

About the Bank of Japan

I. Objectives

II. Capital

III. Bank Executives

IV. Organization

- A. The Policy Board
- B. The Management and Compliance Committees
- C. Staff
 - Organization Chart of the Bank
 - Members of the Policy Board
 - Functions of Committees/Departments/Offices
 - The Bank's Offices

V. Organizational Management in Fiscal 2005

- A. Overview
- B. Organizational Reform of the Bank's Head Office
- C. Measures to Enhance the Functioning of the Bank

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

I. OBJECTIVES

The Law sets the Bank's objectives as follows:

Article 1 The objective of the Bank of Japan, as the central bank of Japan, is to issue banknotes and to carry out currency and monetary control.

2. In addition to what is prescribed by the preceding Paragraph, the Bank's objective is to ensure smooth settlement of funds among banks and other financial institutions, thereby contributing to the maintenance of an orderly financial system.

And the Law stipulates the Bank's principle of currency and monetary control as follows:

Article 2 Currency and monetary control shall be aimed at, through the pursuit of price stability, 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 Law. As of the

end of March 2006, 55,005,000 yen is subscribed by the government, and the rest by the private sector (Table 2).¹

The Law 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 remaining assets up to the sum of the paid-up capital and, if any, the special reserve (Article 60, Paragraph 2, and Supplementary Provision Article 22, Paragraph 2). Dividend payments on paid-up capital are limited to 5 percent or below in each fiscal period.²

III. BANK EXECUTIVES

Bank executives are members of the Policy Board (including the Governor and Deputy Governors), Executive Auditors, Executive Directors, and Counsellors.³ Of the above executives, the Governor, the two Deputy Governors, and six other members of the Policy Board make up the Policy Board.⁴

The Governor, the Deputy Governors, and other members of the Policy Board are appointed by the Cabinet, subject to the consent of the House of Representatives and the House of Councillors. Executive Auditors are appointed by the Cabinet. Executive Directors and Counsellors are appointed by the Minister of Finance on the recommendation of the Board.⁵

1. Article 8, Paragraph 2 of the Law states as follows: "Of the amount of capital referred to in the preceding Paragraph, that part which is subscribed to by the government shall be no less than fifty-five million yen."

2. Stipulated by Article 53, Paragraph 4.

3. Stipulated by Article 21. The number of executive posts given to the Governor, Deputy Governors, other members of the Policy Board, Executive Auditors, Executive Directors, and Counsellors are one, two, six, three or less, six or less, and a few, respectively.

4. Stipulated by Article 16, Paragraph 2.

5. Stipulated by Article 23.

The term of office is five years for the Governor, Deputy Governors, and other members of the Policy Board, four years for Executive Auditors and Executive Directors, and two years for Counsellors.⁶ Bank executives, excluding Executive Directors, are not dismissed against their will during their term of office except in the situations prescribed in the Law, such as where they receive a ruling of commencement of bankruptcy proceedings.⁷

For duties and rights of Bank executives, see Table 3.⁸

IV. ORGANIZATION

A. The Policy Board

The Policy Board is established as the Bank's highest decision-making body.⁹

The Board determines the guideline for currency and monetary control, sets the basic principles for carrying out the Bank's operations, and oversees the fulfillment of the duties of Bank executives, excluding Executive Auditors and Counsellors.¹⁰

B. The Management and Compliance Committees

The Management Committee and the Compliance Committee were established in accordance with the Organizational Rules of the Bank of Japan decided by the Policy Board.

The members of the Management Committee comprise the Deputy Governors and all Executive Directors. Under the supervision of the Policy Board, this committee examines and manages at the Bank-wide level issues related to the planning and implementation of the basic principles of the Bank's operations as well as those related to the appropriate functioning of the organization as a whole, thereby supporting the Governor's execution of the Bank's business.

The members of the Compliance Committee comprise the Deputy Governors, the Executive Director in charge of personnel and corporate affairs, the Director-General of the Internal Auditors' Office, and one or more legal experts from outside the Bank appointed by the Governor. This committee is responsible for ensuring that the executives and staff perform their duties fairly and in compliance with the relevant laws and regulations.

C. Staff

As of the end of March 2006, the Bank employed a total of 5,057 people: 2,849 at the Head Office; 2,136 at the branches; 49 at the local offices; and 23 at the overseas representative offices (Table 4).

The annual ceiling set on the number of employees was 5,245 for fiscal 2006 (see "The Bank's Management Strategy: Framework and Progress" Section III on pages 28–37).

