



BANK OF JAPAN

## **ANNUAL REVIEW 2016**







BANK OF JAPAN

# ANNUAL REVIEW 2016

Year Ended March 31, 2016

OUR POLICY AND OPERATIONS



Frosted glass ceiling of the former banking hall





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

An online version of this Annual Review is available in PDF on the Bank's website  
(<http://www.boj.or.jp/en/about/activities/act/data/ar2016.pdf>).



## FOREWORD BY THE GOVERNOR



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

The *Annual Review* provides excerpts from the Japanese original *Gyōmu Gaikō Shō* (Outline of Business Operations), which is prepared pursuant to Article 55 of the Bank of Japan Act. The *Gyōmu Gaikō Shō* for fiscal 2015 and the *Annual Review 2016* have been drawn up and released to explain to readers the implementation of the Bank's business operations during fiscal 2015. Throughout the fiscal year, the Bank, in accordance with "The Bank of Japan's Strategic Priorities for Fiscal 2014–2018," continued to address various issues and move forward with a number of action plans, while ensuring the timely conduct of its business operations and organizational management in view of changes in circumstances. The Bank will proceed with its efforts as the country's central bank to achieve the sustainable growth and development of Japan's economy. The Bank will also make full use of its functions as the country's central bank to provide a fitting response to the various challenges posed by the Kumamoto Earthquake that struck in April 2016. I hope this year's *Annual Review* will help readers to gain an overview of the Bank's efforts.

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

**Haruhiko Kuroda**  
Governor of the Bank of Japan





# About the Bank of Japan

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**I. Core Purposes**

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**II. Capital**

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**III. The Bank's Officers**

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**IV. Organization**



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

Table 1

### History of the Bank of Japan

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

## I. CORE PURPOSES

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

### Article 1

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

contributing to the maintenance of stability of the financial system.

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

### Article 2

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

## II. CAPITAL

The Bank is capitalized at 100 million yen in accordance with Article 8, paragraph 1 of the Act. As of the end of March 2016, 55,008,000 yen is subscribed by the government, and the rest by the private sector (Table 2).<sup>1</sup>

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

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

Table 2

### Subscribers by Category

Subscribers	Amount of subscription (thous. yen) <sup>1</sup>	Percentage of the total subscription (%)
The government	55,008	55.0
The private sector	44,991	45.0
Individuals	39,991	40.0
Financial institutions	2,229	2.2
Public organizations	181	0.2
Securities companies	41	0.0
Other firms	2,546	2.5
Total	100,000	100.0

Note: 1. Rounded down to the nearest 1,000 yen. As of the end of March 2016.

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

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

3. Stipulated by Article 53, paragraph 4.

### III. THE BANK'S OFFICERS

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

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

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

For duties and powers of the Bank's officers, see Table 3.<sup>9</sup>

Table 3

#### Duties and Powers of the Bank's Officers

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

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

5. Stipulated by Article 16, paragraph 2.

6. Stipulated by Article 23.

7. Stipulated by Article 24.

8. Stipulated by Article 25.

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





# Policy Board Members<sup>1, 2</sup>



Standing from left to right: Makoto Sakurai, Yutaka Harada, Takehiro Sato, Takahide Kiuchi, Yukitoshi Funo, and Takako Masai  
Seated from left to right: Kikuo Iwata, Haruhiko Kuroda, and Hiroshi Nakaso

## Haruhiko Kuroda

*Governor (the 31st) and Chairman of the Policy Board*

### Date of Birth

October 25, 1944

### Education

The University of Tokyo  
(1967, B.A. in Law)  
University of Oxford  
(1971, M.Phil. in Economics)

1967	Joined Japan's Ministry of Finance (MOF)
1987	Director, International Organizations Division, International Finance Bureau
1988	Secretary to the Minister of Finance
1989	Director, International Tax Affairs Division, Tax Bureau
1990	Director, Income Tax and Property Tax Policy Division, Tax Bureau
1991	Director, Co-ordination Division, Tax Bureau
1993	Regional Commissioner, Osaka Regional Taxation Bureau, National Tax Agency
1994	Deputy Director-General, International Finance Bureau, MOF
1996	President, Institute of Fiscal and Monetary Policy
1997	Director-General, International Finance Bureau
1998	Director-General, International Bureau
1999	Vice Minister of Finance for International Affairs
2003	Special Advisor to the Cabinet and Professor, Graduate School of Economics, Hitotsubashi University
2005	President, Asian Development Bank
2013	Present position

Notes: 1. Members are as of August 10, 2016.

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

## Kikuo Iwata

*Deputy Governor*

Date of Birth	Education
October 3, 1942	The University of Tokyo (1966, B.A. in Economics; 1970, M.A. in Economics; and 1973, withdrew from doctoral program in Economics after completion of course requirements except for dissertation)
1973	Lecturer, Sophia University
1976	Associate Professor, Sophia University
1983	Professor, Sophia University
1998	Professor, Gakushuin University
2013	Present position

## Takehiro Sato

Date of Birth	Education
August 2, 1961	Kyoto University (1985, B.A. in Economics)

1985	Joined The Sumitomo Bank, Ltd.
1999	Joined Morgan Stanley Japan, Ltd.
2006	Executive Director, Chief Economist for Japan, Morgan Stanley Japan Securities Co., Ltd. (MSJS) <sup>3</sup>
2010	Managing Director, Chief Economist for Japan, Head of Japan Interest Rate Strategy, MSJS
2012	Managing Director, Chief Economist for Japan, Head of Japan Fixed Income Research, Morgan Stanley MUFG Securities Co., Ltd. <sup>4</sup>
	Present position

## Yutaka Harada

Date of Birth	Education
September 1, 1950	The University of Tokyo (1974, B.A. in Agricultural Economics) University of Hawaii (1979, M.A. in Economics) Gakushuin University (2012, Ph.D. in Economics)

1974	Joined the Economic Planning Agency
1995	Director, Social Research Division, Social Policy Bureau
1997	Director, Overseas Research Division, Research Bureau
1998	Director, Price Policy Division, Price Bureau
1999	Vice President, Policy Research Institute, Ministry of Finance
2002	Executive Research Fellow, Economic and Social Research Institute, Cabinet Office
2004	Chief Economist, Daiwa Institute of Research, Ltd.
2012	Professor, Waseda University
2015	Present position

## Makoto Sakurai

Date of Birth	Education
June 16, 1946	Chuo University (1969, B.A. in Economics) The University of Tokyo (1972, M.A. in Economics; and 1976, withdrew from doctoral program in Economics after completion of course requirements except for dissertation)

1976	Joined the Export-Import Bank of Japan
1980	Visiting Fellow, Economic Growth Center, Yale University
1989	Senior Economist, Research Institute for International Investment and Development, Export-Import Bank of Japan Director General and Chief Economist, Taisho Marine Research Institute Co., Ltd. Also served as Senior Research Fellow, Institute of Fiscal and Monetary Policy, Ministry of Finance
1990	Also served as Senior Research Fellow, Institute of Fiscal and Monetary Policy, Ministry of Finance
1996	President, Research Center for International Finance, Mitsui Marine Research Institute Co., Ltd.
2007	President, Sakurai & Associates International Finance Research Center
2016	Present position

## Hiroshi Nakaso

*Deputy Governor*

Date of Birth	Education
October 12, 1953	The University of Tokyo (1978, B.A. in Economics)

1978	Joined the Bank of Japan
1997	Director, Head of Financial System Division, Financial and Payment System Department
2000	Deputy Director-General, Financial and Payment System Department Transferred to the Bank for International Settlements
2001	Deputy Director-General, Financial Markets Department and International Department, Bank of Japan
2003	Director-General, Financial Markets Department
2008	Executive Director
2010	Assistant Governor
2013	Present position

## Takahide Kiuchi

Date of Birth	Education
November 29, 1963	Waseda University (1987, B.A. in Economics)

1987	Joined Nomura Research Institute, Ltd. (NRI)
2002	Head of Japanese Economic Research Unit and Senior Economist, NRI
2004	Joined Nomura Securities Co., Ltd. (NSC) Deputy Head of Economic Research Department and Head of Japanese Economic Research Section, Financial and Economic Research Center, NSC
2007	Managing Director, Head of Economic Research Department and Chief Economist, Financial and Economic Research Center, NSC
2012	Present position

## Yukitoshi Funo

Date of Birth	Education
February 1, 1947	Kobe University (1969, B.A. in Business Administration) Columbia University (1976, MBA)

1970	Joined Toyota Motor Corporation (TMC)
2000	Director, TMC
2003	President, Toyota Motor Sales, U.S.A., Inc. (TMS)
2005	Chairman and Chief Executive Officer, TMS
2006	Chairman and Chief Executive Officer, Toyota Motor North America, Inc. (TMA)
2009	Executive Vice President and Member of the Board, TMC
2013	Senior Advisor to the Board, TMC Chief Executive Officer, Institute for International Economic Studies
2015	Present position

## Takako Masai

Date of Birth	Education
March 8, 1965	Jissen Women's University (1988, B.A. in English Literature) Hosei University (2007, MBA)

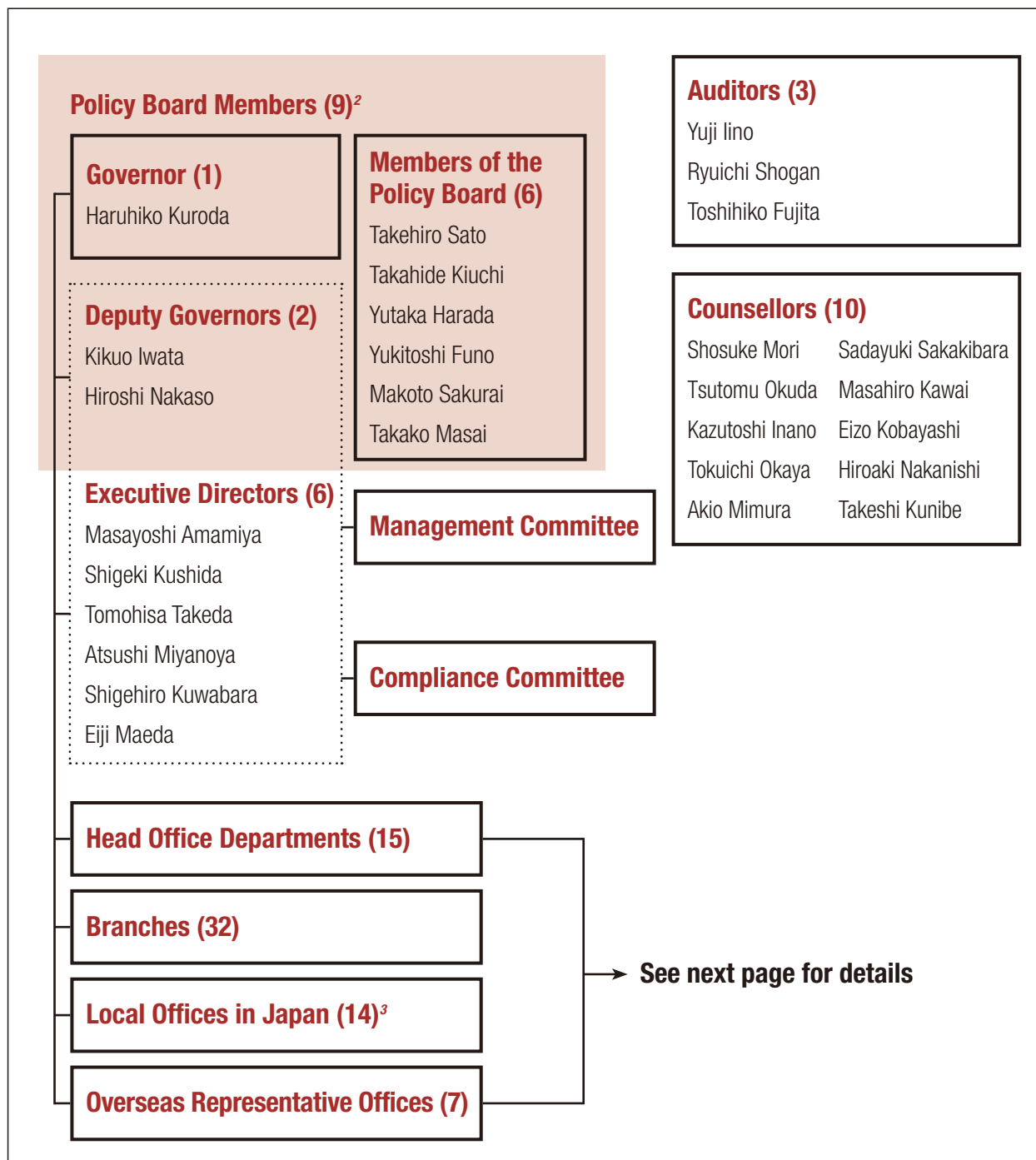
1988	Joined Scotiabank, Tokyo
1989	Joined The Toronto-Dominion Bank, Tokyo
1998	Joined Credit Agricole Indosuez, Tokyo
2004	Joined Calyon Corporate and Investment Bank, <sup>5</sup> Tokyo
2007	General Manager, Capital Markets Division, Shinsei Bank, Ltd.
2011	General Manager, Markets Division, Shinsei Bank, Ltd. General Manager, Markets Sub-Group, Shinsei Bank, Ltd.
2013	Executive Officer, Head of Markets Research Department, Markets Sub-Group, Shinsei Bank, Ltd.
2015	Executive Officer, General Manager of Markets Research Division, Shinsei Bank, Ltd.
2016	Executive Officer, General Manager of Financial Research Division, Shinsei Bank, Ltd. Present position

Notes: 3. Established in 2006 through the transfer of business from Morgan Stanley Japan, Ltd.

4. Established in 2010 as Morgan Stanley's securities joint venture in Japan with Mitsubishi UFJ Financial Group, Inc. (MUFG).

5. Established in 2004 through merger of Credit Agricole Indosuez and Credit Lyonnais.

## IV. ORGANIZATION

Organization Chart of the Bank<sup>1</sup>

Notes: 1. As of August 10, 2016.

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

3. Includes the computer center represented by the Director-General of the Information System Services Department; and the banknote operations center represented by the Director-General of the Currency Issue Department.



Head office departments	Officials
Secretariat of the Policy Board	Ryota Yanagihara (Director-General) Junichi Iwabuchi (Director-General, Senior Secretary to the Governor) Yoji Onozawa (Director-General for Management Strategy, Budget, and Accounting)
Internal Auditors' Office	Toshiyuki Wada (Director-General)
Monetary Affairs Department	Shinichi Uchida (Director-General)
Financial System and Bank Examination Department	Yasuhiro Yamada (Director-General)
Payment and Settlement Systems Department	Hiromi Yamaoka (Director-General)
Financial Markets Department	Seiichi Shimizu (Director-General)
Research and Statistics Department	Toshitaka Sekine (Director-General)
International Department	Shigeto Nagai (Director-General)
Currency Issue Department	Yutaka Okada (Director-General)
Operations Department	Mitsuru Nomura (Director-General)
Information System Services Department	Takeshi Kato (Director-General)
Public Relations Department	Seiichi Tsurumi (Director-General)
Personnel and Corporate Affairs Department	Nobuyasu Yoshioka (Director-General)
Administration Department	Takeshi Nakamura (Director-General)
Institute for Monetary and Economic Studies	Shigenori Shiratsuka (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	Tetsuya Sakamoto (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	Shinichiro Okawa (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	Tokiko Shimizu (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	Yuji Yokobori (Chief Representative in Paris)
Frankfurt	Bank of Japan Representative Office in Frankfurt Taunusanlage 21, 60325 Frankfurt am Main, Germany	+49-69-9714310	Jun Mifune (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	Ken Chikada (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	Kenji Wada (Chief Representative in Beijing)

# Functions of Committees/Departments/Offices

## COMMITTEES AND HEAD OFFICE DEPARTMENTS

### Management Committee

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

### Compliance Committee

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

### Secretariat of the Policy Board

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

### Internal Auditors' Office

Audits the Bank's business operations.

### Monetary Affairs Department

Plans and formulates monetary policy measures.

### Financial System and Bank Examination

#### Department

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

### Payment and Settlement Systems Department

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

### Financial Markets Department

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

### Research and Statistics Department

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

### **International Department**

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

### **Currency Issue Department**

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

### **Operations Department**

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

### **Information System Services Department**

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

### **Public Relations Department**

(1) Is responsible for public relations; (2) administers the Bank's library; and (3) works toward raising the public's awareness and understanding of financial and economic issues.

