and housing loans, at the end of March 2022 as scheduled.

(b) Purchases of CP and corporate bonds

The Bank will complete its additional

purchases of CP and corporate bonds at the end of March 2022 as scheduled. From April 2022 onward, it will purchase about the same amount of CP and corporate bonds as prior to the COVID-19 pandemic, so that the amounts outstanding of these assets will decrease gradually to the pre-pandemic levels, namely, about 2 trillion yen for CP and about 3 trillion yen for corporate bonds.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following at all the MPMs held in the second half of fiscal 2021: "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. 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, such as the effects of global supply-side constraints and the rise in international commodity prices, while gaining an accurate grasp of changes in circumstances due to the impact of COVID-19. 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) The Bank conducted multi-perspective analysis, particularly on the policy efficacy and impacts of QQE with Yield Curve Control and of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19) (hereafter the Special Program), while also accounting for the impact of COVID-19. In light of its findings, it closely examined developments in corporate financing and decided on the following regarding the Special Program.
  - (a) A six-month extension of the duration of the Special Program to last until the end of March 2022 (decided in June 2021).
  - (b) A six-month extension of the duration of the part of the Special Program that supports financing, mainly of small and medium-sized firms, to last until the end of September 2022 (decided in December 2021).
- (3) In order to support private sector efforts on climate

change, the Bank introduced the Climate Response Financing Operations, through which it provides funds to financial institutions for investment or loans that they make to address climate change issues.

- (4) The Bank organized a workshop in March 2022 on "Issues Surrounding Price Developments during the COVID-19 Pandemic," conducting a wide-ranging discussion with representatives from academia to deepen understanding of inflation dynamics in Japan and their context, as well as understanding of recent differences in price developments at home and abroad.
- (5) The Bank maintained 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 2021 mainly via telephone conferencing.
- (6) 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 introducing major research findings from economic studies relating to climate change.

##### 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 policy measures. In addition, it introduced the Climate Response Financing Operations to support private sector efforts on climate change. Meanwhile, 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 2021, it achieved its intended objectives in implementing measures and provided a firm underpinning for monetary policy conduct, while addressing new challenges related to climate change. In fiscal 2022, 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 and changes in price conditions at home and abroad, to move nimbly to plan policy measures, 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) The Bank resumed on-site examinations using remote methods to prevent the spread of COVID-19 and reduce the operational burden on financial institutions; it carried out examinations of 59 financial institutions. Examinations were conducted flexibly and efficiently, depending on the extent of an institution's systemic influence and risk profile.

The Bank thereby gained an appropriate grasp of, for example, business operations and asset quality, profitability, and resilience against risks at individual institutions, as well as the business conditions of financial groups as a whole.

(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 also allowing for the impact 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, the transition from Japanese yen LIBOR, responses to climate change, and 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. With regard to regional financial institutions, the Bank encouraged initiatives to strengthen their business foundations and implemented the Special Deposit Facility to Enhance the Resilience of the Regional Financial System (hereafter the Special Deposit Facility).

(3) In the two issues of the 2021 *Financial System Report*, released in April and October, the Bank assessed the stability of Japan's financial system amid the ongoing impact of COVID-19, and deepened its analysis particularly on risks associated with credit costs, securities investment, and foreign currency funding. In addition, it released four issues of the *Financial System Report Annex Series* in fiscal 2021, 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 87 such occasions in total in fiscal 2021).

- (4) The Bank executed business operations for the Special Deposit Facility in an appropriate manner. In addition, in order to ensure due conduct of the facility, it amended the limit on the eligible amount for special remuneration.
- (5) The Financial Services Agency (FSA) and the Bank 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." In addition, with a view to implementing higher quality monitoring and reducing the operational burden on financial institutions, the FSA and the Bank intensified efforts to strengthen cooperation through the "Financial Monitoring Council." They steadily pushed forward with initiatives in various fields in fiscal 2021: for instance, they expanded joint surveys targeting major financial institutions; coordinated the planning of the FSA's inspections and the Bank's on-site examinations; shared the findings of inspections and examinations; and stepped up efforts toward integrating and abolishing templates of various data and reports submitted by financial institutions as well as toward unifying submission destinations.
- (6) The Bank continued its stable execution of business operations for the Loan Support Program.
- (7) The Bank hosted, via livestream, a seminar on financial institutions' efforts to address climate change. In addition, it uploaded videos of the seminar on the Bank's website, organizing the content into two parts.