6. Stipulated by Article 24.

7. Stipulated by Article 25.

8. Duties and rights are stipulated by Article 16, Paragraph 2 and Article 22.

9. Stipulated by Article 14.

10. Stipulated by Article 15.

Table 1

History of the Bank of Japan

1882	June	The Bank of Japan Act 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 Law 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 Law of 1942.
1949	June	The Policy Board is established.
1997	June	The Bank of Japan Law of 1997 is promulgated; the Bank is to have capital of 100 million yen.
1998	Apr. 1	The Bank of Japan Law of 1997 comes into effect.

Table 2

Subscribers by Category

Subscribers	Amount of subscription (thous. yen) ¹	Percentage of the total subscription (%)
The government	55,005	55.0
The private sector	44,994	45.0
Individuals	39,167	39.2
Financial institutions	2,717	2.7
Public organizations	291	0.3
Securities companies	87	0.1
Other firms	2,730	2.7
Total	100,000	100.0

Note: 1. Rounded down to the nearest 1,000 yen. As of the end of March 2006.

Table 3

Duties and Rights of Bank Executives

		Duties and rights
Members of the Policy Board	Governor (Chairman)	Represents the Bank and exercises general control over the Bank's business operations in accordance with decisions made by the Policy Board. At the same time, fulfills the duties as an independent member of the Policy Board.
	Deputy Governors	In accordance with decisions made by the Governor, represent the Bank, administer the business operations of the Bank assisting the Governor, act in place of the Governor whenever the Governor is prevented from attending to the Governor's duties, and perform the Governor's duties when such post is vacant. At the same time, fulfill the duties as independent members of the Policy Board.
	Other members	Comprise the Policy Board together with the Governor and the Deputy Governors and oversee decisions on important matters concerning Bank business and the fulfillment of the duties of the Governor, Deputy Governors, and executive directors.
Executive Auditors		Inspect the business operations of the Bank. If deemed necessary based on the results of the inspection, may submit their views to the Minister of Finance, the Prime Minister (the Commissioner of the Financial Services Agency when the Prime Minister entrusts his or her powers prescribed by Article 61, Paragraph 2 of the Bank of Japan Law to the Commissioner), or the Board.
Executive Directors		In accordance with the decisions made by the Governor, administer the business operations of the Bank assisting the Governor and the Deputy Governors, act in place of the Governor when the Governor and Deputy Governors are prevented from attending to their duties, and perform the Governor's duties when the posts of the Governor and Deputy Governors are vacant.
Counsellors		To be consulted with by the Board on any important matters concerning the Bank's business operations. If deemed necessary, may express their views to the Board.

Table 4

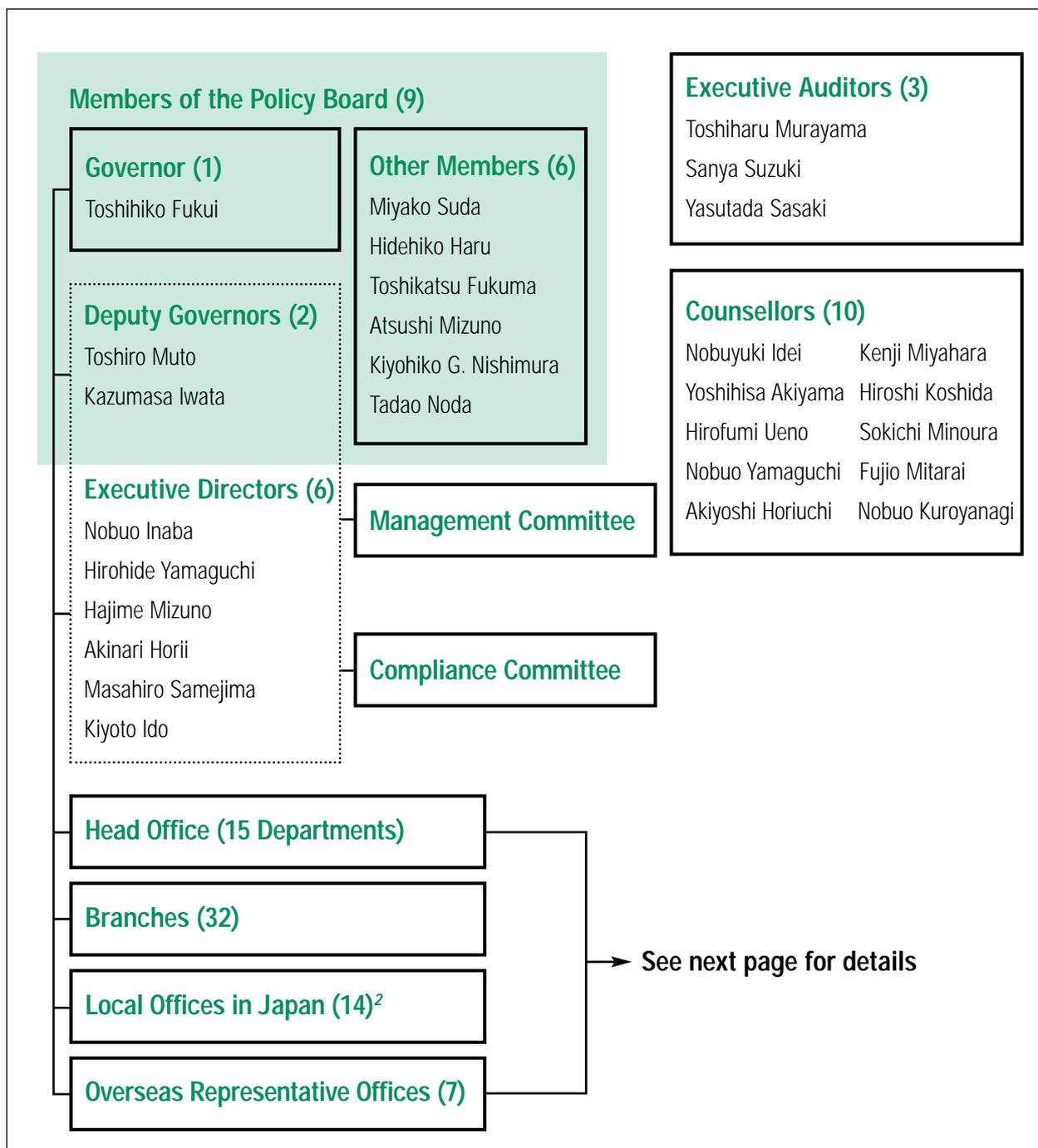
Number of Staff as of the End of March 2006