### **Personnel and Corporate Affairs Department**

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

### **Administration Department**

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

### **Institute for Monetary and Economic Studies**

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

## **BRANCHES AND OFFICES**

### **Branches**

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

### **Local Offices in Japan**

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

### **Overseas Representative Offices**

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

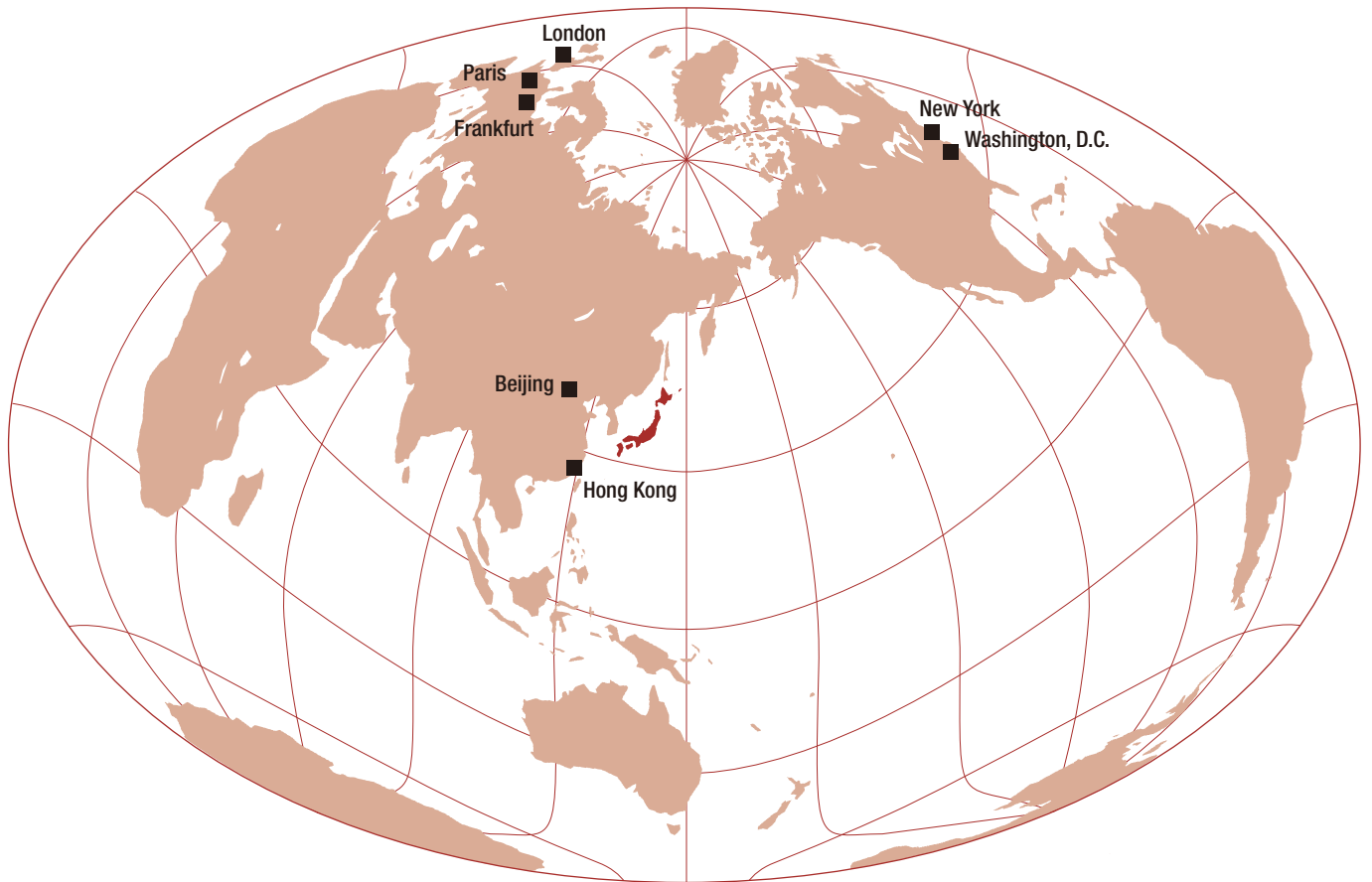
# The Bank's Offices

## Head Office, Branches, Local Offices, and Museums





## Overseas Representative Offices<sup>1</sup>



Note: 1. For details, see page 15.



# The Bank's Business Operations

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**I. Monetary Policy**

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**II. Financial System Policy**

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

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**IV. International Operations**

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**V. Issuance, Circulation, and Maintenance of Banknotes**

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**VI. Services Relating to the Government**

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**VII. Communication with the Public**

## I. MONETARY POLICY

The Bank of Japan decides and implements monetary policy in accordance with the price stability target of 2 percent in terms of the year-on-year rate of change in the consumer price index (CPI), with the aim of achieving price stability and thereby contributing to the sound development of the national economy, as stipulated in Article 2 of the Bank of Japan Act (hereafter the Act). Monetary policy is decided by the Policy Board at Monetary Policy Meetings (MPMs), and money market operations—the Bank's day-to-day provision and absorption of funds in the market—are carried out based on the guideline decided at each MPM. The Bank held 13 MPMs in fiscal 2015.<sup>1</sup>

The Bank releases each quarter the *Outlook for Economic Activity and Prices* (hereafter the Outlook Report) after the Policy Board has decided the text of "The Bank's View" section at the MPMs held in January, April, July, and October.<sup>2</sup> In the Outlook Report, the Bank presents its outlook for developments in economic activity and prices, assesses upside and downside risks, and outlines its views on the future conduct of monetary policy. For MPMs other than the above, the Policy Board members' assessment of the economic and financial situation is expressed in the statement on monetary policy released after each MPM.

In order to make appropriate policy decisions, the Bank conducts research and analysis on economic and financial developments at home and abroad. Major findings are reflected in the Bank's releases including the Outlook Report and the *Regional Economic Report*. The Bank also conducts fundamental studies on economic and financial issues; it publishes the major findings in the *Bank of Japan Working Paper Series*, the *Bank of Japan Research Laboratory Series*, and in research papers released by the Institute for Monetary and Economic Studies (IMES), specifically in the *Monetary and Economic Studies* and the *IMES Discussion Paper Series*.<sup>3</sup>

The Bank, pursuant to Article 54, paragraph 1 of the Act, prepares the *Semiannual Report on Currency and Monetary Control* approximately every six months, covering matters related to the conduct of monetary policy (those listed in the items of Article 15, paragraph 1 of the Act) and business operations that the Bank has conducted based thereon, and submits it to the Diet through the Minister of Finance. In the most recent two issues of this report, the Bank explains in detail economic and financial developments as well as the Bank's conduct of monetary policy and money market operations during fiscal 2015.<sup>4</sup>

1. In 2016, the Bank changed the frequency of MPMs from about 14 times a year to eight times a year.

2. In 2016, the Bank changed the publication frequency of the Outlook Report from semiannual to quarterly.

3. Papers and statistics as well as lists of the Bank's publications in English are available on the Bank's website (<http://www.boj.or.jp/en/index.htm>) and on the IMES website (<http://www.imes.boj.or.jp/english/index.html>); for a list of the Bank's major publications and reports, see page 99.

4. The summaries of these two issues in English are available on the Bank's website; for excerpts from these summaries, see pages 30–36. The full texts are available in Japanese on the website (<http://www.boj.or.jp>).



## II. FINANCIAL SYSTEM POLICY

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

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

In order to be ready to act effectively as the lender of last resort, the Bank strives to gain an accurate grasp of the business conditions at financial institutions and to encourage the maintenance of sound financial conditions, offering guidance and advice as necessary, through the conduct of on-site examinations (examinations that the Bank carries out by visiting the premises of financial institutions pursuant to Article 44 of the Act) as well as off-site monitoring (monitoring that is conducted through meetings with executives and staff of financial institutions, as well as through analysis of various documents submitted by these institutions) (Tables 1

and 2). In addition, through activities such as seminars and workshops organized by the Bank's Center for Advanced Financial Technology (CAFT), the Bank encourages financial institutions' efforts to improve their management of risks and business activities.

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

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

**Principle 1**

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

**Principle 2**

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

**Principle 3**

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

**Principle 4**

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

Table 1

**Number of Financial Institutions That Conduct Transactions with the Bank as of the End of Fiscal 2015<sup>1</sup>**

	Financial institutions that hold current accounts at the Bank		Of which: Financial institutions that have concluded on-site examination contracts with the Bank	Financial institutions that have concluded agreements for bilateral electronic lending with the Bank	Financial institutions that have concluded loans-on-bills agreements with the Bank	Financial institutions that have concluded intraday-overdraft agreements with the Bank
City and regional banks	126	(126)	126	(126)	126	(126)
Trust banks	15	(15)	15	(15)	10	(10)
Foreign banks	50	(52)	50	(52)	37	(39)
<i>Shinkin</i> banks	256	(258)	256	(258)	112	(113)
Financial instruments business operators	35	(35)	35	(35)	30	(30)
Bankers associations	33	(33)	0	(0)	0	(0)
Other institutions	19	(19)	10	(10)	9	(9)
<b>Total</b>	<b>534</b>	<b>(538)</b>	<b>492</b>	<b>(496)</b>	<b>324</b>	<b>(327)</b>

Note: 1. Figures in parentheses indicate the number of institutions as of the end of fiscal 2014.

Table 2

**Number of Financial Institutions Examined**

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Domestically licensed banks <sup>1</sup>	29	33	30
<i>Shinkin</i> banks	55	40	36
Other institutions <sup>2</sup>	26	12	12
<b>Total</b>	<b>110</b>	<b>85</b>	<b>78</b>

Notes: 1. Established and licensed under Japanese legislation, excluding the Bank and government-related organizations.

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

### III. ENHANCEMENT OF PAYMENT AND SETTLEMENT SYSTEMS AND MARKET INFRASTRUCTURE

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

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

In addition, in order to strengthen the functioning and improve the efficiency of markets as well as to support more robust risk management and innovation in

financial services and market transactions, the Bank takes initiatives to reinforce the infrastructures of financial and capital markets—exchanging views with market participants, supporting the formulation of additional rules on and revisions of market practices, and compiling and releasing statistics on market transactions, while giving due consideration to international developments. As part of its initiatives, the Bank has continued to enhance its business continuity arrangements in preparation for times of disaster or other emergency, and has provided active support to market participants in developing effective business continuity planning (BCP) in financial markets, payment and settlement systems, and the financial system.

In order to effectively implement measures to enhance payment and settlement systems and market infrastructure, the Bank conducts research and analysis on the safety and efficiency of payment and settlement systems as well as on the financial system and financial markets, in addition to fundamental research on related issues. Major findings are reflected in the Bank's releases including the *Payment and Settlement Systems Report*.

#### **IV. INTERNATIONAL OPERATIONS**

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

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

various forums, such as meetings of the Group of Twenty (G-20), the Group of Seven (G-7), the International Monetary Fund (IMF), the BIS, and the Financial Stability Board (FSB), as well as other meetings of monetary authorities including central banks in Asia.

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

#### **V. ISSUANCE, CIRCULATION, AND MAINTENANCE OF BANKNOTES**

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

authorized issuer of coins, and then put into circulation.

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

## VI. SERVICES RELATING TO THE GOVERNMENT

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

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

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

## VII. COMMUNICATION WITH THE PUBLIC

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

To promote better understanding of the policies and

business operations of the Bank, not only in the eyes of financial professionals but also of the public as a whole, the Bank endeavors to make its publications and releases better suited to the diverse needs and interests of their users. The Bank also works to promote financial literacy among the public.

The Bank compiles and releases various statistics to be widely shared with the public and implements measures as part of refining its statistics to improve their user-friendliness.

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





# The Bank's Review of Fiscal 2015

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## **I. Introduction**

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

- A. First Half of Fiscal 2015 (April–September 2015)
- B. Second Half of Fiscal 2015 (October 2015–March 2016)

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## **III. Performance Reviews of Measures Taken Under the Strategic Priorities**

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

## I. INTRODUCTION

In March 2014, the Bank of Japan formulated and released "The Bank of Japan's Strategic Priorities for Fiscal 2014–2018."<sup>1</sup> In this document, the Bank adopts a new five-year framework, the content of which will be kept basically unchanged for the whole period, with a view to (1) clarifying the Bank's objectives to be achieved over the medium term and (2) properly evaluating its progress in achieving these. The Bank conducts and makes public performance reviews of measures taken under the Strategic Priorities every fiscal year.

This section provides a brief review of economic and financial developments and decisions made at Monetary Policy Meetings (MPMs) in fiscal 2015, followed by performance reviews of measures taken under the Strategic Priorities. Each performance review is divided

into two parts: a description of progress in implementing specific measures during fiscal 2015 for each of the strategic objectives for its business operations laid out in the Strategic Priorities; 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 2015" (see pages 51–54).

The Bank will conduct an interim review of the Strategic Priorities during the five-year period in order to address any changes in its environment. It will revise the content flexibly in response to any significant changes in its environment. A thorough review of the entire contents of the Strategic Priorities will be conducted separately.

## II. REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS AND MONETARY POLICY MEETINGS<sup>2</sup>

### A. First Half of Fiscal 2015 (April–September 2015)

#### 1. Economic developments

a. Looking back at the first half of fiscal 2015, Japan's economic activity continued to recover moderately, mainly on the domestic demand side, with a virtuous cycle from income to spending at work against the background of a marked improvement in corporate profits. However, since the slowdown in emerging economies exerted downward pressure on exports and production, the pace of improvement in Japan's economy was modest.

Exports and industrial production were more or less flat, due mainly to the effects of the slowdown in emerging economies. Turning to domestic demand, public investment was at a high level. Business fixed investment followed a moderate increasing trend as corporate profits continued to improve markedly. Despite the effects of bad weather, private consumption was resilient against the background of steady improvement in the employment and income situation. Housing investment continued to pick up.

b. On the price front, excluding the direct effects of the consumption tax hike, the producer price index

1. For the text of "The Bank of Japan's Strategic Priorities for Fiscal 2014–2018," see Appendix 2 on pages 86–91.

2. The review provided here comprises excerpts from the summaries of the latest two issues of the *Semiannual Report on Currency and Monetary Control* submitted to the Diet in December 2015 and June 2016. The full texts of both issues in Japanese and summaries in English are available on the Bank's website.



(PPI) relative to three months earlier declined, reflecting the developments in international commodity prices. The year-on-year rate of change in the consumer price index (CPI, all items less fresh food) was about 0 percent. Inflation expectations appeared to be rising on the whole from a somewhat longer-term perspective.

## 2. Financial developments

- a. Money market rates, including longer-term ones, remained stable at low levels.

Long-term interest rates remained at low levels, as the Bank progressed with its Japanese government bond (JGB) purchases under quantitative and qualitative monetary easing (QQE). More concretely, long-term interest rates had increased from end-April, reflecting rises in U.S. and European long-term interest rates, but declined from early July against the backdrop of declines in U.S. and European long-term interest rates and the decline in Japanese stock prices; the rates were in the range of 0.30–0.35 percent at end-September.

The Nikkei 225 Stock Average had risen to the range of 20,500–21,000 yen on the back of the depreciation of the yen against the U.S. dollar and anticipation of improvement in corporate profits, but fell substantially from mid- to end-August, with a drop in stock prices globally prompted mainly by investors' heightening risk aversion. Thereafter, it continued to fluctuate and was in the range of 17,000–17,500 yen at end-September.

In the foreign exchange market, the yen had depreciated against the U.S. dollar due to market participants' awareness of, for example, the difference in the direction of monetary policy between Japan and the United States, but reverted

to an appreciation from mid-August, mainly in response to speculation about U.S. monetary policy, and was about 120 yen against the U.S. dollar at end-September. The yen depreciated against the euro, reflecting in part the rebound in interest rates in Europe, and it traded at around 134 yen against the euro at end-September.

- b. As for corporate finance, in terms of credit supply, financial institutions' lending attitudes as perceived by firms continued to be on an improving trend. Issuing conditions for CP and corporate bonds remained favorable.

Firms' credit demand increased moderately, mainly for working capital and funds related to mergers and acquisitions. With regard to firms' funding, the year-on-year rate of increase in the amount outstanding of lending by domestic commercial banks was in a positive range of about 2.5–3.0 percent. In contrast, the year-on-year rate of change in the amount outstanding of corporate bonds was either negative or otherwise, the amount outstanding was more or less around the year-ago level. Meanwhile, the year-on-year rate of change in that of CP turned negative after having been positive.

- c. The monetary base (currency in circulation plus current account balances at the Bank) increased significantly as asset purchases by the Bank progressed, and the year-on-year rate of growth was in the range of around 30–35 percent. The year-on-year rate of growth in the money stock (M2) was in the range of around 3.5–4.5 percent.