## 2. Evaluation of progress

The Bank thoroughly assessed and facilitated necessary improvements in, particularly, the business operations and risk management at financial institutions through, for example, presenting its assessment in the *Financial System Report* of challenges and risks faced in maintaining and improving the stability and functioning of the financial system as well as through its conduct of on-site examinations and strengthening of off-site monitoring in light of that assessment. As part of this process, the Bank also worked to strengthen the integration of on-site examinations and off-site monitoring. In addition, it deepened dialogue with regional financial institutions through the conduct of the Special Deposit Facility and encouraged initiatives to strengthen their business foundations.

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 steadily pushed forward with its cooperation with the FSA in various fields, thereby further strengthening coordination on the prudential front.

During fiscal 2021, 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. In fiscal 2022, the Bank will thoroughly assess, particularly, the business operations and risk management at financial institutions by continuing to (1) conduct on-site examinations using remote methods, (2) strengthen the integration of on-site examinations and off-site monitoring, and (3) take initiatives to further strengthen

coordination with the FSA. In addition, it will step up its efforts to deal with such challenges as responses to climate change, the digitalization of finance, and cybersecurity management. The Bank will also deepen dialogue with regional financial institutions on measures to support regional economies and strengthen their business foundations, including the use of the Special Deposit Facility.

## **C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures**

### **1. Progress in implementing specific measures**

- (1) With regard to central bank digital currencies (CBDCs), the Bank, in accordance with "The Bank of Japan's Approach to Central Bank Digital Currency," advanced steadily with conducting experiments, exploring requisite institutional arrangements, and coordinating with stakeholders at home and abroad as follows.
  - (a) As for experiments with CBDCs, the Bank completed Proof of Concept (PoC) Phase 1 in fiscal 2021 and made necessary arrangements to start PoC Phase 2 from fiscal 2022.
  - (b) As part of its exploration of requisite institutional arrangements, the Bank conducted analysis on standardization of information technology (IT) relating to digital currency and released two issues of the *Payment and Settlement Systems Report Annex Series* in fiscal 2021.
  - (c) The Bank held a meeting of the "Liaison and Coordination Committee on Central Bank Digital Currency" in October 2021. It shared details and exchanged views with the private sector and the government regarding, for example, updates on the PoC as well as cooperation and role-sharing arrangements between the central bank and the private sector.
- (d) The Bank hosted meetings of the "Future of Payments Forum: Digital Currency Subcommittee" in June and November 2021 as well as in January 2022. It exchanged views with a wide range of relevant parties on specific technologies and approaches that could be utilized for CBDCs.
- (e) 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 a set of reports with the group in September 2021 on (1) system design and interoperability, (2) user needs and adoption, and (3) financial stability implications.
- (2) The Bank contributed to discussions on standardization in financial services through, for example, hosting the "Meeting of the International Organization for Standardization (ISO) Panel" in June and November 2021 as well as in February 2022.
- (3) The Bank joined the "Task Force for the Next-Generation Payment Systems" and associated working groups, set up by the Japanese Banks' Payment Clearing Network (Zengin-Net). It supported specific deliberations on the participation of funds transfer service providers in the Zengin Data Telecommunication System (Zengin System), how to enhance the convenience of frequent payments in small amounts, and the development of the 8th Generation Zengin System, which is scheduled to begin operation in 2027.
- (4) The Bank started system operations for 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) in April 2021.

(5) In its role as the secretariat of the "Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks" (hereafter the Committee), the Bank, mainly through the activities described below, supported market participants' initiatives on the reform of Japanese yen interest rate benchmarks and contributed to the smooth transition from Japanese yen LIBOR in preparation for the permanent cessation of its publication at the end of 2021. After the completion of this transition, the Committee was subsequently reorganized and, in March 2022, established as the "Cross-Industry Forum on Interest Rate Benchmarks," with the Bank serving as its secretariat.

- (a) The Committee updated the "Roadmap to Prepare for the Discontinuation of Japanese Yen LIBOR" in April 2021.
  - (b) The Committee surveyed progress in the transition from Japanese Yen LIBOR through questionnaires asking about conditions surrounding the transition as of end-September, end-November, and end-December 2021 to assess progress and identify challenges.
  - (c) The Committee supported the publication in April 2021 of production rates for Term Reference Rates.
  - (d) The Committee published convention tools for the calculation of interest on the Tokyo Overnight Average Rate (TONA) Compounding (Fixing in Arrears) in September 2021.
  - (e) The Committee released the "Final Report on the Results of the Public Consultation on the Treatment of Tough Legacy Contracts in Japan" in November 2021.
- (6) The Bank released the "Final Report on the Results of the Public Consultation on the Market Functioning

Survey concerning Climate Change" in March 2022 and continued its deliberations on conducting the first round of the survey.