people; figures in parentheses are the number as of the end of March 2005

Total	5,057 (5,052)
Head Office ¹	2,849 (2,803)
Branches	2,136 (2,174)
Local offices ¹	49 (51)
Overseas representative offices	23 (24)

Note: 1. The staff of the computer center and the banknote operations center, two of the 14 local offices, are included in the number of staff at the Head Office.

Organization Chart of the Bank¹



Notes: 1. As of August 21, 2006.

2. 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	Yasuo Nakayama (Director-General) Shigeki Kushida (Director-General, Senior Secretary to the Governor) Tomohisa Takeda (Adviser to the Governor ³) Yuji Iino (Adviser to the Governor ⁴)
Internal Auditors' Office	Kazuhito Osugi (Director-General)
Monetary Affairs Department	Masayoshi Amamiya (Director-General)
Financial Systems and Bank Examination Department	Kenzo Yamamoto (Director-General)
Payment and Settlement Systems Department	Taku Oizumi (Director-General)
Financial Markets Department	Hiroshi Nakaso (Director-General)
Research and Statistics Department	Hideo Hayakawa (Director-General)
International Department	Toshio Idesawa (Director-General)
Currency Issue Department	Eikichi Saito (Director-General)
Operations Department	Toshihiko Sasaki (Director-General)
Information System Services Department	Toru Hara (Director-General)
Public Relations Department	Takao Yumoto (Director-General)
Personnel and Corporate Affairs Department	Junichi Maeda (Director-General)
Administration Department	Ryutaro Tanimura (Director-General)
Institute for Monetary and Economic Studies	Kunio Okina (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	Tadashi Nunami (General Manager for the Americas and Chief Representative in New York)
Washington, D.C.	Bank of Japan Representative Office in Washington, D.C. 2100 Pennsylvania Ave., N.W., Suite 505, Washington, D.C. 20037, U.S.A.	+1-202-466-2228	Jun Iwasaki (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	Toshikazu Takei (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	Satoru Hagino (Chief Representative in Paris)
Frankfurt	Bank of Japan Representative Office in Frankfurt Taunusanlage 21, 60325 Frankfurt am Main, Germany	+49-69-9714310	Atsushi Takeuchi (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	Akira Yasui (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	Kiyoyuki Seguchi (Chief Representative in Beijing)

Notes: 3. In charge of management strategy, budget, and accounting.