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

- a. Seven MPMs were held in the first half of fiscal 2015.

At the MPM held in April, the Policy Board judged that Japan's economy continued its moderate recovery trend, and at the MPMs held in May through August, it judged that the economy continued to recover moderately. At the September MPM, the Policy Board deemed that the economy continued to recover moderately, although exports and production were affected by the slowdown in emerging economies.

- b. In its conduct of monetary policy, the Policy Board decided at all the MPMs held in the first half of fiscal 2015 to continue with the following guidelines with regard to money market operations and asset purchases that were determined at the MPM on October 31, 2014.

#### **Guideline for Money Market Operations**

The Bank will conduct money market operations so that the monetary base will increase at an annual pace of about 80 trillion yen.

#### **Guidelines for Asset Purchases**

- (1) The Bank will purchase JGBs so that their amount outstanding will increase at an annual

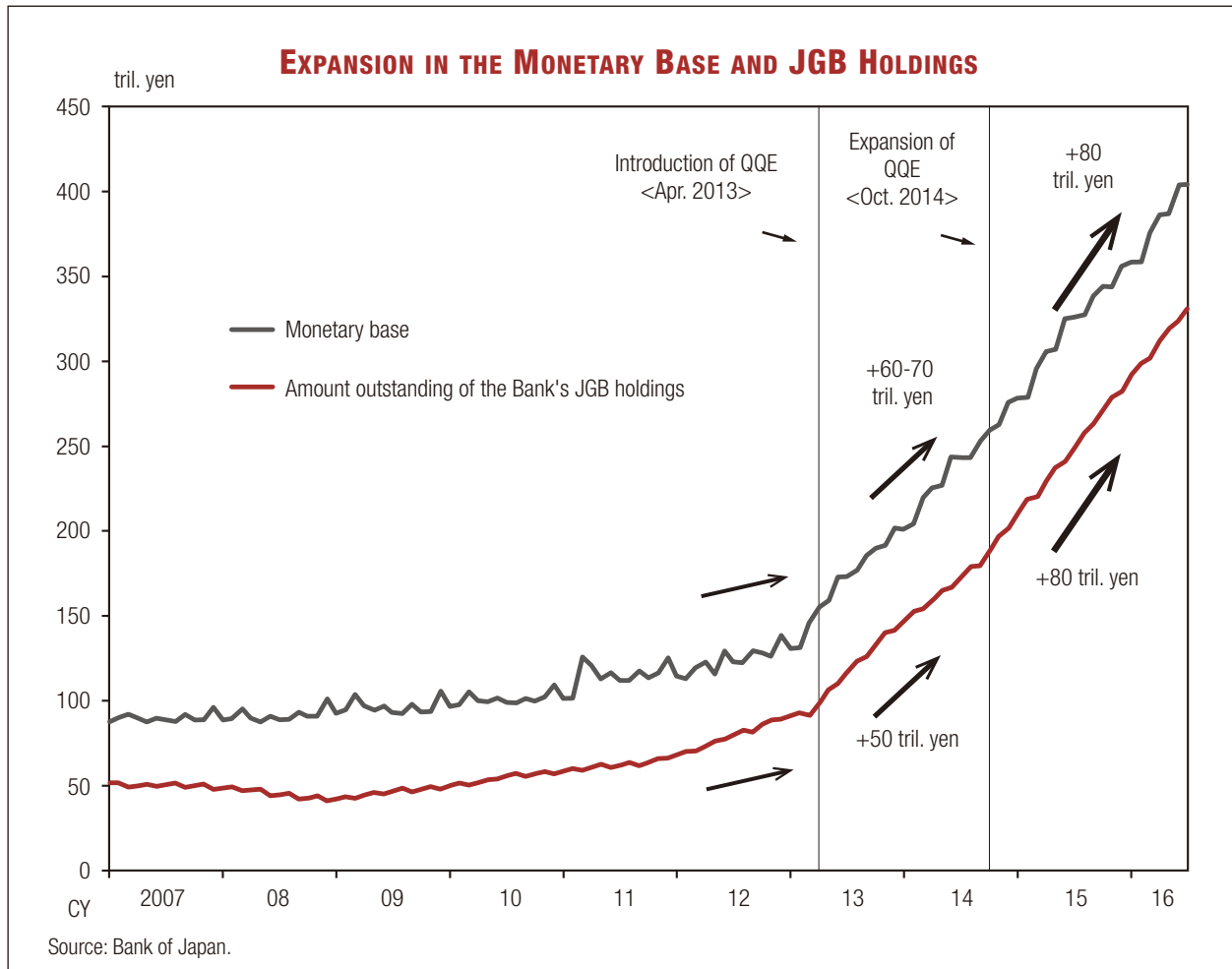
pace of about 80 trillion yen. With a view to encouraging a decline in interest rates across the entire yield curve, the Bank will conduct purchases in a flexible manner in accordance with financial market conditions. The average remaining maturity of the Bank's JGB purchases will be about 7–10 years.

- (2) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at annual paces of about 3 trillion yen and about 90 billion yen, respectively.
- (3) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively.

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 2015: "the Bank will continue with QQE, 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 examine both upside and downside risks to economic activity and prices, and make adjustments as appropriate."

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





## B. Second Half of Fiscal 2015 (October 2015–March 2016)

### 1. Economic developments

a. Looking back at the second half of fiscal 2015, Japan's economic activity continued its moderate recovery trend, with a virtuous cycle from income to spending being maintained, although exports and production were sluggish, due mainly to the effects of the slowdown in emerging economies.

The pick-up in exports paused, primarily because of the effects of the slowdown in emerging economies. Turning to domestic demand, public investment was on a moderate declining trend, although it remained at a high

level. Business fixed investment followed a moderate increasing trend as corporate profits were at high levels. Against the background of steady improvement in the employment and income situation, private consumption was resilient. The pick-up in housing investment paused. Reflecting these developments in demand both at home and abroad, industrial production continued to be more or less flat.

b. On the price front, the year-on-year rate of change in the CPI (all items less fresh food) was about 0 percent. Although inflation expectations appeared to be rising on the whole from a somewhat longer-term perspective, they have weakened recently.

## 2. Financial developments

- a. Money market rates declined following the Bank's decision at end-January to introduce QQE with a Negative Interest Rate.

Turning to developments in the bond market, interest rates on 10-year JGBs were slightly negative from late February.

The Nikkei 225 Stock Average had temporarily risen at the beginning of December to a level exceeding 20,000 yen, mainly in response to rises in U.S. and European stock prices, but thereafter—with a drop in stock prices globally prompted mainly by investors' heightening risk aversion against the backdrop of such factors as uncertainty over emerging economies and a further decline in crude oil prices, and also with a further appreciation of the yen—stock prices fell substantially to a level below 15,000 yen. It then rebounded as investors' risk aversion abated somewhat, and was in the range of 16,500–17,000 yen at end-March.

In the foreign exchange market, the U.S. dollar/yen rate generally had been exceeding 120 yen until end-December, but after the turn of the year, the yen appreciated against the dollar, due mainly to investors' heightening risk aversion seen globally and to expectations that the pace of the policy interest rate hikes in the United States would be more moderate, and the rate was in the range of 112–113 yen against the U.S. dollar at end-March. The yen also appreciated against the euro to the range of 127–128 yen at end-March.

- b. As for corporate finance, in terms of credit supply, financial institutions' lending attitudes as perceived by firms continued to be on an improving trend.

Firms' credit demand increased moderately, mainly for working capital and funds related to mergers and acquisitions. With regard to firms' funding, the year-on-year rate of increase in the amount outstanding of lending by domestic commercial banks was in a positive range of about 2.0–2.5 percent. In contrast, the year-on-year rates of change in the amounts outstanding of corporate bonds and CP were negative.

- c. The monetary base increased significantly as asset purchases by the Bank progressed, and the year-on-year rate of growth was about 30 percent. The year-on-year rate of growth in the M2 was in the range of 3.0–4.0 percent.

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

- a. Six MPMs were held in the second half of fiscal 2015.

At the MPMs held in October through January, the Policy Board judged that Japan's economy continued to recover moderately, although exports and production were affected by the slowdown in emerging economies. At the MPM held in March, it judged that the economy continued its moderate recovery trend, although exports and production were sluggish, due mainly to the effects of the slowdown in emerging economies.

- b. In its conduct of monetary policy, the Policy Board decided at the MPM held in December to adopt supplementary measures for QQE as follows.

### (1) Measures to support firms' investment in physical and human capital

- (a) Establishing a new program for purchases of ETFs
- (b) Enhancing the Fund-Provisioning Measure to Support Strengthening the Foundations

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

for Economic Growth

- (c) Extending the application periods for the Loan Support Program and other measures

**(2) Measures to facilitate smooth implementation of QQE**

- (a) Expanding eligible collateral for the Bank's provision of credit
- (b) Extending the average remaining maturity of JGB purchases
- (c) Increasing the maximum amount of each issue of J-REITs to be purchased

Moreover, at the December MPM, the Policy Board maintained the following guideline for money market operations that was determined at the MPM on October 31, 2014, and decided to set the guidelines for its asset purchases.

**(1) Guideline for money market operations**

The Bank will conduct money market operations so that the monetary base will increase at an annual pace of about 80 trillion yen.

**(2) Guidelines for asset purchases**

- (a) The Bank will purchase JGBs so that their amount outstanding will increase at an annual pace of about 80 trillion yen. With a view to encouraging a decline in interest rates across the entire yield curve, the Bank will conduct purchases in a flexible manner in accordance with financial market conditions. The average remaining maturity of the Bank's JGB purchases will be about 7–10 years until the end of 2015 and be extended to about 7–12 years from the beginning of 2016.
- (b) The Bank will purchase ETFs and J-REITs so that their amounts outstanding will

increase at annual paces of about 3 trillion yen and about 90 billion yen, respectively.

- (c) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen.

At the MPM held in January, the Policy Board decided to introduce QQE with a Negative Interest Rate as follows.

**(1) Interest-rate dimension: the introduction of a negative interest rate**

The Bank will apply a negative interest rate of minus 0.1 percent to current accounts that financial institutions hold at the Bank. It will cut the interest rate further into negative territory if judged necessary.

Specifically, the Bank will adopt a three-tier system in which the outstanding balance of each financial institution's current account at the Bank will be divided into three tiers, to each of which a positive interest rate, a zero interest rate, or a negative interest rate will be applied.

The Bank will carry out the Loan Support Program, the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas affected by the Great East Japan Earthquake, and the Funds-Supplying Operations against Pooled Collateral at zero interest rates.

**(2) Quantity dimension: the guideline for money market operations**

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

The Bank will conduct money market operations so that the monetary base will increase at an annual pace of about 80 trillion yen.

### (3) Quality dimension: the guidelines for asset purchases

With regard to the asset purchases, the Bank decided to set the following guidelines:

- (a) The Bank will purchase JGBs so that their amount outstanding will increase at an annual pace of about 80 trillion yen. With a view to encouraging a decline in interest rates across the entire yield curve, the Bank will conduct purchases in a flexible manner in accordance with financial market conditions. The average remaining maturity of the Bank's JGB purchases will be about 7–12 years.
- (b) The Bank will purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 3 trillion yen and about 90 billion yen, respectively.
- (c) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively.

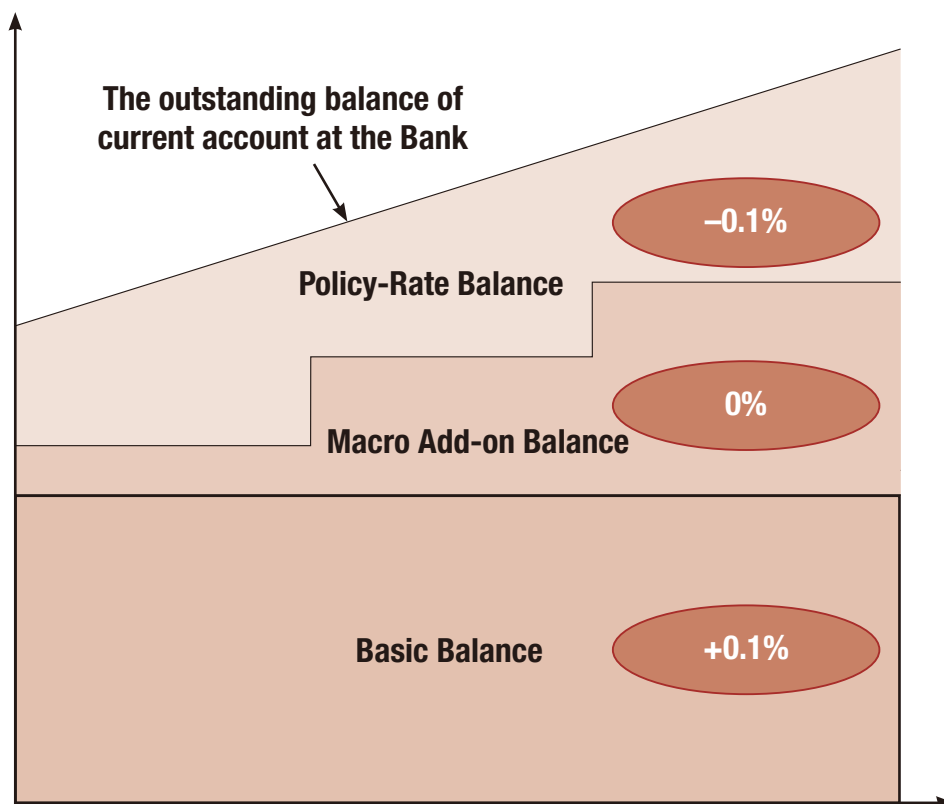
At the MPM held in March, the Policy Board decided to maintain the aforementioned

guideline for money market operations, the guidelines for asset purchases, and the policy rate.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following at the MPMs held in October through December: "the Bank will continue with QQE, 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 examine both upside and downside risks to economic activity and prices, and make adjustments as appropriate." At the MPMs held in January and March, the Policy Board confirmed that "the Bank will continue with QQE with a Negative Interest Rate, 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 examine risks to economic activity and prices, and take additional easing measures in terms of three dimensions—quantity, quality, and the interest rate—if it is judged necessary for achieving the price stability target."

### KEY POINTS OF POLICY DECISIONS MADE AT THE MPM HELD ON JANUARY 29, 2016<sup>1</sup>

- The Introduction of QQE with a Negative Interest Rate
  - ◇ The Bank will apply a negative interest rate of minus 0.1 percent to current accounts that financial institutions hold at the Bank. It will cut the interest rate further into negative territory if judged as necessary.
  - ◇ The Bank will introduce a multiple-tier system which some central banks in Europe (e.g. the Swiss National Bank) have put in place. Specifically, it will adopt a three-tier system in which the outstanding balance of each financial institution's current account at the Bank will be divided into three tiers, to each of which a positive interest rate, a zero interest rate, or a negative interest rate will be applied.
- QQE with a Negative Interest Rate is designed to enable the Bank to pursue additional monetary easing in terms of three dimensions, combining a negative interest rate with quantity and quality.
  - ◇ The Bank will lower the short end of the yield curve and will exert further downward pressure on interest rates across the entire yield curve through a combination of a negative interest rate and large-scale purchases of JGBs.
  - ◇ The Bank will achieve the price stability target of 2 percent at the earliest possible time by making full use of possible measures in terms of the three dimensions.



Note: 1. For details, see "Introduction of 'Quantitative and Qualitative Monetary Easing with a Negative Interest Rate'" ([http://www.boj.or.jp/en/announcements/release\\_2016/k160129a.pdf](http://www.boj.or.jp/en/announcements/release_2016/k160129a.pdf)) and "Key Points of Today's Policy Decisions" ([http://www.boj.or.jp/en/announcements/release\\_2016/k160129b.pdf](http://www.boj.or.jp/en/announcements/release_2016/k160129b.pdf)).