- (7) The Bank released a renewed "Statement of Commitment to the FX Global Code" in September 2021 taking into consideration updates to the content of the Code. It also pushed forward with initiatives to encourage market participants in Japan to reaffirm their commitment to adhere to the Code, including its updates, as well as initiatives to further extend compliance with the Code among market participants.

## 2. Evaluation of progress

With regard to CBDCs, the Bank, in accordance with "The Bank of Japan's Approach to Central Bank Digital Currency," advanced steadily with conducting experiments, exploring requisite institutional arrangements, and coordinating with stakeholders at home and abroad. 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, while making steady progress in working toward the enhancement of such services in Japan.

As for the reinforcement of the infrastructures of financial and capital markets, the Bank supported market participants' initiatives on the reform of Japanese yen interest rate benchmarks and contributed to the smooth transition from Japanese yen LIBOR in preparation for the permanent cessation of its publication. It also continued its deliberations toward assessing the functioning of financial markets in Japan in relation to climate change and identifying related challenges. Moreover, the Bank contributed to the update of the FX Global Code and promoted adherence by market participants.

Based on the above, the Bank considers that, in fiscal 2021, 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. In fiscal 2022, with respect to payment and settlement services, the Bank will continue to contribute to discussions at home and abroad regarding CBDCs, while steadily promoting the PoC and exploring requisite institutional arrangements; it will also continue to work toward the enhancement of payment and settlement services in Japan. Furthermore, as for the reinforcement of the infrastructures of financial and capital markets in Japan, the Bank will contribute to the development of financial markets by assessing market functioning in relation to climate change and identifying related challenges, while supporting market participants' initiatives to facilitate smooth transactions referencing 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, while responding as necessary given the COVID-19 situation, implemented measures to ensure smooth conduct of central banking operations in sections engaged in, for example, (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, even when there were cases of staff infection.
- (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) With regard to the introduction of a new 500 yen coin, the Bank, in coordination with the Ministry of Finance (MOF) and other relevant parties, completed the necessary preparations and commenced issuance in November 2021. In coordination with the MOF and the National Printing Bureau (NPB), the Bank also proceeded with preparations for the introduction of a new series of Bank of Japan notes; this included completing quality checks of the new banknotes and holding an exhibition of sample banknotes for banknote equipment manufacturers.
- (5) 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.
- (6) The Bank worked to gain an understanding of the current situation regarding the use of cash, mainly by gathering information from relevant parties. Based on the information gathered, it sought to raise the efficiency of cash handling at both the Bank and financial institutions.
- (7) 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, while responding positively to the need for financial institutions to improve the efficiency of their business processes, the Bank cooperated with the ministries and agencies responsible to promote abolishing the use of *hanko* (the affixing of seals) on paper documents for, and making paperless, various administrative procedures related to treasury funds and JGS services. Meanwhile, the Bank also made steady progress toward the establishment of a system that allows the online transmission of documents between financial institutions and the Bank.

## 2. Evaluation of progress

Taking account of the government's Basic Policies for Novel Coronavirus Disease Control, as a designated public institution under the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, the Bank 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. With regard to the introduction of a new 500 yen coin, the Bank completed the necessary preparations and commenced issuance. In coordination with the MOF and the NPB, the Bank also proceeded steadily with preparations for the introduction of a new series of Bank of Japan notes. In addition, 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 mainly 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 2021, it conducted stable central banking operations on a daily basis while ensuring that appropriate operational arrangements were in place as it responded to COVID-19; it also advanced steadily with the reviewing of its business processes in response to changes in its operational environment. In fiscal 2022, while carrying out measures to prevent the spread of COVID-19, 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), the Network of Central Banks and Supervisors for Greening the Financial

System (NGFS), and the Organisation for Economic Co-operation and Development (OECD). While these meetings were mainly held online given the ongoing impact of COVID-19, some meetings were resumed face to face. The following achievements were made.

