



ANNUAL REVIEW 2009

BANK OF JAPAN



BANK OF JAPAN

ANNUAL REVIEW 2009

Year Ended March 31, 2009

OUR POLICY AND OPERATIONS



C O N T E N T S



Foreword by the Governor	4
About the Bank of Japan	9
I. Core Purposes	10
II. Capital	10
III. Bank Officers	10
IV. Organization	16
The Bank's Business Operations	23
I. Monetary Policy	24
II. Financial System Policy	25
III. Enhancement of Payment and Settlement Systems and Market Infrastructure	27
IV. International Operations	27
V. Issuance, Circulation, and Maintenance of Banknotes	28
VI. Services Relating to the Government	28
VII. Communication with the Public	29
The Bank's Progress toward Its Strategic Goals: Implementation of Action Plans in Fiscal 2008	31
I. Introduction	32
II. The Implementation of the Action Plans for Fiscal 2008	33
The Bank's Organizational Management in Fiscal 2008	49
I. Settlement of Accounts and Budget for Expenses	50
II. IT Investment	50
III. Ceiling on the Number of Employees	50
IV. Organizational Management Measures Implemented in Fiscal 2008	51
V. Internal Audits	53
The Bank's Accounts	55
I. Settlement of Accounts for Fiscal 2008	56
II. Settlement of Accounts for Expenses for Fiscal 2008	75
Appendixes	79
■ Appendix 1: Overview of Audits of the Bank of Japan	80
■ Appendix 2: The Bank of Japan's Medium-Term Strategic Framework for Fiscal 2005–2009	82
■ Appendix 3: The Bank of Japan's Strategic Priorities for Fiscal 2009–2011	86



BANK OF JAPAN

FOREWORD BY THE GOVERNOR



In fiscal 2008, economic conditions around the world deteriorated simultaneously and sharply while turmoil in global financial markets intensified, following the failure of Lehman Brothers in the autumn. Japan's economy also deteriorated significantly against the background of a significant decline in exports, deterioration in both corporate profits and households' employment and income situation, and severe financial conditions.

In order to support the economy from the monetary policy side in this situation, the Bank of Japan implemented various measures from the autumn, which can be divided into three main areas: reductions in the policy interest rate; measures to ensure stability in financial markets; and measures to facilitate corporate financing. In addition, to secure the stability of the financial system, the Bank resumed its purchases of stocks held by banks, and also made the decision to provide subordinated loans to banks.

The Bank contributed to the enhancement of the safety and efficiency of payment and settlement systems by, for example, providing safe and convenient settlement assets. It also engaged in efforts to enhance the market infrastructure so as to improve the functioning and efficiency of financial markets, as well as working to promote international financial stability. The Bank supported economic and financial activities in Japan through its business operations in the following areas: the issuance, circulation, and maintenance of banknotes; treasury funds and Japanese government securities; and business continuity for emergency situations. Moreover, the Bank worked to keep the public informed about its efforts in all these areas.

The *Annual Review* is based on the Japanese original of the *Gyōmu Gaiyō Shō* (Outline of Business Operations), which is prepared pursuant to Article 55 of the Bank of Japan Act. The Japanese original and the *Annual Review 2009* have been drawn

up and released to explain to readers the implementation of the Bank's business operations during fiscal 2008. I hope this year's *Annual Review* will enable readers to gain a better overall understanding of the Bank's efforts.

The Bank introduced the new Strategic Priorities in April 2009 so that it would be able to respond more appropriately to changes in Japan's economic and financial environment. Under the new Strategic Priorities, the Bank will keep a medium-term perspective, and update the Strategic Priorities at the end of every fiscal year to respond to changes in circumstances in a flexible and timely manner, thereby continuing to contribute to the sustainable growth and development of Japan's economy.



Masaaki Shirakawa

Masaaki Shirakawa

Governor of the Bank of Japan