### III. PERFORMANCE REVIEWS OF MEASURES TAKEN UNDER THE STRATEGIC PRIORITIES

#### 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 both at home and abroad, including the slowdown in emerging economies and its impact on Japan's economy, as well as the underlying trend in inflation with declining energy prices.
- (2) The Bank conducted multi-perspective analysis on the effects and impacts of monetary policy, including the effect on inflation expectations. Based on the results of its analysis, the Bank planned and formulated monetary policy measures flexibly, introducing QQE with a Negative Interest Rate, and supplementary measures for QQE.
- (3) The Bank introduced a new framework for MPMs, which took effect in January 2016, to further enhance deliberations at MPMs and its communication on monetary policy. With a view to ensuring its financial soundness, the Bank expanded measures pertaining to the provision for possible losses on bonds transactions.
- (4) The Bank enhanced dialogue with market participants through, for example, the "Bond Market Group," the first meeting of which was held in June 2015. In addition, the Bank implemented a range of operational changes to the Securities Lending Facility with a view to further facilitating its money market operations. Specifically, the Bank included treasury discount bills (T-Bills) among the securities sold; also, for JGBs with coupons, it raised the upper limit

on the amount of sales per issue and extended the number of business days permitted for consecutive sales transactions per issue with the same counterparty.

- (5) Progress was made in fundamental research on the following: monetary policy; the macroeconomy; financial markets; legal and accounting systems, and information security, in the finance-related field; and monetary history. The Bank communicated its research findings to the public through the release of research papers and presentations at academic conferences both at home and abroad.

##### 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 both at home and abroad; it also carried out multi-perspective analysis on the effects and impacts of monetary policy. Based on the results of its analysis, the Bank planned and formulated monetary policy measures flexibly, introducing measures including QQE with a Negative Interest Rate. In addition, the Bank enhanced dialogue with market participants through, for example, the "Bond Market Group." Due progress was also achieved by introducing a new framework for MPMs, expanding measures pertaining to the provision for possible losses on bonds transactions, and fine-tuning the content of money market operations and making changes to their implementation.

Based on the above, the Bank considers that, in fiscal 2015, it achieved its intended objective in terms of providing a firm underpinning for monetary policy conduct. In fiscal 2016, the Bank will continue to work to have the necessary arrangements in place to conduct

research and analysis that appropriately reflects changes in economic and financial conditions, to plan policy measures with flexibility, and to conduct money market operations properly.

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

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

- (1) In line with the "On-Site Examination Policy for Fiscal 2015" decided by the Policy Board, the Bank stepped up its efforts to conduct on-site examinations more efficiently and effectively, and carried out examinations of 78 financial institutions. It conducted thorough assessments, for example, of financial institutions' business operations and the state of their property as well as their resilience against risks, including the actual business conditions of their financial group as a whole and the risk management of their overseas branches.
- (2) With regard to off-site monitoring, the Bank held in-depth interviews with financial institutions and secured a sound understanding of their business activities in areas where they had adopted a proactive risk-taking stance. It also continued to deepen its understanding of financial institutions' business conditions, such as business operations, risk management, and profitability. In particular, the Bank sharpened its focus on business conditions at systemically important financial institutions by taking into account the systemic implications of, for example, the active expansion of their global business and the accompanying risks.
- (3) In the *Financial System Report*, the Bank deepened its analysis regarding the stability and functioning of the financial system, while refining its macro stress testing exercises. It also presented its assessment of

challenges for and risks to the financial system from a macroprudential perspective, including those stemming from the effects of QQE with a Negative Interest Rate, and encouraged financial institutions to deal with these issues. In addition, the Bank continued to share awareness of challenges and risks, particularly with financial institutions, through the following initiatives: starting to release the *Financial System Report Annex Series*, which provided more detailed analysis of and insight into selected topics in the seven issues published in fiscal 2015 (partially available in English); and actively communicating with financial institutions and other relevant parties through seminars, 21 of which were held in fiscal 2015.

- (4) In line with the implementation of Basel III and other international financial regulations, the Bank revised the eligibility criteria for the selection of financial institutions to conduct transactions with the Bank, requiring internationally active banks to meet high capital adequacy and liquidity standards.
- (5) The Bank further strengthened cooperation on the macroprudential front with the Financial Services Agency (FSA) by, for example, holding regular joint meetings—twice in fiscal 2015—and sharing awareness of challenges and risks at all levels.
- (6) The Bank executed business operations for the Loan Support Program in an appropriate manner—for example streamlining operational frameworks and making arrangements for the first disbursement of loans to financial institutions without current accounts at the Bank.
- (7) With regard to sales of stocks purchased from financial institutions under authorization pursuant to the proviso of Article 43 of the Bank of Japan Act (hereafter the Act) commencing in April 2016, the

Bank decided to postpone the time of completion of sales from end-September 2021 to end-March 2026, so as to mitigate the effects of the sales on stock markets.

- (8) The Bank hosted large-scale seminars on topics such as financial institutions' corporate governance reform and support for start-up firms; it also held workshops on the advancement of financial technology and management through the utilization of IT.

## **2. Evaluation of progress**

The Bank enhanced its assessment particularly of business operations and risk management at financial institutions and facilitated necessary improvements through the following: in the *Financial System Report*, it presented its assessment of challenges and risks faced in maintaining and improving the stability and functioning of the financial system; and conducted on-site examinations and improved off-site monitoring based on this assessment. In particular, the Bank sharpened its focus on business conditions at systemically important financial institutions taking into account the extent of any systemic implications and facilitated the necessary improvements. In addition, the Bank deepened dialogue with regional financial institutions on the key management issues and challenges facing them given their outlook on profitability.

The Bank implemented measures for the selection of financial institutions to conduct transactions with the Bank and the provision of loans with a view to ensuring financial system stability, while executing related business operations efficiently and in an appropriate manner. It also further strengthened cooperation on the macroprudential front with the relevant authority.

During fiscal 2015, there were no circumstances that required the Bank to provide loans pursuant to Articles 37 and 38 of the Act.

Based on the above, the Bank considers that it steadily tackled challenges in maintaining and improving the stability and functioning of the financial system in the face of financial institutions' macro risks and structural changes in the financial system, thereby producing the intended effects. In fiscal 2016, the Bank will work strenuously to identify challenges and risks faced in maintaining and improving the stability and functioning of the financial system, and to deepen its understanding of the situation on the ground, for example, for business operations and risk management at financial institutions. The Bank will also work further to share with relevant parties a common understanding of the current situation and of challenges facing financial institutions and the financial system.

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

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

- (1) The Bank implemented the second phase of the new Bank of Japan Financial Network System (BOJ-NET) project as scheduled in October 2015, and thereafter operated the system in a smooth and reliable manner. In February 2016, it extended the operating hours of the system until 9:00 p.m., as scheduled.
- (2) The Bank continued to conduct joint research and deliberations with other central banks and relevant parties toward realizing payment and settlement for cross-border transactions in yen or JGBs, broadly as scheduled.
- (3) The Bank encouraged the enhancement of Japan's retail payment systems through, for example, support for deliberations on the specifics of extending the operating hours of the Zengin Data Telecommunication System (Zengin System) as well as on realizing

financial electronic data interchange (EDI).

(4) The Bank conducted oversight of financial market infrastructures both at home and abroad in accordance with "The Bank of Japan Policy on Oversight of Financial Market Infrastructures." This involved assessing whether financial market infrastructures met the requirements set out in the "Principles for Financial Market Infrastructures (PFMIs)" and encouraging any improvements to operations and risk management measures needed to ensure observance.

(a) In July 2015, the Bank announced that, after conducting self-assessments, it confirmed that the BOJ-NET Funds Transfer System (BOJ-NET FTS) and BOJ-NET JGB Services met the requirements set out in the PFMIs.

(5) The Bank participated in various meetings held by the Financial Stability Board (FSB) regarding repo data collection and, in preparation for the start of the FSB's global data collection at the end of 2018, reached agreement with stakeholders both at home and abroad on an appropriate framework for Japan.

(6) The Bank supported market participants' efforts to move to a T+1 JGB settlement cycle for outright transactions.

(a) In June 2015, a working group at the Japan Securities Dealers Association (JSDA) announced that they agreed to set the first half of fiscal 2018 as the target period for implementing the T+1 settlement cycle for outright transactions of JGBs.

(7) The Bank contributed to discussions with market participants on the reform of interest rate benchmarks, as follows.

(a) As for the TIBOR reforms, the Bank assisted in public consultation conducted by the Japanese Bankers Association (JBA) TIBOR Administration

and other initiatives.

(b) In its role as the secretariat of the Study Group on Risk-Free Reference Rates, which held its first meeting in April 2015, the Bank organized and participated in ten meetings during fiscal 2015, while also supporting market participants' initiatives including public consultation conducted in March 2016.

(8) The Bank cooperated in the conduct of more practical exercises to test business continuity arrangements across markets; specifically, upon request from market participants, in the market-wide joint exercise in November 2015, the Bank provided loans to exercise participants from the money market, securities markets, and foreign exchange market through Funds-Supplying Operations against Pooled Collateral.

## 2. Evaluation of progress

The Bank implemented the second phase of the new BOJ-NET project as scheduled, and thereafter operated the system in a smooth and reliable manner. It extended the operating hours of the system until 9:00 p.m., as scheduled. The Bank continued to support initiatives toward realizing payment and settlement for cross-border transactions and improving Japan's retail payment systems, broadly as scheduled.

The Bank reached agreement with stakeholders both at home and abroad on the appropriate repo data collection framework for Japan and supported market participants' initiatives toward, for example, the shortening of the JGB settlement cycle, TIBOR reforms, and deliberations on risk-free reference rates.

Based on the above, the Bank considers that it made steady progress in fiscal 2015 in terms of measures taken to contribute to the enhancement of payment and settlement services and the reinforcement of financial

market infrastructure in Japan. In fiscal 2016, it will continue to work to realize payment and settlement for cross-border transactions that makes effective use of the BOJ-NET and to support market participants' initiatives to reform interest rate benchmarks.

## **D. Conduct Stable and Efficient Central Banking Operations**

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

- (1) 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, and conducted money market operations appropriately in accordance with the guidelines decided at MPMs for money market operations and asset purchases.
- (2) 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 improved the method of monitoring the cleanliness of banknotes in circulation, as planned.
- (3) The Bank moved forward, as scheduled, with the replacement of automatic banknote examination machines, taking a new model out of its trial phase and putting it into full-scale operation.
- (4) The Bank continued to maintain a firm grasp of changes in cash delivery routes and conducted cash transportation and other operational procedures efficiently.
- (5) In April 2015, the Bank started, as planned, the receipt and payment of coins at a coin delivery center outside the Bank's premises managed by a private security and transportation company.
- (6) The Bank carried out a wide range of treasury funds

and Japanese government securities (JGS) services with precision.

- (7) The Bank implemented, as scheduled, the necessary changes to the JGB book-entry system accompanying the across-the-board revisions to the tax system for Japanese bonds as well as the introduction of the Social Security and Tax Number System (the My Number system) for all residents in Japan.
- (8) In cooperation with the relevant ministries and government agencies, the Bank contributed to the smooth issuance of government bonds as special condolence to the bereaved families of the war dead for the tenth time, starting from October 2015.

### **2. Evaluation of progress**

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 money market operations appropriately in accordance with the guidelines decided at MPMs.

As for business operations relating to banknote issuance, the Bank made progress in securing confidence in banknotes and coins. For example, a new model of automatic banknote examination machines was taken out of its trial phase and put into full-scale operation, and the receipt and payment of coins was started at a coin delivery center outside the Bank's premises, as planned. The Bank also continued to review its operational frameworks to reflect changes in cash delivery routes, thereby improving efficiency.

The Bank carried out a wide range of treasury funds and JGS services with precision, while implementing institutional changes and reviewing its business processes.

Based on the above, the Bank considers that, in fiscal 2015, it achieved the desired results in terms of



conducting stable and efficient central banking operations, while reviewing its business processes in response to changes in its operational environment. In fiscal 2016, the Bank will continue constantly to pursue excellence in central banking services, in view of trending changes in both the quality and quantity of its operations.

## **E. Contribute to the Response to Globalization on the International Financial Front**

### **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 Bank for International Settlements (BIS), the FSB, the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), the Group of Twenty (G-20), the Group of Seven (G-7), the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), and the Association of Southeast Asian Nations Plus Three (ASEAN Plus Three), thereby achieving the following.
    - (a) The Bank played a part in discussions at global forums on fostering economic growth as well as on strengthening the robustness of the financial system based on its analysis of current overseas economic and financial developments, while also promoting understanding of its conduct of monetary policy.
    - (b) Through participation in discussions on financial regulation and supervision, the Bank, in cooperation with the FSA, contributed to progress on international financial regulatory reform that reflected Japan's viewpoints.
    - (c) In the fields of global financial markets, financial market infrastructures, interest rate benchmarks, the code of conduct for foreign exchange markets, and statistics, the Bank contributed, for example, by writing and compiling various reports.
  - (d) At EMEAP-related meetings, the Bank played a key role in research and analysis on economic and financial conditions as well as on payment and settlement systems in the Asian region.
  - (e) At some EMEAP- and BIS-related committees, the Bank's staff played leading roles, for example, by moderating discussions as the chair.
  - (f) 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 the compilation of reports by presenting papers at related workshops.
- (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 opinion with major central banks as well as active strengthening of relations with monetary authorities in Asia.
  - (4) With regard to international monetary cooperation, the Bank signed a bilateral local currency swap arrangement with the Reserve Bank of Australia in March 2016, establishing provisions that allowed for the extension of loans in Australian dollars in an emergency situation, after due consideration and efforts to coordinate the provision of a liquidity backstop to meet the local currency funding needs of Japanese financial institutions operating in overseas

economies. As for the establishment of a cross-border collateral arrangement, whereby the central bank in a partner country provides liquidity in the local currency utilizing JGSs and Japanese yen held at the Bank as collateral, the Bank proceeded with its consideration of and efforts to coordinate an expansion in the number of Asian partners participating in such arrangements.

- (5) Under the framework of ASEAN Plus Three, the Bank, as the central bank of the co-chair country, together with the Ministry of Finance, played a key role in coordinating research on the operational details of, and jointly conducting currency swap exercises based on, the Chiang Mai Initiative Multilateralization (CMIM).
- (6) The Bank 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 through providing technical assistance, holding seminars, and exchanging personnel, mainly with other central banks in Asia. Of the personnel exchanges, 32 involved receiving staff (371 people) from these central banks, while nine involved sending the Bank's staff to overseas counterparts.

## **2. Evaluation of progress**

The Bank, as the central bank of Japan, 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, and contributed to discussions toward ensuring the stability of the international currency and financial system, both as interested participant and as moderator. It boosted bilateral monetary cooperation in the Asian region and provided technical assistance, most of which also went to the Asian 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, in fiscal 2015, it made the requisite contribution as the central bank of Japan with regard to ensuring the stability of the international currency and financial system as well as securing the stability and development of financial and capital markets in Asia. In fiscal 2016, it will continue to work in cooperation with relevant parties to deepen and extend the initiatives taken to date, particularly in Asia.

## **F. Contribute to the Regional Economic and Financial Environment**

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

- (1) The Bank, at its Head Office and branches, conducted central banking operations, including business operations relating to banknote issuance as well as services relating to treasury funds and JGSs, in a stable manner by holding working-level meetings with financial institutions that hold current accounts at the Bank as well as ministries and government agencies, as necessary.
  - (a) The Bank continued, as appropriate, to exchange banknotes and coins damaged by the Great East Japan Earthquake.
- (2) At its Head Office as well as Sendai, Kagoshima, and Naha branches, the Bank, in cooperation with the respective local finance bureaus, requested that financial institutions take special measures in response to disasters.
- (3) The Bank gained a detailed grasp of regional economic and financial conditions via its Head Office, branches, and local offices, by, for example,

conducting interviews with local businesses and financial institutions, as well as holding meetings to exchange opinions with local chambers of commerce and industry. The Bank made use of its findings in conducting monetary policy.

- (a) With regard to demand for rebuilding and reconstruction following the disaster caused by the Great East Japan Earthquake, the Bank maintained a thorough grasp of the situation by making use of its network of branches and offices in the disaster-stricken areas, such as in Sendai City and Fukushima City.
- (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. Moreover, it compiled and released each quarter its findings from research and analysis on regional economic developments in the *Regional Economic Report*.
- (5) In fiscal 2015, the Bank's Center for Advanced Financial Technology (CAFT) hosted the following seminars and workshops targeted mainly at regional financial institutions: five seminars on the enhancement of business management and 14 workshops on private finance initiatives (PFIs) and public-private partnerships (PPPs) as well as on support for start-up firms. The Bank also conducted in-depth analysis of management issues and challenges facing regional financial institutions and of their risk management practices, and released its findings in the *Financial System Report Annex Series* (partially available in English).

## 2. Evaluation of progress

The Bank, at its Head Office and branches, conducted central banking operations, including business operations relating to banknote issuance as well as services relating to treasury funds and JGSs, in a stable manner. It gained a detailed grasp of economic and financial conditions specific to each region through vigorous research efforts; it disseminated its findings to each region and made use of them in conducting monetary policy.