4. In charge of parliamentary affairs and public relations.

Members of the Policy Board¹



From left: Atsushi Mizuno, Hidehiko Haru, Tadao Noda, Kazumasa Iwata, Toshihiko Fukui, Toshiro Muto, Miyako Suda, Toshikatsu Fukuma, and Kiyohiko G. Nishimura

Toshihiko Fukui

Governor (the 29th) and Chairman of the Policy Board

Date of Birth

September 7, 1935

Education

The University of Tokyo
(1958, B.A. in Law)

1958 Joined the Bank of Japan

1970 Representative in Paris

1977 Director, Head of Planning Division, Coordination and Planning Department

1980 General Manager, Takamatsu Branch

1985 Director-General, Research and Statistics Department

1986 Director-General, Banking Department

1989 Director-General, Policy Planning Department

Executive Director

1994 Deputy Governor

1998 Chairman, Fujitsu Research Institute

2001 Vice Chairperson, Keizai Doyukai (Japan Association of Corporate Executives)

2003 Present position

Note: 1. Members are as of August 21, 2006.

Toshiro Muto*Deputy Governor*

Date of Birth	Education
July 2, 1943	The University of Tokyo (1966, B.A. in Law)

1966 Joined the Ministry of Finance

1988 Director, Small Banks Division, Banking Bureau

1990 Director, Secretarial Division, Minister's Secretariat

1995 Deputy Vice Minister for Policy Coordination

1997 Deputy Vice Minister

1998 Deputy Vice Minister for Policy Coordination

1999 Director-General, Budget Bureau

2000 Administrative Vice Minister of Finance

2003 Special Adviser to the Minister of Finance
Present position

Miyako Suda

Date of Birth	Education
May 15, 1948	The University of Tokyo (1971, B.A. in Arts and Sciences and 1979, Completed a Ph.D. Program in Economics)

1982 Assistant Professor, Senshu University

1988 Professor, Senshu University

1990 Professor, Gakushuin University

2001 Present position

Toshikatsu Fukuma

Date of Birth	Education
April 23, 1937	Hiroshima University (1960, B.A. in Politics and Economics)

1960 Joined Mitsui & Co., Ltd.

1988 General Manager, Project Finance Division, Mitsui & Co., Ltd., Tokyo

1989 General Manager, Finance Division, Mitsui & Co., Ltd., Tokyo

1991 Director, Mitsui & Co., Ltd.

1994 Executive Managing Director, Mitsui & Co., Ltd.

1995 Senior Executive Managing Director, Mitsui & Co., Ltd.

1998 Executive Vice President and Chief Financial Officer, Mitsui & Co., Ltd.

2001 Vice Chairperson, Keizai Doyukai (Japan Association of Corporate Executives)
Counselor, Mitsui & Co., Ltd.

2002 Present position

Kiyohiko G. Nishimura

Date of Birth	Education
March 30, 1953	The University of Tokyo (1975, B.A. in Economics and 1977, M.A. in Economics) Yale University (1982, Ph.D. in Economics)

1981 Arthur M. Okun Memorial Research Fellow, Economic Studies Program, The Brookings Institution

1983 Associate Professor, The University of Tokyo

1994 Professor, The University of Tokyo

2003 Executive Research Fellow, Economic and Social Research Institute, Cabinet Office, and Professor, Graduate School of Economics, The University of Tokyo

2005 Present position

Kazumasa Iwata*Deputy Governor*

Date of Birth	Education
October 17, 1946	The University of Tokyo (1970, B.A. in Arts and Sciences)

1970 Joined the Economic Planning Agency

1985 Senior Economist, Economic Research Institute

1986 Associate Professor, College of Arts and Sciences, The University of Tokyo

1991 Professor, College of Arts and Sciences, The University of Tokyo

1996 Professor, Graduate School of Arts and Sciences, The University of Tokyo

2001 Professor, Graduate School of Arts and Sciences, The University of Tokyo, and Director General for Economic Assessment and Policy Analysis, Cabinet Office

2003 Present position

Hidehiko Haru

Date of Birth	Education
November 4, 1937	The University of Tokyo (1960, B.A. in Economics)

1960 Joined Tokyo Electric Power Company, Inc. (TEPCO)

1991 General Manager, Affiliated Companies Department, TEPCO

1995 Director and General Manager, Accounting and Treasury Department, TEPCO

1999 Managing Director, TEPCO

2000 Executive Vice-President, TEPCO

2002 Present position

Atsushi Mizuno

Date of Birth	Education
August 18, 1959	Waseda University (1984, B.A. in Economics) The City University of New York (1989, Ph.D. in Economics)

1986 Predoctoral Visiting Scholar, National Bureau of Economic Research

1989 Senior Economist, Nomura Securities Co., Ltd., Tokyo

1996 Chief Strategist, Nomura Securities Co., Ltd., Tokyo

1997 Managing Director, Chief Fixed-Income Strategist & Chief Economist, Deutsche Morgan Grenfell Capital Markets Ltd., Tokyo Branch (the present Deutsche Securities Ltd., Tokyo Branch)