- (a) The Bank contributed to discussions at the global level on, for example, the international financial responses to climate change, digitalization, and the spread of COVID-19, as well as responses to the situation surrounding Ukraine.
  - (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 the implementation and impact assessment of, for example, international financial regulations, the enhancement of supervision, and responses to climate-related financial risks; it also contributed appropriately to policy-making processes for ensuring the stability of the international financial system.
  - (d) In relation to the NGFS, the Bank participated in and contributed to discussions on various topics, including climate scenario analysis.
  - (e) 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.
  - (f) 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), in the course of which it also advanced initiatives to promote investment in green bonds through the ABF.
  - (g) At some BIS- and EMEAP-related committees, the Bank played a leadership role, for example, by moderating discussions as the chair.
  - (h) 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, through the presentation of papers at related conferences.
- (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) With regard to international monetary cooperation, in the area of currency swaps for the stability of the financial system, the Bank extended bilateral local currency swap agreements with the People's Bank of China, allowing for the exchange of renminbi and yen, and with the Reserve Bank of Australia, allowing for the exchange of Australian dollars and yen between the two central banks, in October 2021 and March 2022, respectively.
  - (5) Under the framework of ASEAN Plus Three, the Bank, together with the MOF, played a key role in discussions regarding the establishment of operational arrangements to provide liquidity in

local currencies under the Chiang Mai Initiative Multilateralisation (CMIM) and in various deliberations toward enhancing the practicability of such arrangements.

- (6) In response to the IMF's request to the Japanese government, the Bank, in cooperation with the MOF, contributed to the smooth implementation of financial assistance for low-income countries using the Foreign Exchange Fund Special Account, among other such activities.
- (7) 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 (there were 50 such occasions in total in fiscal 2021). 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 climate change and 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 2021 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 2022, 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 climate change and COVID-19, in particular.

## 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 amid the ongoing impact 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 due use of online communication tools.
- (2) At each of the following branches, the Bank, in cooperation with the respective local finance bureaus, requested that financial institutions take special measures in response to disasters: Aomori, Sendai, Fukushima, Matsumoto, Shizuoka, Hiroshima, Matsue, Fukuoka, Nagasaki, and Kagoshima.
- (3) The Bank maintained a detailed grasp of regional economic and financial conditions via its Head Office, branches, and local offices by, for example, actively

conducting interviews mainly with local businesses and financial institutions, as well as holding meetings with economic organizations to exchange opinions; communication was carried out using online tools or in face-to-face settings depending on the COVID-19 situation. 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 major earthquakes such as 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, making due use of online and other communication tools. The Bank's findings from research and analysis on regional economic developments were compiled and released each quarter in the *Regional Economic Report*. The Bank also released, in fiscal 2021, an issue of the annex series to the report, which provides more detailed analysis of and insight into a selected topic; the issue (available only in Japanese) addressed initiatives by consumption-related firms in each region in the wake of COVID-19 and the challenges they face.

(5) In fiscal 2021, the Bank's Center for Advanced Financial Technology (CAFT) hosted a livestreamed workshop on recruiting and staffing services,

targeted mainly at regional financial institutions.

## **2. Evaluation of progress**

The Bank, at its Head Office and branches, conducted central banking operations in a stable manner amid the ongoing impact of COVID-19. It also maintained a detailed grasp of economic and financial conditions specific to each region through active 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 2021 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 2022, 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 the respective region, making due use of online and other communication tools.

## **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 2021, and releasing the full texts of the two issues in Japanese as well as the summaries in English on the Bank's website.<sup>6</sup>
  - (c) Publishing the *Gyomu Gaikyo Sho* (Outline of Business Operations) for fiscal 2020 in May 2021.
- (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 2021 as well as in January 2022; and a document that contains a summary of the opinions presented at each MPM (Summary of Opinions).
  - (b) Press conferences, speeches, and articles by the Governor, Deputy Governors, and Members of the Policy Board. Meetings with business or local leaders were held face to face or online.
- (3) While enhancing the digital contents of its communication platforms and making use of online communication tools amid the ongoing impact of COVID-19 on 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 518 million, of which around 307 million were made to its English-language pages. The number of page views on its branches' websites was around 4.8 million in total. Followers of the Bank's Twitter and Facebook accounts totaled around 201,000 and around 5,100, 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. It temporarily suspended in-house tours of its Head Office in light of the COVID-19 situation and took preventive measures against the spread of COVID-19 when admitting tour participants. Meanwhile, the Bank enhanced the contents of the "BOJ from Home" page on its website that offers an online tour of its Head Office. Utilizing these, it also launched an online program for educational institutions offering livestreamed lectures about the Bank in addition to the Head

6. Excerpts from the summaries of the two issues of the report dealing with developments in fiscal 2021, namely, the issues released in December 2021 and June 2022, can be found on pages 31–38.