Based on the above, the Bank considers that, in fiscal 2015, it made the requisite contribution to the regional economic and financial environment, making due use of the functions performed as the country's central bank by its Head Office, branches, and local offices. In fiscal 2016, 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 developments and disseminate related information, while giving due consideration to regional revitalization.

## G. Strengthen External Communication

### 1. Progress in implementing specific measures

- (1) In accordance with the 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 two issues of the *Semiannual Report on Currency and Monetary Control* to the Diet in fiscal 2015, in June and December, and releasing the full texts of these two issues in Japanese as well as the summaries in English on the Bank's website.<sup>5</sup>
- (c) Publishing the *Gyōmu Gaikō Shō* (Outline of

5. Excerpts from the summaries of the two issues of the report dealing with developments in fiscal 2015, namely, the issues released in December 2015 and June 2016, can be found on pages 30–36.

Business Operations) for fiscal 2014 in May 2015.

(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 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 for Economic Activity and Prices* released in April and October 2015 as well as in January 2016, press conferences, speeches, and articles contributed by the Governor, Deputy Governors, and Members of the Policy Board.

(b) A document that contained a summary of the opinions presented at each MPM (Summary of Opinions), releases of which began from January 2016.

(3) The Bank was also involved in the following public relations activities, which it sought to make clear, intelligible, and accessible to a wide range of target audiences, thereby promoting 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 (SNS), thereby disseminating a steady stream of up-to-date information to a wider audience. The number of page views on the Bank's websites was around 221 million, of which around 51 million were made to its English-language website. The number of page views on its branches' websites was around 5.7 million in total. Followers of the Bank's Twitter accounts totaled around 112,000.

(b) The Bank enhanced the content of *Nichigin*, its public relations magazine (available only in

Japanese), by increasing both the number of articles addressing its business operations and the range of their coverage.

(c) The Bank enhanced the content of in-house tours of its Head Office and branches by, for example, adding exhibits. The total number of in-house tour visitors to the Head Office was around 40,000, while branches received around 27,000. The Bank, at its Head Office, sought to improve the accessibility of its services for visitors with disabilities.

(d) The Bank hosted various public relations events, providing opportunities for the public to deepen their understanding of the Bank's policies and business operations. These events included special in-house tours for families visiting with primary and junior high school children during school holiday seasons in spring and summer. 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 109 entries, as well as public lectures about the Bank's business operations and feature exhibitions on some of its branches.

(e) The Bank gave lectures to college students on the functions and operations of the Bank. In addition to 25 on-campus lectures, it offered 33 in-house lectures combined with tours of the Bank's Head Office.

(4) The Bank actively released information on its conduct of monetary policy and business operations in English. In addition, the Bank strengthened its dissemination of English-language materials through initiatives including (1) the provision of a more detailed explanation about its monetary policy conduct in the *Annual Review*, namely on the transmission mechanism and effects of QQE, and (2) the launch of

- a new English web page entitled Bank of Japan FAQs giving helpful answers to frequently asked questions about its policies and business operations.
- (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 more 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 5,300 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 proceeded steadily with renewing the design and content of its website.
- (7) The Bank's Currency Museum was renovated and reopened in November 2015 as scheduled. Introducing the latest facilities, the renovation reflected the fruits of archaeological excavation as well as advances in academic theories during the 30 years since the Museum's opening. The number of visitors to the Museum totaled 43,259 during fiscal 2015 (from its reopening on November 21, 2015 to the end of March 2016).
- (8) The Bank operated the Bank of Japan Otaru Museum appropriately. The number of visitors to the Museum during fiscal 2015 totaled 96,942, marking another year around the 100,000 level.
- (9) 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 4,068 historical official documents were added to the Archives, and there were a total of 183 requests for access.
- (10) The Bank made public the findings of its research and analysis on economic and financial developments, releasing ten papers in the *Bank of Japan Review Series*, 20 in the *Bank of Japan Working Paper Series*, 28 in the *Institute for Monetary and Economic Studies (IMES) Discussion Paper Series*, seven in the *Bank of Japan Research Laboratory Series*, and twelve research papers. The total number of papers released in fiscal 2015 exceeded that in fiscal 2014.
- (11) The Bank held the following conferences at its Head Office.
- (a) In June 2015, the IMES hosted an international conference entitled "Monetary Policy: Its Effects and Implementation."
- (b) In November 2015, the Bank and the University of Tokyo co-hosted a conference entitled "Japan's Inflation Dynamics and Agents' Behavior."
- (12) The Bank revised, rebased, and made appropriate enhancements to the statistics it compiled so as to accommodate changes in the economic and regulatory environment.
- (a) In March 2016, the Bank commenced release of the revised Flow of Funds Accounts Statistics (FFA) based on the System of National Accounts 2008 (2008 SNA), the latest version of the international statistical standards for the national accounts.
- (b) The Bank proceeded with rebasing the Corporate Goods Price Index (CGPI), including updating the reference year of the index from 2010 to 2015, and released the basic principles for the rebasing in December 2015 (available only in Japanese).



- (c) As for the BIS statistics, namely, the International Locational Banking Statistics and International Consolidated Banking Statistics, the Bank added some new items and released these statistics for Japan in June 2015.
- (d) In line with the introduction of QQE with a Negative Interest Rate, the Bank enhanced data on BOJ Current Account Balances by Sector and commenced release of data on current account balances by the different interest rate applied in February 2016.<sup>6</sup>
- (13) Through the following measures, the Bank promoted an in-depth understanding of the statistics it compiled.
- (a) The Bank released in March 2016 a research paper that provided details of the major changes resulting from the revision of the FFA.
- (b) The Bank revised and released in April 2015 the explanation on the *Tankan* (Short-Term Economic Survey of Enterprises in Japan) to reflect the revision of the sample.
- (14) The Bank strengthened its cooperation with the government by taking part in the Statistics Commission, established in the Cabinet Office pursuant to the Statistics Act (Act No. 53 of 2007), and by actively contributing to development as well as improvement in the accuracy of official statistics.
- (15) As the secretariat of the Central Council for Financial Services Information (CCFSI), the Bank supported the CCFSI's efforts to develop a range of activities to provide financial information to the public. Specifically, in cooperation with Local Financial Services Information Committees and other relevant parties such as ministries, local public bodies, and financial and economic organizations, the Bank

arranged for the content of financial education due to be shared among CCFSI members and related organizations to be systematically organized through the following actions.

- (a) As the secretariat to the Committee for the Promotion of Financial Education, the CCFSI partially revised in June 2015 the "Financial Literacy Map," which specified and systematically organized the contents of financial education by age group.
- (b) By establishing an advisory panel of experts for the promotion of financial education at schools, the CCFSI carried out a comprehensive revision of the "Financial Education Program" (available only in Japanese) in February 2016 to reflect the existing curriculum guidelines as well as good practice at schools.

## 2. Evaluation of progress

The Bank employed various channels to communicate its conduct of monetary policy and business operations to the public both at home and abroad, and made efforts to promote deeper understanding of its policy intentions.

The Bank worked to gain a better grasp of public opinion and public needs by increasing dialogue with financial institutions and firms, as well as by 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, as well as implementing measures to improve their user-friendliness.

As the secretariat of the CCFSI, and in cooperation with relevant parties, the Bank supported the CCFSI's efforts to develop a range of activities to provide

<sup>6</sup> For details, see "Key Points of Policy Decisions Made at the MPM Held on January 29, 2016" on page 37.

financial information to the public, thereby contributing to the promotion of financial literacy among the public.

Based on the above, the Bank considers that, in fiscal 2015, it steadily implemented the measures scheduled under its strategic objective of strengthening external communication. In fiscal 2016, the Bank will proceed with renewing the design and content of its website.

In addition, it will continue its efforts to improve the clarity and intelligibility of communications regarding its conduct of monetary policy and business operations as well as to maintain and strengthen networks with people, firms, and economic organizations across a wide range of fields so as to better grasp public opinions and public needs.





# The Bank's Organizational Management in Fiscal 2015

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**I. Statement of Accounts and Budget for Expenses**

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**II. IT Investment**

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**III. Human Resources**

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**IV. Organizational Management Measures**

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**V. Internal Audits**



## I. STATEMENT OF ACCOUNTS AND BUDGET FOR EXPENSES

As for the Bank of Japan's expenses for fiscal 2015, the Bank duly made, in line with the budget, the disbursements necessary to cover "The Bank of Japan's Strategic Priorities for Fiscal 2014–2018" (the 2014–18 Strategic Priorities). With regard to the Bank's statement of accounts for fiscal 2015, the total amount of actual expenses decreased from the previous fiscal

year by 2.2 percent (4.1 billion yen) to 184.9 billion yen. Regarding the Bank's budget for expenses for fiscal 2016, the Bank carefully examined overall expenditure in compiling a suitable budget for the year while securing the necessary budget to perform its role as the country's central bank.

## II. IT INVESTMENT

The Bank steadily carried out the system development projects necessary to achieve the goals set out in the 2014–18 Strategic Priorities, while working to raise the efficiency and streamline the development of such projects. Specifically, the Bank fully launched the new

Bank of Japan Financial Network System (BOJ-NET) on October 13, 2015 and proceeded with other projects, as scheduled. The scale of system development for fiscal 2015 was 11,045 person-months<sup>1</sup> (including 8,174 person-months that were outsourced).

## III. HUMAN RESOURCES

The Bank maintained the number of employees necessary to achieve the goals set out in the 2014–18 Strategic Priorities without breaking the ceiling on the number of full-time employees for fiscal 2015, which was set at 4,900. Following the Bank's efforts to secure the staff needed to enhance its capabilities while further increasing the overall efficiency of its business operations, the number of full-time employees stood at 4,617 at the end of March 2016, up 24 from the previous fiscal year (Table 1).

Regarding remuneration, the Bank raised the annual remuneration for its officers—through increasing their

bonuses—in fiscal 2015 by 0.4 percent from the previous fiscal year.

As for its employees, the Bank raised annual remuneration for fiscal 2015 by 1.9 percent from the previous fiscal year. For those in non-managerial positions, the Bank raised the base levels of salaries by 0.6 percent from the previous fiscal year and paid semiannual bonuses in May and November, each amounting to 2.036 months of salary, on a basis excluding the base salary increase. For those in managerial positions, the Bank paid 2.099 months of salary per semiannual bonus.

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



In addition, the Bank reduced its employees' retirement allowances—both lump-sum payments and

pensions—by around 12 percent per employee on average.

Table 1

**Number of Full-Time Employees as of the End of March 2016**

number of people; figures in parentheses are as of the end of March 2015

<b>Total</b>		<b>4,617</b>	<b>(4,593)</b>
Head Office <sup>1</sup>		2,724	(2,680)
Branches		1,819	(1,841)
Local offices <sup>1</sup>		50	(48)
Overseas representative offices		24	(24)

Note: 1. Full-time employees of the computer center and the banknote operations center, two of the 14 local offices, are included in the number of full-time employees at the Head Office.

#### IV. ORGANIZATIONAL MANAGEMENT MEASURES

With a view to addressing the strategic objectives for its business operations stated in the 2014–18 Strategic Priorities, the Bank implemented organizational management measures for the appropriate conduct of business operations given changes in its environment, and those for the appropriate management of operational risks. As part of these measures, the Bank made changes to its organizational structure as follows.

(1) The Bank decided to establish the FinTech Center in the Payment and Settlement Systems Department in April 2016, aiming to reinforce efforts toward developments in FinTech that would contribute to enhancing financial services and achieving sustainable growth of Japan's economy.

As for other organizational management measures, the Bank worked to strengthen business continuity arrangements as follows.

(1) Based on its experience following the Great East Japan Earthquake and the government's reappraisal of potential damage scenarios for large-scale earthquakes directly under Tokyo or in the Nankai Trough, the Bank steadily implemented measures

toward enhancing the disaster countermeasures in place at its Head Office and branches.

(2) The Bank further strengthened cooperation with relevant parties such as the national and local governments as well as financial institutions through, for example, participation in the Central Disaster Management Council and various exercises.

In addition, the Bank indicated in the 2014–18 Strategic Priorities that it would secure and foster human resources in the execution of business operations and organizational management, expand its recruitment of women and encourage their promotion, and seek to offer various working arrangements to improve the work-life balance of its employees. The Bank made progress in addressing these measures as follows.

(1) The Bank enhanced various staff education and training programs and continued to work to promote personnel exchanges with institutions both inside and outside Japan.

(2) The Bank continued to work to improve the employment and working conditions of its employees based on the third phase of the action plans set out

in "Measures to Support Raising Next-Generation Children," so that they can balance work and child-rearing.

- (3) In March 2016, the Bank compiled and released an action plan, pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace, to ensure that its female employees could fully realize their potential at work, thereby making it easier for all of its employees to participate in the workforce.
- (4) With regard to staff recruitment for fiscal 2016, the

Bank proactively recruited women, with the aim that they should account for about 30 percent of future candidates for positions of Director, Chief Manager, and above.<sup>2</sup>

- (5) With a view to making the most of the skills and know-how of experienced workers and ensuring the stable conduct of its business operations, the Bank introduced a new reemployment system (the "expert staff system") and sought to embed it firmly within the workplace culture.

## V. INTERNAL AUDITS

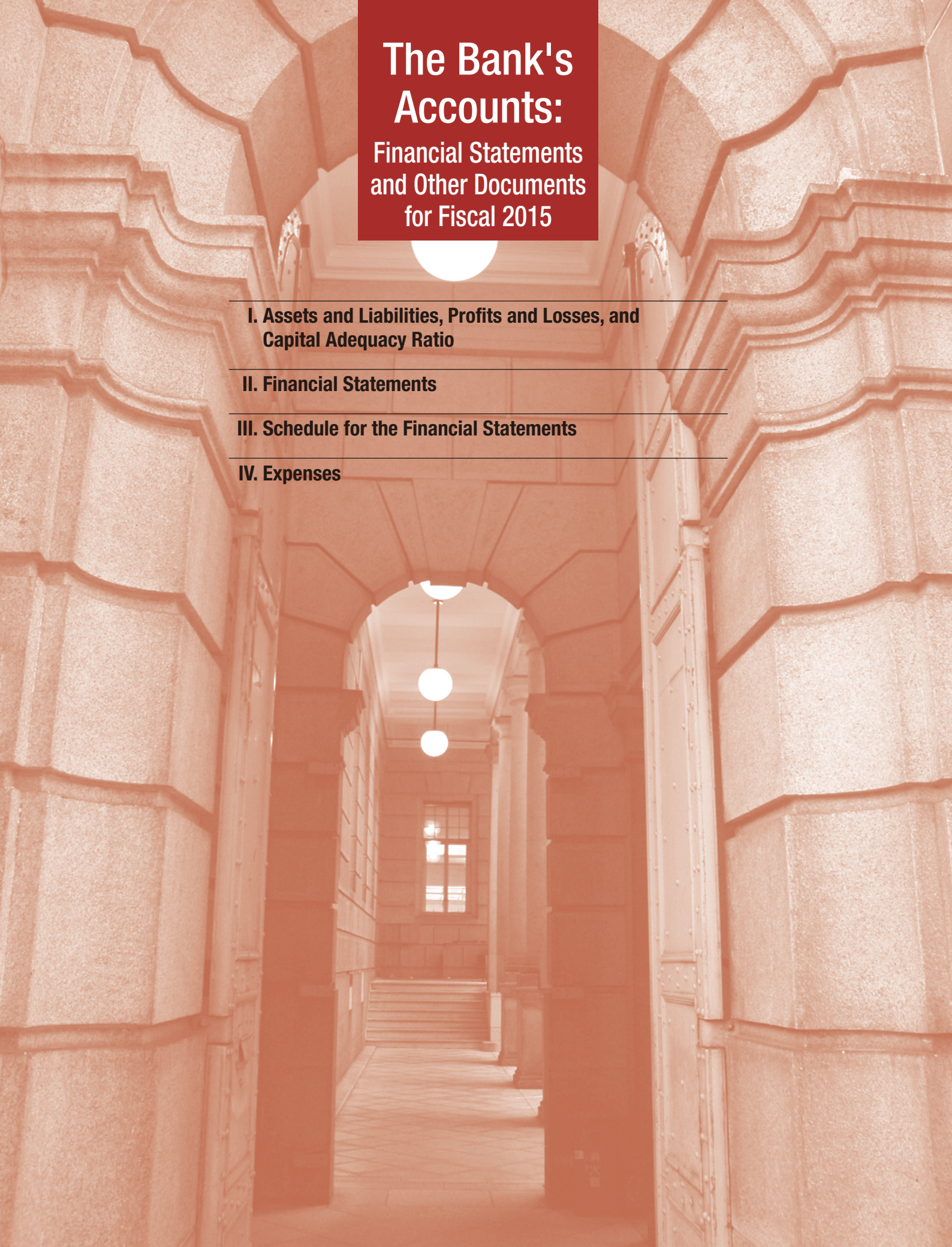
The Internal Auditors' Office at the Bank conducts internal audits of the Bank's business operations at its Head Office, branches, local offices, and overseas representative offices in order to examine the appropriateness of its business operations and the adequacy of its operational risk management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

In fiscal 2015, the Internal Auditors' Office audited 5 departments at the Bank's Head Office (the Payment

and Settlement Systems Department, the Financial Markets Department, the Research and Statistics Department, the Currency Issue Department, and the Personnel and Corporate Affairs Department), 2 overseas representative offices (Hong Kong and Beijing), 15 branches (Sapporo, Hakodate, Aomori, Akita, Maebashi, Niigata, Kanazawa, Matsumoto, Kyoto, Osaka, Kobe, Okayama, Fukuoka, Oita, and Nagasaki), and 6 local offices (Mito, Asahikawa, Toyama, Fukui, Nagano, and Saga).