2002 Council Member, Council for Establishing of Japan Post (Japan Services Public Corporation)

2004 Vice Chairman, Global Markets Japan, Deutsche Securities Ltd., Tokyo Branch
Co-Head of Research Division, Chief Fixed Income Strategist, Credit Suisse First Boston Securities Japan Ltd.
Present position

Tadao Noda

Date of Birth	Education
January 31, 1947	Kyoto University (1969, B.A. in Law)

1969 Joined The Dai-Ichi Bank, Ltd.

1997 Director and General Manager, Corporate Operation Planning and Coordination Office, The Dai-Ichi Kangyo Bank, Ltd. (DKB)²

1998 Managing Director, DKB

2001 Managing Executive Officer and Head of Strategic Planning Group (Chief Strategy Officer), Mizuho Holdings, Inc.³

2003 Deputy President, Mizuho Financial Group, Inc. (MHFG) (upon establishment of MHFG)

2005 Chairman, Chuo Real Estate Co., Ltd.

2006 Present position

Notes: 2. Established in 1971 through merger of The Dai-Ichi Bank, Ltd. and The Nippon Kangyo Bank, Ltd.

3. Established in 2000 through merger of DKB, The Fuji Bank, Ltd., and The Industrial Bank of Japan, Ltd.

Functions of Committees/Departments/Offices

COMMITTEES/DEPARTMENTS/OFFICES

Management Committee¹

Examines and manages Bank-wide issues regarding the Bank's operations.

Compliance Committee²

Ensures that the executives and staff perform their duties fairly and in compliance with the relevant laws and regulations.

Secretariat of the Policy Board

(1) Arranges proceedings for Policy Board meetings; (2) liaises with the Diet, the media, and industry associations; (3) reviews the content and wording of draft proposals for decisions at Policy Board meetings, and offers a legal perspective on other important documents; (4) handles legal matters relating to the Bank of Japan Law and other laws and ordinances; (5) plans and formulates measures relating to the Bank's business operations and organizational management; (6) handles administrative matters relating to the Management Committee; (7) handles the Bank's budget, settlement, and accounting; (8) handles particular matters as directed by executives; (9) supports the Executive Auditors in auditing; (10) provides administrative services for executives; and (11) is responsible for the safekeeping of the official stamps of the Bank and its executives.

Internal Auditors' Office

Deals with issues relating to auditing of the Bank's business operations.

Monetary Affairs Department

Plans and formulates monetary policy measures and related matters.

Financial Systems 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; (4) selects parties involved in the Bank's purchases of stocks; (5) determines the specifics of credit extension and discounting of bills by the Bank; and (6) liaises with financial industry associations.

Payment and Settlement Systems Department

Plans and formulates measures in the following areas: (1) policy issues relating to the payment and settlement system; (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) deals with issues relating to improving the functioning of Japanese financial markets, including the foreign exchange market; (3) intervenes in the foreign exchange markets for the purpose of stabilizing exchange rates of the yen as the agent of the Minister of Finance and/or on behalf of other countries' monetary authorities; (4) conducts purchases/sales of foreign currencies on behalf of overseas central banks and international organizations for the purpose of assisting investment of their assets; and (5) monitors and analyzes developments in financial markets in Japan as well as overseas, including foreign exchange markets, and the activities of participants in these markets.

Research and Statistics Department

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

International Department

(1) Manages external assets held by the Bank; (2) makes arrangements for investment in yen assets by overseas central banks and international organizations; (3) conducts

Notes: 1. The members of this committee comprise the Deputy Governors and all Executive Directors.

2. The members of this committee comprise the Deputy Governors, the Executive Director in charge of personnel and corporate affairs, the Director-General of the Internal Auditors' Office, and one or more legal experts from outside the Bank.

operations for international financial support; (4) liaises with overseas central banks and international organizations; (5) conducts research on global economic and financial conditions; and (6) conducts business entrusted to it by the Ministry of Finance related to the Foreign Exchange and Foreign Trade Law and Foreign Exchange Fund Special Account Law.

Currency Issue Department

(1) Conducts planning and operations relating to banknotes; (2) conducts payment/receipt of coins, and examines and takes custody of them; (3) exchanges banknotes and coins unfit for further circulation; (4) conducts business related to clearing of bills and checks; and (5) manages securities and other items entrusted to the Bank for safekeeping.

