



ANNUAL REVIEW 2010

BANK OF JAPAN



BANK OF JAPAN

ANNUAL REVIEW 2010

Year Ended March 31, 2010

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	28
V. Issuance, Circulation, and Maintenance of Banknotes	28
VI. Services Relating to the Government	29
VII. Communication with the Public	29
Implementation of the Bank's Strategic Priorities: Progress Made during Fiscal 2009	31
I. Introduction	32
II. The Bank's Progress in Addressing Issues and Implementing Action Plans in Fiscal 2009	32
The Bank's Organizational Management in Fiscal 2009	47
I. Settlement of Accounts and Budget for Expenses	48
II. IT Investment	48
III. Ceiling on the Number of Employees	48
IV. Organizational Management Measures Implemented in Fiscal 2009	49
V. Internal Audits	50
The Bank's Accounts	51
I. Settlement of Accounts for Fiscal 2009	52
II. Settlement of Accounts for Expenses for Fiscal 2009	70
Appendixes	73
■ Appendix 1: Overview of Audits of the Bank of Japan	74
■ Appendix 2: The Bank of Japan's Strategic Priorities for Fiscal 2010–2012	76



BANK OF JAPAN

FOREWORD BY THE GOVERNOR





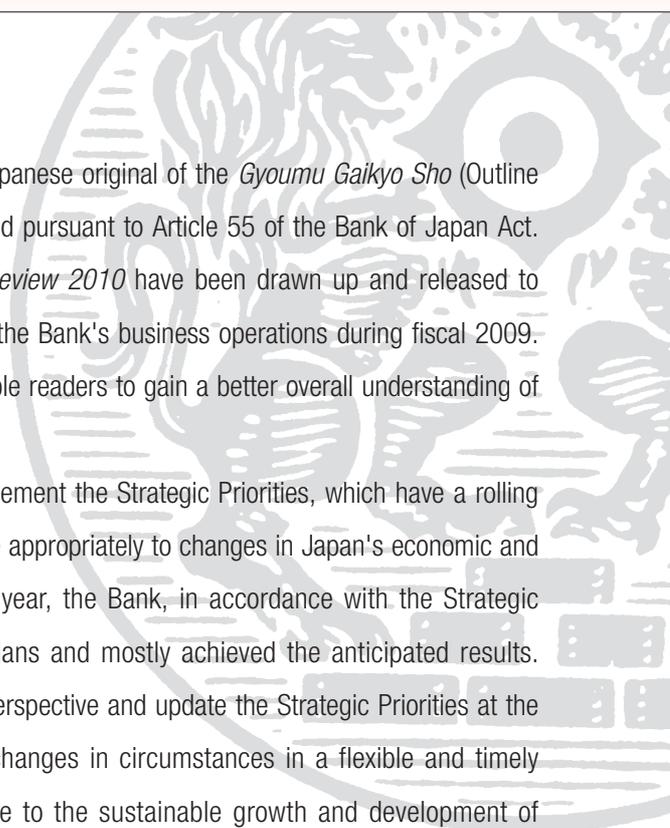
In fiscal 2009, the global economy, after emerging from the sharp deterioration triggered by the financial crisis, was on a recovery trend from the spring that was particularly visible in emerging economies. Japan's economic conditions also stopped worsening in the first half of the fiscal year and continued to pick up thereafter, mainly due to the improvement in overseas economic conditions and to various policy measures. On the price front, a moderating trend in the pace of decline in consumer prices continued from fall 2009 onward.

The Bank of Japan implemented various policy measures to support the economy's steps toward recovery from the financial side. Measures to restore the proper functioning of financial markets, such as outright purchases of corporate bonds and CP, secured considerable improvement in financial conditions and could thus be allowed to expire before the end of the fiscal year. With regard to the conduct of monetary policy, the Bank implemented monetary easing measures vigorously. Specifically, while maintaining the policy interest rate at the lowest level in the world, it introduced a new funds-supplying operation to encourage a decline in longer-term interest rates.

During the fiscal year, the Bank implemented measures aimed at ensuring financial system stability, such as purchases of stocks held by banks. It worked to enhance the safety and efficiency of payment and settlement systems through, for example, the construction of the new Bank of Japan Financial Network System (BOJ-NET). The Bank also worked to enhance the market infrastructure so as to improve the functioning and efficiency of financial markets, as well as to promote international financial stability. The Bank supported economic and financial activities in Japan through, for example, the issuance, circulation, and maintenance of banknotes, as well as through operations related to treasury funds and Japanese government securities; it also improved its business continuity arrangements taking into account the outbreak of the H1N1 influenza virus. At the same time, the Bank worked to provide the public with a clear explanation of its efforts across these wide-ranging areas.

The *Annual Review* is based on the Japanese original of the *Gyoumu Gaikyo Sho* (Outline of Business Operations), which is prepared pursuant to Article 55 of the Bank of Japan Act. The Japanese original and the *Annual Review 2010* have been drawn up and released to explain to readers the implementation of the Bank's business operations during fiscal 2009. I hope this year's *Annual Review* will enable readers to gain a better overall understanding of the Bank's efforts.

The Bank began in fiscal 2009 to implement the Strategic Priorities, which have a rolling three-year horizon, so as to respond more appropriately to changes in Japan's economic and financial environment. During the fiscal year, the Bank, in accordance with the Strategic Priorities, implemented various action plans and mostly achieved the anticipated results. The Bank will maintain 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