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





# The Bank's Accounts: Financial Statements and Other Documents for Fiscal 2015

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

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**II. Financial Statements**

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**III. Schedule for the Financial Statements**

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**IV. Expenses**

On May 27, 2016, the Bank of Japan released the "Financial Statements for the 131st Fiscal Year" (available only in Japanese), which contains the Bank's financial statements (the inventory of property, balance sheet, and statement of income) for the 131st fiscal year, i.e., fiscal 2015 (April 1, 2015–March 31, 2016), and the schedule for the financial statements for fiscal 2015.

The Bank submitted the financial statements, together with the Auditors' opinion, to the Minister of Finance, and received the Minister's approval. The schedule for the financial statements was audited by the Auditors, whose opinion was that it duly complemented the financial statements.

The overview of the financial results for fiscal 2015 is as below.

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

The balance sheet of the Bank at the end of fiscal 2015 shows that total assets increased by 25.4 percent (82,054.4 billion yen) from the previous fiscal year-end to 405,648.1 billion yen, mainly due to an increase in holdings of Japanese government securities (JGSs).<sup>1</sup> Total liabilities increased by 25.8 percent (82,400.1 billion yen) from the previous fiscal year-end to 402,098.4 billion yen, mainly due to an increase in current deposits (Table 1).

Detailed developments in the Bank's balance sheet in fiscal 2015 are as follows.

Looking at assets at the fiscal year-end, holdings of JGSs increased by 29.4 percent (79,403.4 billion yen) from the previous fiscal year-end to 349,195.5 billion yen, reflecting progress in the Bank's JGB purchases under quantitative and qualitative monetary easing (QQE) and QQE with a Negative Interest Rate. Loans and bills discounted were generally at around the same level as at the previous fiscal year-end, standing at 34,045.3 billion yen. This was mainly because an increase in the amount of loans provided through the Loan Support Program<sup>2</sup> was offset by a decrease in the amount of funds provided through the Funds-Supplying Operations against Pooled Collateral. The amount outstanding of loans provided through the Loan Support Program was 31,407.8 billion yen.

Turning to liabilities, current deposits increased by 36.7 percent (73,883.0 billion yen) from the previous fiscal year-end to 275,439.4 billion yen, reflecting an increase in the amount of funds provided through JGB purchases and other measures.

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

2. The Bank aims through this program to support private financial institutions' efforts in strengthening the foundations for economic growth and stimulating bank lending. It was introduced as a temporary measure that would help the effects of monetary easing to permeate the entire economy, with a view to achieving price stability and thereby contributing to the sound development of the national economy.



Meanwhile, the amount outstanding of banknotes issued (banknotes in circulation) increased by 6.6 percent (5,921.5 billion yen) from the previous fiscal year-end to 95,594.7 billion yen.

With regard to the Bank's statement of income for fiscal 2015, operating profits decreased by 951.0 billion yen from the previous fiscal year to 762.6 billion yen, mainly due to net foreign exchange-related losses arising from the appreciation of the yen, offsetting the rise in "core" operating income<sup>3</sup> (Tables 2 and 3).

Meanwhile, net special losses amounted to 245.4 billion yen, mainly due to (1) the transfer of funds to the provision for possible losses on bonds transactions to compensate for possible fluctuation in net income arising from the implementation of QQE with a Negative Interest Rate, and (2) the transfer of funds from the provision for possible losses on foreign exchange transactions following net foreign exchange-related losses.

Net income for the term—after subtracting corporate income tax and inhabitants and enterprise taxes—decreased by 597.9 billion yen from the previous fiscal year to 411.0 billion yen. After transferring 20.5 billion yen to the legal reserve (5 percent of net income for the term) and paying dividends totaling 5 million yen (5 percent of the face value of shares), the Bank paid the remainder of its net income to the government (390.5 billion yen).

The capital adequacy ratio, after the appropriation of net income, declined from its previous fiscal year-end level of 8.20 percent to 8.05 percent at the end of fiscal 2015 (Table 4).

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3. For the definition of "core" operating income, see Note 2 in Table 2 on page 60.



Table 1

**Principal Assets and Liabilities<sup>1</sup>**

bil. yen

Item	End of fiscal 2014 (March 31, 2015)	End of fiscal 2015 (March 31, 2016)
<b>Total assets</b>	323,593.7 (+33.9) <+82,013.8>	405,648.1 (+25.4) <+82,054.4>
Of which:		
Japanese government securities	269,792.1 (+36.0) <+71,455.1>	349,195.5 (+29.4) <+79,403.4>
Commercial paper	1,978.9 (+5.6) <+104.0>	1,969.9 (-0.5) <-8.9>
Corporate bonds	3,243.0 (+1.2) <+38.9>	3,170.3 (-2.2) <-72.7>
Pecuniary trusts (stocks held as trust property)	1,375.7 (+0.2) <+2.9>	1,369.2 (-0.5) <-6.5>
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	4,483.7 (+57.3) <+1,632.6>	7,567.6 (+68.8) <+3,083.8>
Pecuniary trusts (Japan real estate investment trusts held as trust property)	206.3 (+38.7) <+57.5>	293.6 (+42.3) <+87.2>
Loans and bills discounted	34,097.5 (+29.6) <+7,783.7>	34,045.3 (-0.2) <-52.2>
Foreign currency assets	7,112.5 (+15.5) <+954.2>	6,697.1 (-5.8) <-415.4>
<b>Total liabilities</b>	319,698.3 (+34.3) <+81,584.2>	402,098.4 (+25.8) <+82,400.1>
Of which:		
Banknotes	89,673.2 (+3.5) <+3,042.4>	95,594.7 (+6.6) <+5,921.5>
Deposits (excluding those of the government)	206,071.8 (+55.7) <+73,724.1>	282,939.6 (+37.3) <+76,867.8>
Deposits of the government	1,794.1 (+6.9) <+116.3>	18,779.7 (10.5 times) <+16,985.5>
Payables under repurchase agreements	17,608.2 (+31.6) <+4,232.7>	189.9 (-98.9) <-17,418.3>

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

[Reference to Table 1]

**Loans Provided through the Loan Support Program**

bil. yen

Item	End of fiscal 2013 (March 31, 2014)	End of fiscal 2014 (March 31, 2015)	End of fiscal 2015 (March 31, 2016)
<b>Total amount outstanding</b>	<b>12,686.4</b>	<b>28,461.0</b>	<b>31,407.8</b>
Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth	4,136.8	6,115.6	6,985.8
Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending	8,549.6	22,345.4	24,422.0

Table 2

**Principal Profits and Losses<sup>1</sup>**

bil. yen

Item	Fiscal 2014 (April 1, 2014–March 31, 2015)	Fiscal 2015 (April 1, 2015–March 31, 2016)
<b>Operating profits/losses</b>	1,713.7 (+33.8) <+433.1>	762.6 (-55.5) <-951.0>
Of which: "Core" operating income <sup>2</sup>	1,144.7 <+236.0>	1,396.3 <+251.5>
Net government bond-related gains/losses <sup>3</sup>	0.0 <-0.1>	... <-0.0>
Net foreign exchange-related gains/losses <sup>4</sup>	760.1 <+140.7>	-408.3 <-1,168.4>
Net gains/losses on pecuniary trusts (stocks held as trust property)	49.7 <+7.6>	51.1 <+1.3>
Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property)	59.1 <+21.6>	104.8 <+45.6>
Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property)	7.7 <+1.0>	10.8 <+3.0>
Interest on excess reserve balances under the complementary deposit facility <sup>5</sup>	-151.3 <-67.6>	-221.6 <-70.3>
<b>Special profits/losses<sup>6</sup></b>	-362.2 <-63.4>	-245.4 <+116.8>
Of which:		
Net transfer to/from provision for possible losses on bonds transactions	... <...>	-450.1 <-450.1>
Net transfer to/from provision for possible losses on foreign exchange transactions	-380.0 <-70.3>	204.1 <+584.2>
<b>Net income before taxes</b>	1,351.4 (+37.7) <+369.7>	517.1 (-61.7) <-834.2>
<b>Provision for corporate income tax, inhabitants taxes, and enterprise taxes</b>	342.4 <+85.0>	106.0 <-236.3>
<b>Net income<sup>7</sup></b>	1,009.0 (+39.3) <+284.7>	411.0 (-59.3) <-597.9>

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

2. The total of interest on loans and discounts, interest on receivables under resale agreements, interest and discounts on JGSs, interest on commercial paper (CP), interest and discounts on corporate bonds, interest and discounts on foreign currency securities, lending fees on foreign currency securities, and interest on foreign currency deposits and loans.

3. Net gains/losses on sales of JGBs.

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

5. Net difference between interest payment on excess reserve balances to which a positive interest rate is applied (-223.6 billion yen) and interest income on the balances to which a negative interest rate is applied (2.0 billion yen).

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

7. The Bank, the sole issuer of banknotes in Japan, obtains most of its profits from banknote issuance. It is obliged to pay the government all of its net income after providing for the amount transferred to the legal reserve and for dividends. This payment to the government is treated as deductible losses for income tax purposes, and is excluded from taxable income when corporate income tax and enterprise taxes are calculated.

Table 3

**Changes in Profits and Losses<sup>1</sup>**

bil. yen

Item	Fiscal 2013 (April 1, 2013– March 31, 2014)	Fiscal 2014 (April 1, 2014– March 31, 2015)	Fiscal 2015	First half of	Second half of
				the fiscal year (April 1, 2015– September 30, 2015)	the fiscal year (October 1, 2015– March 31, 2016)
<b>1. Net government bond-related gains/losses</b>	<b>0.2</b>	<b>0.0</b>	<b>...</b>	<b>...</b>	<b>...</b>
Of which:					
Gains on sale of Japanese government bonds	0.2	0.0	...	...	...
Losses on sale of Japanese government bonds	...	...	...	...	...
<b>2. Net foreign exchange-related gains/losses<sup>2</sup></b>	<b>619.4</b>	<b>760.1</b>	<b>-408.3</b>	<b>27.2</b>	<b>-435.5</b>
<b>3. Net gains/losses on pecuniary trusts (stocks held as trust property)</b>	<b>42.1</b>	<b>49.7</b>	<b>51.1</b>	<b>24.4</b>	<b>26.6</b>
Of which:					
Dividends and others	42.8	48.9	53.7	25.7	27.9
Losses on impairment	-3.9	...	-4.4	-1.2	-3.1
Net gains/losses on sale	3.2	0.8	1.8	0.0	1.8
<b>4. Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property)</b>	<b>37.5</b>	<b>59.1</b>	<b>104.8</b>	<b>99.4</b>	<b>5.3</b>
Of which:					
Distributions and others	37.5	59.1	104.8	99.4	5.3
Losses on impairment	...	...	...	...	...
Net gains/losses on sale	...	...	...	...	...
<b>5. Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property)</b>	<b>6.6</b>	<b>7.7</b>	<b>10.8</b>	<b>5.0</b>	<b>5.7</b>
Of which:					
Distributions and others	6.6	7.7	10.8	5.0	5.7
Losses on impairment	...	...	...	...	...
Net gains/losses on sale	...	...	...	...	...

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

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

bil. yen, except where otherwise noted

Item	Fiscal 2013 (April 1, 2013– March 31, 2014)	Fiscal 2014 (April 1, 2014– March 31, 2015)	Fiscal 2015	First half of the fiscal year	Second half of the fiscal year
				(April 1, 2015– September 30, 2015)	(October 1, 2015– March 31, 2016)
<b>6. "Core" operating income</b>	<b>908.7</b>	<b>1,144.7</b>	<b>1,396.3</b>	<b>693.8</b>	<b>702.5</b>
Yen assets	838.5	1,078.5	1,326.7	659.3	667.3
Of which:					
Interest on loans and discounts	25.6	28.6	34.8	17.3	17.5
Interest on receivables under resale agreements	...	...	–0.0	...	–0.0
Interest and discounts on Japanese government securities	805.7	1,044.0	1,287.5	639.1	648.3
Treasury discount bills	29.5	10.8	–20.8	–2.8	–17.9
Japanese government bonds	776.1	1,033.1	1,308.3	642.0	666.2
Interest on commercial paper	1.8	1.9	1.0	0.8	0.2
Interest and discounts on corporate bonds	5.3	3.9	3.2	1.9	1.3
Interest on foreign currency assets	70.1	66.1	69.6	34.5	35.1
<b>7. Interest-bearing assets (average amount outstanding)</b>	<b>202,865.4</b>	<b>275,286.9</b>	<b>358,263.1</b>	<b>338,824.0</b>	<b>377,702.1</b>
Yen assets	197,674.9	269,635.4	351,924.6	332,618.7	371,230.5
Of which:					
Loans and bills discounted	25,611.4	28,628.0	35,164.9	34,521.1	35,808.7
Receivables under resale agreements	...	...	1.0	...	2.1
Japanese government securities	166,965.8	235,522.2	311,330.8	292,678.1	329,983.4
Treasury discount bills	40,399.2	49,943.7	47,554.0	49,617.0	45,491.0
Japanese government bonds	126,566.5	185,578.5	263,776.7	243,061.0	284,492.3
Commercial paper	2,014.8	2,248.2	2,224.8	2,214.5	2,235.2
Corporate bonds	3,082.8	3,236.8	3,202.9	3,204.9	3,201.0
Foreign currency assets	5,190.5	5,651.4	6,338.4	6,205.2	6,471.5
<b>8. Yield on interest-bearing assets (percent)</b>	<b>0.447</b>	<b>0.415</b>	<b>0.389</b>	<b>0.409</b>	<b>0.371</b>
Yen assets	0.424	0.400	0.376	0.396	0.359
Of which:					
Loans and bills discounted	0.100	0.100	0.099	0.100	0.098
Receivables under resale agreements	...	...	–0.120	...	–0.120
Japanese government securities	0.482	0.443	0.413	0.436	0.392
Treasury discount bills	0.073	0.021	–0.043	–0.011	–0.078
Japanese government bonds	0.613	0.556	0.495	0.528	0.468
Commercial paper	0.092	0.088	0.048	0.078	0.019
Corporate bonds	0.174	0.122	0.102	0.122	0.082
Foreign currency assets	1.351	1.171	1.098	1.111	1.085



Table 4

**The Bank's Capital Base and Capital Adequacy Ratio<sup>1</sup>**

bil. yen, except where otherwise noted

Item	End of fiscal 2013 (March 31, 2014)	End of fiscal 2014 (March 31, 2015)	End of fiscal 2015 (March 31, 2016)	Changes from a year earlier	[Reference] End of the first half of fiscal 2015 (September 30, 2015)
<b>Capital accounts (A)</b>	<b>2,886.3</b>	<b>3,138.6</b>	<b>3,159.1</b>	<b>+20.5</b>	<b>3,138.6</b>
Capital	0.1	0.1	0.1	...	0.1
Legal reserve and others <sup>2</sup>	2,886.2	3,138.5	3,159.0	+20.5	3,138.5
<b>Provisions (B)</b>	<b>3,649.3</b>	<b>4,029.4</b>	<b>4,275.4</b>	<b>+245.9</b>	<b>4,043.0</b>
Provision for possible loan losses (excluding special provision for possible loan losses)	...	...	...	...	...
Provision for possible losses on bonds transactions	2,243.3	2,243.3	2,693.4	+450.1	2,243.3
Provision for possible losses on foreign exchange transactions	1,406.0	1,786.1	1,581.9	-204.1	1,799.7
<b>Capital base<sup>3</sup> (C) = (A) + (B)</b>	<b>6,535.7</b>	<b>7,168.0</b>	<b>7,434.6</b>	<b>+266.5</b>	<b>7,181.7</b>
<b>Annual average of banknotes issued (D)</b>	<b>84,411.6</b>	<b>87,394.1</b>	<b>92,295.7</b>	<b>+4,901.5</b>	<b>90,384.4</b>
<b>Capital adequacy ratio (C)/(D) × 100 (percent)</b>	<b>7.74</b>	<b>8.20</b>	<b>8.05</b>	<b>-0.15</b>	<b>7.94</b>

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

2. Includes the special reserve (13 million yen).

3. Calculated in yen and then rounded down to the nearest 0.1 billion yen; thus, figures are not necessarily equal to the total of relevant items listed in the above table.