Office tours. The total number of Head Office tour participants was around 4,800, and there were around 110,000 page views on "BOJ from Home." The Bank also offered in-house tours of its branches with due caution, depending on the system in place at each branch for accepting participants, while organizing activities making use of online and other communication tools. The total number of participants in tours of branches was around 5,800.

- (d) Through enhancing the digital contents of its communication platforms and hosting various public relations events, the Bank provided opportunities for the public to deepen their understanding of its policies and business operations. For example, the Bank added to its web page new video content targeting families with primary and junior high school children and allowing them to experience part of the special in-house tour program conducted during school holidays before the outbreak of COVID-19. The Bank also hosted at its Head Office the "BOJ Grand-Prix," an essay and presentation contest primarily for college students, for which there were 122 entries.
- (e) The Bank gave lectures to young people on its functions and operations. Its Head Office gave a total of 12 lectures to college students making due use of online communication tools.
- (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 face-to-face or online meetings and dialogues with financial institutions, firms, economic organizations, academics, and other parties concerned in the Bank's business operations.
  - (b) Provision of pertinent responses to around 2,900 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 national and local governments, and (2) taking necessary preventive measures against the spread of COVID-19 when admitting visitors. Visitor numbers to each museum during fiscal 2021 were around 37,000 and 18,000, respectively. Meanwhile, the Bank released videos on the website of the Currency Museum introducing the content of exhibitions held at the museum, in addition to enhancing the materials included on the "Currency Museum from Home" page. The Bank also conducted online tours of the Bank of Japan Otaru Museum for primary and junior high school students.
- (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 2,439 historical official documents were added to the Archives, and 206 requests for access were made.
- (8) The Bank released "The Bank of Japan's Strategy on Climate Change" in July 2021. Communication with the public on the Bank's overall climate-related efforts was also enhanced by launching a page on its website

and delivering speeches.

- (9) The Bank created a new page on its website entitled "Alternative Data Analysis" that introduces its various pieces of research on and management of such data.
- (10) The Bank made public the findings of its research and analysis on economic and financial developments, releasing 18 papers in the *Bank of Japan Review Series*, 20 in the *Bank of Japan Working Paper Series*, 22 in the *IMES Discussion Paper Series*, 4 research papers, and 2 in the *Bank of Japan Research Laboratory Series*.
- (11) The Bank held the following conferences online: an international conference in May 2021 entitled "Adapting to the New Normal: Perspectives and Policy Challenges after the COVID-19 Pandemic" and a conference co-hosted by the Bank and the University of Tokyo in November 2021 entitled "Japan's Economy during and after the COVID-19 Era."
- (12) The Bank revised, rebased, and made appropriate enhancements to its statistics so as to accommodate changes in the economic and regulatory environment.
  - (a) The Bank made public in December 2021 the final draft of rebasing the corporate goods price index (CGPI) to the base year 2020 (available only in Japanese).
  - (b) As for the "Average Interest Rates Posted at Financial Institutions by Type of Deposit," the Bank decided in February 2022 to make revisions from fiscal 2022 onward, including changing the frequency of publication and abolishing some survey items.
  - (c) Regarding the *Tankan (Short-Term Economic Survey of Enterprises in Japan)*, the Bank made some changes, including to the population

base, as part of its regular revision of sample enterprises in the survey in March 2022.

- (13) The Bank promoted an in-depth understanding of its statistics through the following measure.
  - (a) The Bank enhanced the explanation of the statistics by redesigning the "Balance of Payments Related Statistics" page on its website.
- (14) 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. For example, the CCFSI launched an e-learning program on financial literacy for college students and younger employees, organized events making use of online communication tools, and made 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 enhanced digital contents, while carrying out its communication using online tools or in face-to-face settings depending on the COVID-19 situation.

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 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 2021, it made progress in terms of strengthening external communication while responding appropriately to the COVID-19 situation and enhancing the digital contents of its communication platforms. In fiscal 2022,

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 continue with its initiatives for communication by incorporating advances in digitalization and online technologies.