Operations Department

Conducts banking operations including the following: (1) discounting of bills; (2) credit extension; (3) purchasing/selling of bills (including those drawn by the Bank) and securities; (4) borrowing/lending of securities with cash collateral; (5) accepting deposits; (6) domestic funds transfer; (7) taking custody of marketable securities and certificates that represent property rights; (8) purchasing/selling of gold and silver bullion; (9) bidding on and underwriting of Japanese government securities; (10) operations relating to treasury funds; (11) handling of government affairs related to currency and finance; (12) executing policy measures to maintain an orderly financial system; (13) operations relating to stocks purchased by the Bank; and (14) conducting other banking business of the Bank not listed above and operations relating to the Bank's agents.

Information System Services Department

(1) Manages the design and development of the Bank's computer systems as required in order to automate the Bank's business procedures; and (2) operates the Bank's computer systems.

Public Relations Department

(1) Is responsible for public relations; (2) disseminates information on financial services; and (3) administers the Bank's library.

Personnel and Corporate Affairs Department

Handles business in the following areas: (1) corporate affairs; (2) Compliance Committee; (3) personnel policy issues relating to recruitment, assessment of job performance, career planning and training, wages and salaries, and the Bank's ethical discipline code; and (4) other aspects of personnel administration.

Administration Department

Conducts administrative operations relating to the following: (1) real estate holdings; (2) supplies; (3) staff welfare; (4) security; (5) transportation; (6) payment of expenses; (7) compilation of data for the Bank's accounts; (8) subscription certificates of the Bank's capital; (9) mailing; and (10) safekeeping of slips.

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 on monetary and economic issues with academics.

OTHER OFFICES

Branches

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

Local Offices in Japan

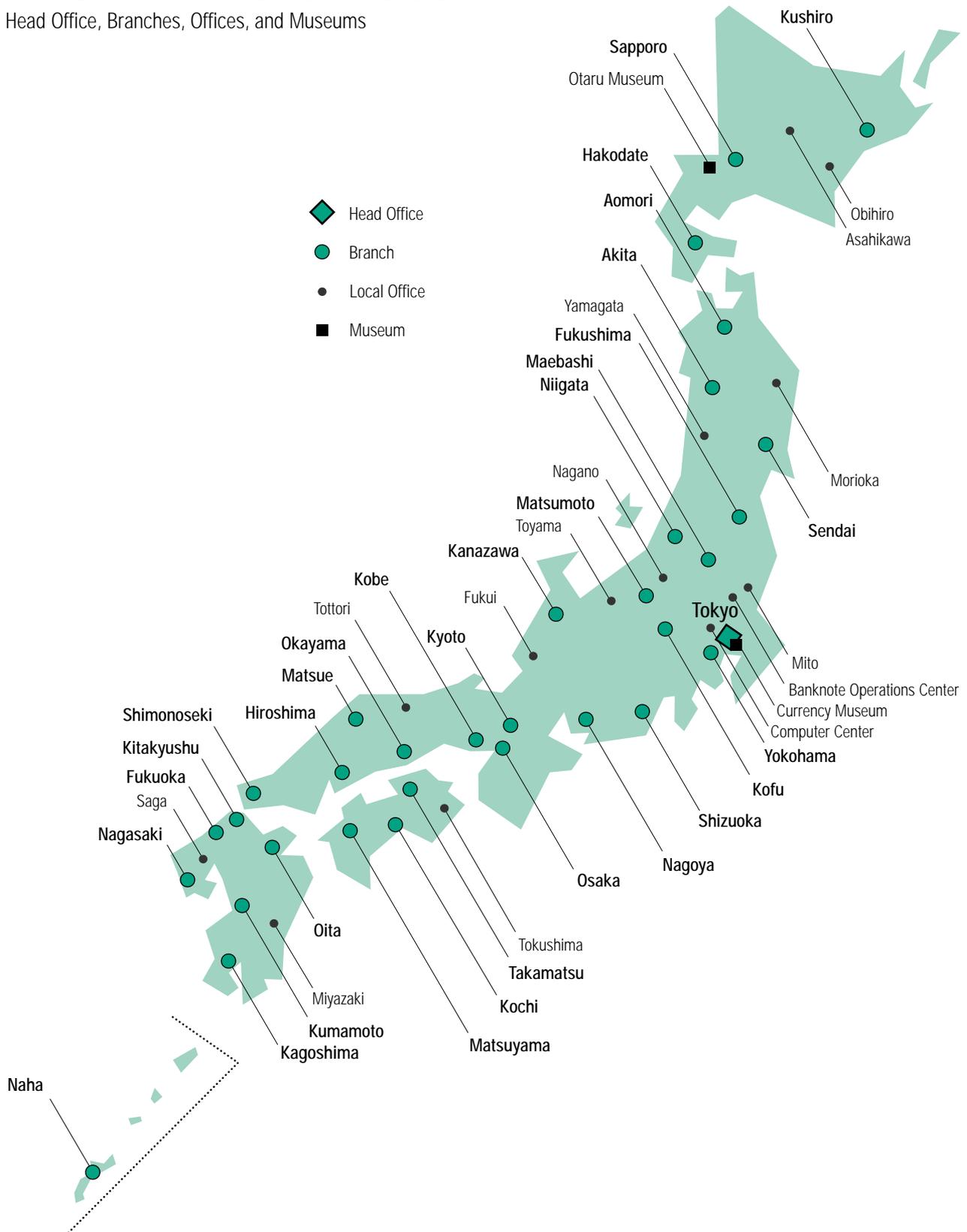
The computer center operates the Bank's systems. The banknote operations center in Toda City, Saitama Prefecture, receives, pays, and stores banknotes. The other 12 local offices handle some of the operations of the Head Office or branches.