[Reference]

**Market Value of the Bank's Securities Holdings<sup>1</sup>**

bil. yen

Item	End of fiscal 2014 (March 31, 2015)			End of fiscal 2015 (March 31, 2016)		
	Book value	Market value <sup>2</sup>	Difference	Book value	Market value <sup>2</sup>	Difference
Japanese government securities	269,792.1	274,606.7	4,814.5	349,195.5	364,415.5	15,220.0
Commercial paper	1,978.9	1,978.9	...	1,969.9	1,969.9	...
Corporate bonds	3,243.0	3,239.5	-3.5	3,170.3	3,167.3	-3.0
Pecuniary trusts <sup>3</sup> (stocks held as trust property)	1,351.0	2,978.3	1,627.3	1,344.5	2,577.0	1,232.5
Pecuniary trusts <sup>3</sup> (index-linked exchange-traded funds held as trust property)	4,572.0	6,963.7	2,391.6	7,567.6	8,766.0	1,198.4
Pecuniary trusts <sup>3</sup> (Japan real estate investment trusts held as trust property)	205.2	286.8	81.6	290.0	387.1	97.0

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

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

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

## II. FINANCIAL STATEMENTS

### 1. Inventory of property as at March 31, 2016

Item	Value in yen	Unit (except where otherwise noted)
<b>ASSETS</b>		
Gold	441,253,409,037	
Cash	209,992,488,626	
Japanese government securities	349,195,560,460,671	Face value at 342,768,536,450,000 yen
Commercial paper	1,969,983,763,984	Face value at 1,969,800,000,000 yen
Corporate bonds	3,170,336,995,982	Face value at 3,140,600,000,000 yen
Pecuniary trusts (stocks held as trust property)	1,369,210,615,327	
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	7,567,622,629,487	
Pecuniary trusts (Japan real estate investment trusts held as trust property)	293,641,665,779	
Loans and bills discounted	34,045,336,000,000	
Electronic loans	34,045,336,000,000	1,641
Foreign currency assets	6,697,119,789,156	
Foreign currency deposits	906,895,567,653	
Foreign currency securities	4,369,137,103,905	
Foreign currency mutual funds	58,807,470,098	
Foreign currency loans	1,362,279,647,500	
Deposits with agents	32,689,178,523	Deposits with 88 agents
Other assets	458,560,658,145	
Bills and checks in process of collection	26,804,275	8
Capital subscription to the Deposit Insurance Corporation, and the Agricultural and Fishery Cooperative Savings Insurance Corporation	225,000,000	2
Capital subscription to an international financial institution	15,278,374,364	1
Withdrawn cash to be returned to the government	45,620,130,059	6
Accrued interest receivable	376,373,731,942	
Others	21,036,617,505	
Tangible fixed assets	196,723,411,774	
Buildings	95,456,571,654	613,271.63 square meters
Land	82,710,077,233	515,271.60 square meters
Lease assets	4,989,333,914	Number of lease property: 17,615
Construction in progress	2,280,865,248	
Other tangible fixed assets	11,286,563,725	Number of movable property: 10,312
Intangible fixed assets	114,045,309	
Utility rights	114,045,309	
<b>Total assets</b>	<b>405,648,145,111,800</b>	
<b>LIABILITIES</b>		
Banknotes	95,594,792,658,757	
Deposits (excluding those of the government)	282,939,643,326,998	
Current deposits	275,439,481,605,158	1,141
Other deposits	7,500,161,721,840	127
Deposits of the government	18,779,729,516,481	
Treasury deposit	150,001,779,067	
Domestic designated deposit	18,373,874,162,409	
Other government deposits	255,853,575,005	
Payables under repurchase agreements	189,967,046,736	7
Other liabilities	122,531,470,022	
Remittances payable	4,778,880,521	
Taxes payable	82,945,000,000	
Lease liabilities	5,300,718,320	
Others	29,506,871,181	
Provision for retirement benefits	196,321,885,646	
Provision for possible losses on bonds transactions	2,693,488,993,013	
Provision for possible losses on foreign exchange transactions	1,581,949,000,000	
<b>Total liabilities</b>	<b>402,098,423,897,653</b>	
<b>NET ASSETS</b>		
Capital	100,000,000	
Legal reserve	3,138,531,211,232	
Special reserve	13,196,452	
Net income	411,076,806,463	
<b>Total net assets</b>	<b>3,549,721,214,147</b>	
<b>Total liabilities and net assets</b>	<b>405,648,145,111,800</b>	

**2. Balance sheet as at March 31, 2016**

yen

<b>ASSETS</b>	
Gold	441,253,409,037
Cash	209,992,488,626
Japanese government securities	349,195,560,460,671
Commercial paper	1,969,983,763,984
Corporate bonds	3,170,336,995,982
Pecuniary trusts (stocks held as trust property)	1,369,210,615,327
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	7,567,622,629,487
Pecuniary trusts (Japan real estate investment trusts held as trust property)	293,641,665,779
Loans and bills discounted	34,045,336,000,000
Electronic loans	34,045,336,000,000
Foreign currency assets	6,697,119,789,156
Foreign currency deposits	906,895,567,653
Foreign currency securities	4,369,137,103,905
Foreign currency mutual funds	58,807,470,098
Foreign currency loans	1,362,279,647,500
Deposits with agents	32,689,178,523
Other assets	458,560,658,145
Bills and checks in process of collection	26,804,275
Capital subscription to the Deposit Insurance Corporation, and the Agricultural and Fishery Cooperative Savings Insurance Corporation	225,000,000
Capital subscription to an international financial institution	15,278,374,364
Withdrawn cash to be returned to the government	45,620,130,059
Accrued interest receivable	376,373,731,942
Others	21,036,617,505
Tangible fixed assets	196,723,411,774
Buildings	95,456,571,654
Land	82,710,077,233
Lease assets	4,989,333,914
Construction in progress	2,280,865,248
Other tangible fixed assets	11,286,563,725
Intangible fixed assets	114,045,309
Utility rights	114,045,309
<b>Total assets</b>	<b>405,648,145,111,800</b>
<b>LIABILITIES</b>	
Banknotes	95,594,792,658,757
Deposits (excluding those of the government)	282,939,643,326,998
Current deposits	275,439,481,605,158
Other deposits	7,500,161,721,840
Deposits of the government	18,779,729,516,481
Treasury deposit	150,001,779,067
Domestic designated deposit	18,373,874,162,409
Other government deposits	255,853,575,005
Payables under repurchase agreements	189,967,046,736
Other liabilities	122,531,470,022
Remittances payable	4,778,880,521
Taxes payable	82,945,000,000
Lease liabilities	5,300,718,320
Others	29,506,871,181
Provision for retirement benefits	196,321,885,646
Provision for possible losses on bonds transactions	2,693,488,993,013
Provision for possible losses on foreign exchange transactions	1,581,949,000,000
<b>Total liabilities</b>	<b>402,098,423,897,653</b>
<b>NET ASSETS</b>	
Capital	100,000,000
Legal reserve	3,138,531,211,232
Special reserve	13,196,452
Net income	411,076,806,463
Total net assets	3,549,721,214,147
<b>Total liabilities and net assets</b>	<b>405,648,145,111,800</b>

### 3. Statement of income for fiscal 2015 (April 1, 2015–March 31, 2016)

yen

<b>Operating income</b>	<b>1,597,193,870,144</b>
<b>Interest on loans and discounts</b>	<b>34,862,144,167</b>
Interest on loans	34,862,144,167
<b>Interest on receivables under resale agreements</b>	<b>-1,272,199</b>
<b>Interest and discounts on Japanese government securities</b>	<b>1,287,505,568,153</b>
<b>Interest on commercial paper</b>	<b>1,086,674,266</b>
<b>Interest and discounts on corporate bonds</b>	<b>3,280,776,668</b>
<b>Gains on foreign currency assets</b>	<b>78,347,409,520</b>
Gains on foreign currency securities	71,038,047,582
Gains on foreign currency mutual funds	77,694,010
Interest on foreign currency deposits and loans	7,231,667,928
<b>Other operating income</b>	<b>192,112,569,569</b>
Gains on pecuniary trusts (stocks held as trust property)	51,147,395,362
Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property)	104,825,004,648
Gains on pecuniary trusts (Japan real estate investment trusts held as trust property)	10,810,372,668
Dividends	669,713,764
Fees and commissions	10,413,850,146
Other income	14,246,232,981
<b>Operating expenses</b>	<b>834,563,201,599</b>
<b>Interest on payables under repurchase agreements</b>	<b>606,924,135</b>
<b>Losses on foreign currency assets</b>	<b>408,312,687,486</b>
Foreign exchange losses	408,312,687,486
<b>General and administrative expenses and costs</b>	<b>193,580,087,628</b>
Cost of production of banknotes	51,685,796,000
Administrative expenses for treasury business and Japanese government securities	17,693,690,093
Personnel expenses	50,746,955,955
Expenses for transportation and communications	4,398,098,631
Expenses for maintenance and repairs	2,328,958,725
Other general and administrative expenses and costs	47,938,733,365
Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes	3,754,177,209
Depreciation and amortization	15,033,677,650
<b>Other general and administrative expenses</b>	<b>232,063,502,350</b>
Interest on excess reserve balances under the complementary deposit facility	221,671,228,866
Fees and commissions paid	106,626,749
Other expenses	10,285,646,735
<b>Operating profits</b>	<b>762,630,668,545</b>
<b>Special profits</b>	<b>205,173,803,279</b>
<b>Gains on disposal of fixed assets</b>	<b>1,017,803,279</b>
<b>Transfer from provision for possible losses on foreign exchange transactions</b>	<b>204,156,000,000</b>
<b>Special losses</b>	<b>450,636,374,911</b>
<b>Losses on disposal of fixed assets</b>	<b>496,374,911</b>
<b>Transfer to provision for possible losses on bonds transactions</b>	<b>450,140,000,000</b>
<b>Net income before taxes</b>	<b>517,168,096,913</b>
<b>Provision for corporate income tax, inhabitants taxes, and enterprise taxes</b>	<b>106,091,290,450</b>
<b>Net income</b>	<b>411,076,806,463</b>



#### 4. Summary of significant accounting policies

##### a. Securities

Yen-denominated bonds and CP<sup>4</sup> are valued at amortized cost determined by the moving-average method.

Foreign currency-denominated bonds and foreign currency-denominated mutual funds are valued at market value.

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

Impairment procedures will be applied for CP, corporate bonds,<sup>5</sup> stocks, beneficiary interests in index-linked exchange-traded funds, and investment equities issued by real estate investment corporations whose market values have fallen considerably.

Securities held as trust property in pecuniary trusts<sup>6</sup> are valued in accordance with the procedures prescribed above according to the type of securities.

##### b. Tangible and intangible fixed assets

Depreciation is computed as follows:

(1) Buildings

Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, at a rate based on the Corporation Tax Act.

(2) Accessory equipment in the Bank's buildings and movable property

Depreciation is computed by the declining-balance method at a rate based on the Corporation Tax Act.

(3) Lease assets arising from finance lease transactions that transfer ownership

Depreciation is computed based on the same depreciation method as is applied to fixed assets owned by the Bank.

(4) Lease assets arising from finance lease transactions that do not transfer ownership

Depreciation is computed using the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.

(5) Others

Depreciation is computed in accordance with the Corporation Tax Act.

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

5. Includes bonds issued by real estate investment corporations.

6. Includes (1) "money trusts," where the beneficiaries entrust money to be held as trust property, and at the end of the term receive money; and (2) "pecuniary trusts other than money trusts," where the beneficiaries entrust money to be held as trust property, and at the end of the term receive securities or other forms of property in which the money has been invested.

### c. Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated into yen at the foreign exchange rate prevailing at the balance-sheet date. However, the amount of capital subscription to an international financial institution is translated into yen at the foreign exchange rate prevailing at the time of subscription. Assets and liabilities deriving from the Bank's U.S. Dollar Funds-Supplying Operations against Pooled Collateral are translated into yen at the foreign exchange rates used in swap transactions with the Federal Reserve Bank of New York.

### d. Transfers to/from provisions

#### (1) Provision for possible loan losses

The general provision for possible loan losses is maintained based on the past experience of the ratio of actual loan losses to total loans (the loan-loss ratio). However, a special provision for possible losses on specific loans will be recorded separately, should the Bank's Policy Board deem it necessary.

#### (2) Provision for retirement benefits

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

The method of attributing projected benefits to periods up to the fiscal year-end is based on the straight-line method. Prior service cost is amortized using the straight-line method, which fixes the amount of the amortization and applies it over a certain number of years—within the average remaining service period of employees at the time (the amortization is applied over ten years). Unrecognized actuarial differences are amortized from the fiscal year following the one in which the difference arises; this is also done using the straight-line method.

#### (3) Provision for possible losses on bonds transactions

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

#### (4) Provision for possible losses on foreign exchange transactions

The provision for possible losses on foreign exchange transactions is maintained pursuant to the following rules and regulations: Article 15 of the Order for Enforcement of the Bank of Japan Act; Articles 9, 10, and 11 of the Ordinance for Enforcement of the Bank of Japan Act; and Article 18 of the Bank's Accounting Rules.

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

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

#### **e. Significant changes in the accounting standard**

The provision for possible losses on bonds transactions is maintained pursuant to the Cabinet Order on the Partial Revision of the Order for Enforcement of the Bank of Japan Act and the Ordinance of the Ministry of Finance on the Partial Revision of the Ordinance for Enforcement of the Bank of Japan Act, both of which came into effect in November 2015, as well as to the Bank's Accounting Rules amended in line with these partial revisions.

The transfer of funds to the provision for possible losses on bonds transactions increased by 450.1 billion yen relative to its level as previously calculated before these changes took effect; net income before taxes decreased by the same amount.

### **Other Explanatory Notes to the Financial Statements**

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Before fiscal 2015, interest on excess reserve balances under the complementary deposit facility was included in "other expenses" under "other general and administrative expenses" in the statement of income. However, the Bank decided that from fiscal 2015 such interest would be recorded separately as "interest on excess reserve balances under the complementary deposit facility" under "other general and administrative expenses." Interest on excess reserve balances under the complementary deposit facility for fiscal 2014, which was included in "other expenses," amounted to 151,310,041,304 yen.

### Explanatory Notes to Lease Transactions

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**1. Finance lease transactions**

Finance lease transactions that do not transfer ownership

a. Details of lease assets

Tangible fixed assets, mainly electronic data processing systems such as the Bank's host computers.

b. Methods used in calculating the depreciation of lease assets

Depreciation is computed in accordance with the Bank's significant accounting policies on methods used in calculating the depreciation of tangible and intangible fixed assets.

**2. Operating lease transactions**

Future minimum lease payments for non-cancelable operating lease transactions

a. Lessee

	mil. yen
Within one year	158
More than one year	450
Total	609

b. Lessor

	mil. yen
Within one year	1
More than one year	39
Total	41

### Explanatory Notes to Accounting for Retirement Benefits<sup>1</sup>

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

	yen
Projected benefit obligation at the beginning of fiscal 2015	200,909,654,000
Service cost	4,602,653,000
Interest cost	3,214,554,000
Actuarial differences	40,223,451,500
Retirement benefits paid	-9,605,809,500
Prior service cost	...
Projected benefit obligation at the end of fiscal 2015	239,344,503,000

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

	yen
Projected benefit obligation	239,344,503,000
Fair value of plan assets	...
Unfunded projected benefit obligation	239,344,503,000
Unrecognized actuarial differences	-52,866,920,404
Unrecognized prior service cost	9,844,303,050
Net amount recorded on the balance sheet	196,321,885,646
Prepaid pension cost	...
Provision for retirement benefits	196,321,885,646

#### 3. Retirement benefit cost

	yen
Service cost	4,602,653,000
Interest cost	3,214,554,000
Expected return on plan assets	...
Amortization of actuarial differences	791,288,917
Amortization of prior service cost	-1,158,153,300
Retirement benefit cost	7,450,342,617

#### 4. Assumptions

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

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



## 5. Auditors' opinion<sup>7</sup>

May 6, 2016

### Auditors' Opinion on the Bank of Japan's Financial Statements for Fiscal 2015

Pursuant to Article 52, paragraph 1 of the Bank of Japan Act (Act No. 89, 1997), we have audited the financial statements of the Bank of Japan for fiscal 2015 indicated below. In our opinion, the financial statements present fairly the state of property and the results of operations for fiscal 2015.