Overseas Representative Offices

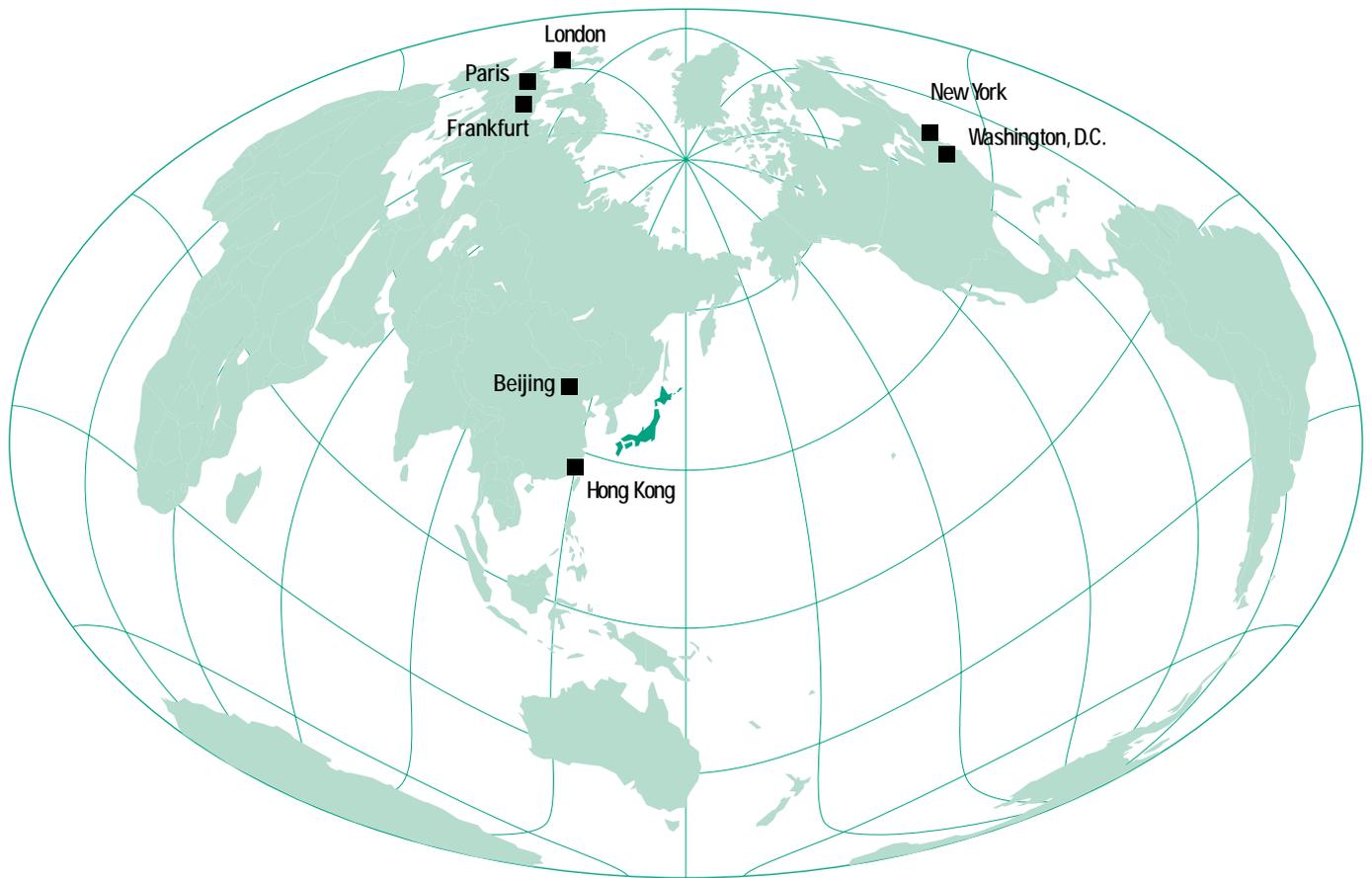
The seven overseas representative offices perform a liaison function, gather information, and conduct research.

The Bank's Offices

Head Office, Branches, Offices, and Museums



Overseas Representative Offices⁷



Note: 7. For details, see page 101.

V. ORGANIZATIONAL MANAGEMENT IN FISCAL 2005

A. Overview

The Bank took various measures concerning organizational management in fiscal 2005, in view of the Bank of Japan Law stipulating that “the Bank of Japan shall endeavor to conduct its business in a proper and efficient manner” (Article 5, Paragraph 1).

The Bank retained the number of employees appropriate for carrying out the “Medium-Term Strategic Framework for Fiscal 2005–2009” (MTSF) while continuing to make further efforts to raise the efficiency of existing business operations. Consequently, the number of employees was 5,057 at the end of March 2006.

Regarding wages and salaries, the Bank increased the yearly remuneration of its executives for fiscal 2005 by 0.1 percent from the previous year, reflecting conditions prevailing in society in general. However, in line with the ongoing review of salaries of government officials, the Bank decided to reduce the salaries of its executives for fiscal 2006 by 1.7 percent from their level in fiscal 2005. As for its non-executive staff, the Bank kept the levels of salaries unchanged in fiscal 2005 for the tenth consecutive year and the bonuses for May and November 2005 were also kept unchanged from the previous year.

On an organizational level, the Management Committee and the Compliance Committee were established on April 1, 2005 (see Section IV.B on page 97). Furthermore, with the aim of enhancing organizational flexibility, the Bank reorganized some departments and offices at

its Head Office, effective as of July 8, 2005, and also established ten new sections while merging or abolishing eight other sections during fiscal 2005. In addition, as part of its efforts to seek new staff with diverse skills as specified in the MTSF, the Bank initiated open recruitment of experienced workers for management positions and of undergraduates of universities abroad. The Bank also continued its review of business processes and information sharing. At the same time, the Bank decided to introduce the reemployment system (the “senior staff system”) in fiscal 2006 in response to the revision of the Law for the Stabilization of Employment of the Aged.

The Bank proceeded with the disposal of its property in accordance with the basic principle decided in January 1999. Also, the Bank disposed of recreation facilities that had been closed and real estate that was not in use.

B. Organizational Reform of the Bank’s Head Office

Having partly revised its Organizational Rules,⁷¹ on July 8, 2005, the Bank merged the former Financial Systems Department with the Bank Examination and Surveillance Department to form the Financial Systems and Bank Examination Department and established the Payment and Settlement Systems Department. The establishment of these two departments was decided on June 21, 2005 by the Policy Board.

Meanwhile, in the Currency Issue Department, Operations Department, and Administration Department, the Bank planned to abolish the division system that

71. The Organizational Rules of the Bank of Japan were decided by the Policy Board on March 24, 1998.

was in place even after the organizational reform in July 2005, and complete the necessary arrangements for dividing the departments by section during fiscal 2006.¹²

C. Measures to Enhance the Functioning of the Bank

The Bank established the Management Committee on April 1, 2005. The members of the committee comprise the Deputy Governors and all Executive Directors. It examined and managed at the Bank-wide level issues related to the planning and implementation of the basic principles of the Bank's operations as well as those related to the appropriate functioning of the organization as a whole.

The members of the Compliance Committee, established also on April 1, 2005, comprise the Deputy Governors, the Executive Director in charge of personnel and corporate affairs, the Director-General of the Internal Auditors' Office, and a legal expert from outside the Bank appointed by the Governor. This committee is responsible for ensuring that the executives and staff

perform their duties fairly and in compliance with the relevant laws and regulations.

As for the organization and personnel system, with the aim of enhancing organizational flexibility, the Bank reorganized some departments and offices at its Head Office, effective as of July 8, 2005, and also established ten new sections while merging or abolishing eight other sections during fiscal 2005. In addition, as part of its efforts to seek new staff with diverse skills as specified in the MTSF, the Bank initiated open recruitment of experienced workers for management positions and of undergraduates of universities abroad.

The Bank also continued its review of business processes and information sharing. With regard to its business and operational procedures, the Bank extended for another year the term of the Operational Reform Task Force, which was established on July 2, 2004, so that it could continue, at the Bank-wide level, to build on its efforts to date. As for information sharing, the Bank improved the efficiency of its operations by making use of a Bank-wide intranet and ensuring that examples of progress were shared.

12. The division system was abolished on July 14, 2006.