The financial statements comprise the following:  
Inventory of property as at March 31, 2016;  
Balance sheet as at March 31, 2016; and  
Statement of income for fiscal 2015.

Yuji Iino  
Ryuichi Shogan  
Toshihiko Fujita

Auditors, Bank of Japan

## 6. Appropriation of net income for fiscal 2015

yen

<b>Net income</b>	<b>411,076,806,463</b>
Appropriations:	
Transfer to legal reserve	20,553,840,324
Dividends, 5 percent of share face value	5,000,000
Payment to the government	390,517,966,139
<b>Total</b>	<b>411,076,806,463</b>

<sup>7</sup> This presents a translation, for convenience only, of the original report issued in Japanese.

### III. SCHEDULE FOR THE FINANCIAL STATEMENTS

#### 1. Details of assets

yen

Item	Balance at the beginning of fiscal 2015	Balance at the end of fiscal 2015	Changes during fiscal 2015
<b>1. Gold</b>	<b>441,253,409,037</b>	<b>441,253,409,037</b>	<b>0</b>
<b>2. Cash<sup>1</sup></b>	<b>244,225,487,792</b>	<b>209,992,488,626</b>	<b>-34,232,999,166</b>
<b>3. Japanese government securities</b>	<b>269,792,149,426,838</b>	<b>349,195,560,460,671</b>	<b>79,403,411,033,833</b>
Treasury discount bills	49,658,400,239,473	47,296,949,251,071	-2,361,450,988,402
Japanese government bonds	220,133,749,187,365	301,898,611,209,600	81,764,862,022,235
2-year Japanese government bonds	25,069,682,275,158	33,771,254,828,998	8,701,572,553,840
5-year Japanese government bonds	59,818,095,112,049	79,542,539,079,004	19,724,443,966,955
10-year Japanese government bonds	82,609,068,104,416	109,535,333,695,981	26,926,265,591,565
20-year Japanese government bonds	36,450,297,970,790	52,272,863,109,257	15,822,565,138,467
30-year Japanese government bonds	7,848,523,072,877	16,675,074,754,875	8,826,551,681,998
40-year Japanese government bonds	2,191,623,508,088	3,481,732,974,331	1,290,109,466,243
Floating-rate Japanese government bonds	4,813,496,987,108	5,277,949,629,767	464,452,642,659
Inflation-indexed bonds	1,332,962,156,879	1,341,863,137,387	8,900,980,508
<b>4. Commercial paper<sup>2</sup></b>	<b>1,978,962,167,690</b>	<b>1,969,983,763,984</b>	<b>-8,978,403,706</b>
Dematerialized commercial paper	1,978,962,167,690	1,969,983,763,984	-8,978,403,706
<b>5. Corporate bonds<sup>3</sup></b>	<b>3,243,074,065,621</b>	<b>3,170,336,995,982</b>	<b>-72,737,069,639</b>
<b>6. Pecuniary trusts (stocks held as trust property)<sup>4</sup></b>	<b>1,375,754,718,852</b>	<b>1,369,210,615,327</b>	<b>-6,544,103,525</b>
Stocks	1,351,078,039,802	1,344,585,836,527	-6,492,203,275
Dividends receivable and others	24,676,679,050	24,624,778,800	-51,900,250
<b>7. Pecuniary trusts (index-linked exchange-traded funds held as trust property)<sup>5</sup></b>	<b>4,483,786,805,557</b>	<b>7,567,622,629,487</b>	<b>3,083,835,823,930</b>
Index-linked exchange-traded funds	4,483,556,323,777	7,567,622,629,487	3,084,066,305,710
Distributions receivable	230,481,780	0	-230,481,780
<b>8. Pecuniary trusts (Japan real estate investment trusts held as trust property)<sup>6</sup></b>	<b>206,393,485,183</b>	<b>293,641,665,779</b>	<b>87,248,180,596</b>
Japan real estate investment trusts	204,031,188,502	290,090,281,351	86,059,092,849
Distributions receivable	2,362,296,681	3,551,384,428	1,189,087,747
<b>9. Loans and bills discounted</b>	<b>34,097,585,000,000</b>	<b>34,045,336,000,000</b>	<b>-52,249,000,000</b>
Electronic loans	34,097,585,000,000	34,045,336,000,000	-52,249,000,000
Loans by Funds-Supplying Operations against Pooled Collateral <sup>7</sup>	34,097,585,000,000	34,045,336,000,000	-52,249,000,000
<b>10. Foreign currency assets</b>	<b>7,112,527,067,358</b>	<b>6,697,119,789,156</b>	<b>-415,407,278,202</b>
Foreign currency deposits <sup>8</sup>	688,746,542,485	906,895,567,653	218,149,025,168
Foreign currency securities <sup>9,10</sup>	4,825,426,306,376	4,369,137,103,905	-456,289,202,471
Foreign currency mutual funds	61,024,921,497	58,807,470,098	-2,217,451,399
Foreign currency loans <sup>11</sup>	1,537,329,297,000	1,362,279,647,500	-175,049,649,500
<b>11. Deposits with agents<sup>12</sup></b>	<b>23,119,339,601</b>	<b>32,689,178,523</b>	<b>9,569,838,922</b>

Notes: 1. Coins reserved for circulation.

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

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

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

5. Comprises beneficiary interests in index-linked exchange-traded funds purchased through a trust bank and distributions receivable.

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

7. Includes the amounts outstanding of: (1) loans made through the Fixed-Rate Funds-Supplying Operation against Pooled Collateral; (2) loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth (hereafter the Growth-Supporting Funding Facility) conducted through the Loan Support Program (excluding loans disbursed pursuant to the special rules for the U.S. dollar lending arrangement); (3) loans made under the Fund-Provisioning Measure to Stimulate Bank Lending conducted through the Loan Support Program; and (4) loans made through the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas.

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

9. Includes securities issued by foreign governments.

10. 146,185,368,359 yen of the amount outstanding of the foreign currency securities at the fiscal year-end comprises loans due to lending/borrowing of securities.

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

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

yen

Item	Balance at the beginning of fiscal 2015	Balance at the end of fiscal 2015	Changes during fiscal 2015
<b>12. Other assets</b>	<b>393,782,377,361</b>	<b>458,560,658,145</b>	<b>64,778,280,784</b>
Bills and checks in process of collection <sup>13</sup>	157,333,987	26,804,275	-130,529,712
Capital subscription to the Deposit Insurance Corporation, and the Agricultural and Fishery Cooperative Savings Insurance Corporation	225,000,000	225,000,000	0
Capital subscription to an international financial institution <sup>14</sup>	15,278,374,364	15,278,374,364	0
Withdrawn cash to be returned to the government <sup>15</sup>	47,049,502,461	45,620,130,059	-1,429,372,402
Accrued interest receivable	303,212,411,537	376,373,731,942	73,161,320,405
Others	27,859,755,012	21,036,617,505	-6,823,137,507

Notes: 13. Checks and bills received as cash and in process of collection.

14. A subscription to the BIS.

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

yen

Item	Balance at the beginning of fiscal 2015	Increase during fiscal 2015	Decrease during fiscal 2015	Of which:	Balance at the end of fiscal 2015	Cumulative total of depreciation
				Depreciation		
<b>13. Tangible fixed assets<sup>16</sup></b>	<b>200,985,823,213</b>	<b>16,756,384,648</b>	<b>21,018,796,087</b>	<b>14,411,657,570</b>	<b>196,723,411,774</b>	<b>345,919,584,999</b>
Buildings <sup>17,18</sup>	98,402,849,658 (618,198.88)	5,676,344,128 (0.00)	8,622,622,132 (4,927.25)	8,358,560,730 (...)	95,456,571,654 (613,271.63)	315,224,328,959 (...)
Land <sup>17</sup>	82,711,838,658 (527,540.23)	0 (3.22)	1,761,425 (12,271.85)	... (...)	82,710,077,233 (515,271.60)	... (...)
Lease assets <sup>19,20</sup>	7,122,635,036 (19,137)	1,275,893,165 (5,532)	3,409,194,287 (7,054)	3,322,901,063 (...)	4,989,333,914 (17,615)	6,475,289,455 (...)
Construction in progress <sup>21</sup>	1,325,920,710	7,071,412,227	6,116,467,689	...	2,280,865,248	...
Other tangible fixed assets <sup>22,23</sup>	11,422,579,151 (10,359)	2,732,735,128 (209)	2,868,750,554 (256)	2,730,195,777 (...)	11,286,563,725 (10,312)	24,219,966,585 (...)

Notes: 16. "..." indicates that figures are not applicable.

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

18. The increase in "buildings" was mainly due to repairs to buildings for the Bank's business operations.

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

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

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

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

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

yen

Item	Balance at the beginning of fiscal 2015	Increase during fiscal 2015	Decrease during fiscal 2015	Of which:	Balance at the end of fiscal 2015	Cumulative total of depreciation
				Depreciation		
<b>14. Intangible fixed assets</b>	<b>116,658,434</b>	<b>5,646,703</b>	<b>8,259,828</b>	<b>8,259,828</b>	<b>114,045,309</b>	<b>843,963,411</b>
Utility rights	116,658,434	5,646,703	8,259,828	8,259,828	114,045,309	843,963,411

**Appendix: Details of loans provided through the Loan Support Program**

yen

Item	Balance at the beginning of fiscal 2015	Balance at the end of fiscal 2015	Changes during fiscal 2015
<b>Total amount outstanding</b>	<b>28,461,032,997,000</b>	<b>31,407,857,197,500</b>	<b>2,946,824,200,500</b>
Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth <sup>7</sup>	6,115,632,997,000	6,985,857,197,500	870,224,200,500
Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending	22,345,400,000,000	24,422,000,000,000	2,076,600,000,000

Note: 1. Comprises the loans disbursed pursuant to the following: (1) main rules; (2) special rules for equity investments and asset-based lending; (3) special rules for small-lot investments and loans; and (4) special rules for the U.S. dollar lending arrangement. Figures for loans in categories (1) through (3) are included in "loans and bills discounted" under assets. As for loans in category (4), the relevant figure is included in "foreign currency assets" under assets.

## 2. Details of liabilities and net assets

yen

Item	Balance at the beginning of fiscal 2015	Balance at the end of fiscal 2015	Changes during fiscal 2015
<b>1. Banknotes</b>	<b>89,673,254,629,643</b>	<b>95,594,792,658,757</b>	<b>5,921,538,029,114</b>
10,000 yen notes	82,373,440,475,000	88,233,737,125,000	5,860,296,650,000
5,000 yen notes	3,112,312,082,500	3,068,570,347,500	-43,741,735,000
2,000 yen notes	197,139,524,000	196,156,526,000	-982,998,000
1,000 yen notes	3,840,542,111,500	3,947,851,283,500	107,309,172,000
Other banknotes <sup>1</sup>	149,820,436,643	148,477,376,757	-1,343,059,886
<b>2. Deposits (excluding those of the government)</b>	<b>206,071,828,959,242</b>	<b>282,939,643,326,998</b>	<b>76,867,814,367,756</b>
Current deposits	201,556,431,650,544	275,439,481,605,158	73,883,049,954,614
Current deposits of financial institutions <sup>2</sup>	196,131,467,358,465	275,439,481,605,158	79,308,014,246,693
Other current deposits of nonfinancial institutions <sup>2</sup>	5,424,964,292,079	...	-5,424,964,292,079
Other deposits <sup>3</sup>	4,515,397,308,698	7,500,161,721,840	2,984,764,413,142
<b>3. Deposits of the government</b>	<b>1,794,185,531,047</b>	<b>18,779,729,516,481</b>	<b>16,985,543,985,434</b>
Treasury deposit	149,999,428,427	150,001,779,067	2,350,640
Domestic designated deposit <sup>4</sup>	1,352,539,436,252	18,373,874,162,409	17,021,334,726,157
Other government deposits <sup>5</sup>	291,646,666,368	255,853,575,005	-35,793,091,363
<b>4. Payables under repurchase agreements<sup>6</sup></b>	<b>17,608,286,376,004</b>	<b>189,967,046,736</b>	<b>-17,418,319,329,268</b>
Sales of Japanese government bonds under repurchase agreements to the government	17,560,951,703,454	0	-17,560,951,703,454
Other sales of Japanese government securities under repurchase agreements	47,334,672,550	189,967,046,736	142,632,374,186
Of which: Under the Securities Lending Facility	47,334,672,550	189,967,046,736	142,632,374,186
<b>5. Other liabilities</b>	<b>322,816,287,376</b>	<b>122,531,470,022</b>	<b>-200,284,817,354</b>
Remittances payable	6,386,633,540	4,778,880,521	-1,607,753,019
Taxes payable	279,469,000,000	82,945,000,000	-196,524,000,000
Lease liabilities	7,532,134,095	5,300,718,320	-2,231,415,775
Others <sup>7</sup>	29,428,519,741	29,506,871,181	78,351,440

Notes: 1. The total of banknotes of denominations that are no longer issued new but are still legal tender (i.e., notes of 500 yen, 100 yen, 50 yen, 10 yen, 5 yen, and 1 yen).

2. The amount outstanding of "current deposits of financial institutions" at the beginning of fiscal 2015 is that of deposits held by financial institutions including institutions such as *tanshi* companies (money market brokers) and securities finance companies. The amount outstanding of "other current deposits of nonfinancial institutions" at the beginning of fiscal 2015 is that of deposits held by such institutions, for example, financial instruments business operators.

The amount outstanding of "current deposits of financial institutions" at the end of fiscal 2015 includes that of deposits held by nonfinancial institutions, for example, financial instruments business operators, because the item "other current deposits of nonfinancial institutions" was integrated into "current deposits of financial institutions" in the second half of fiscal 2015. Thus, "..." in the amount outstanding of "other current deposits of nonfinancial institutions" at the end of fiscal 2015 indicates that the figure is not applicable.

3. Deposits held by foreign central banks and others.

4. A deposit to which the surplus funds from management of the treasury is transferred from the "treasury deposit."

5. Includes the special deposit, which balances "cash" (coins reserved for circulation) and "withdrawn cash to be returned to the government" (coins withdrawn from circulation) in the asset account.

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

7. 25,105,832,779 yen of the amount outstanding of "others" at the fiscal year-end comprises accrued interest on excess reserve balances under the complementary deposit facility.

yen

Item	Balance at the beginning of fiscal 2015	Increase during fiscal 2015	Decrease during fiscal 2015	Balance at the end of fiscal 2015
<b>6. Provisions<sup>8</sup></b>	<b>4,227,931,345,542</b>	<b>457,590,342,617</b>	<b>213,761,809,500</b>	<b>4,471,759,878,659</b>
Provision for retirement benefits	198,477,352,529	7,450,342,617	9,605,809,500	196,321,885,646
Provision for possible losses on bonds transactions	2,243,348,993,013	450,140,000,000	0	2,693,488,993,013
Provision for possible losses on foreign exchange transactions	1,786,105,000,000	0	204,156,000,000	1,581,949,000,000
<b>7. Net assets</b>	<b>2,886,388,309,017</b>	<b>252,256,098,667</b>	<b>0</b>	<b>3,138,644,407,684</b>
Capital	100,000,000	0	0	100,000,000
Legal reserve <sup>9</sup>	2,886,275,112,565	252,256,098,667	0	3,138,531,211,232
Special reserve <sup>10</sup>	13,196,452	0	0	13,196,452

Notes: 8. Appropriated in accordance with the Bank's significant accounting policies.

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

10. To ease the reconstruction of financial institutions after World War II, the Bank, along with private financial institutions, suspended payment of dividends from the first half of fiscal 1945 to the first half of fiscal 1949, in accordance with an order from the Minister of Finance. The unpaid dividends were set aside as a special reserve pursuant to the Supplementary Provisions of the Act for Partial Revision of the Bank of Japan Act (Act No. 46 of 1947).



### 3. Details of revenues and expenses for fiscal 2015

#### a. Operating income

<b>Interest on loans and discounts</b>	
Interest on loans	34,862,144,167 yen from electronic loans.
<b>Interest on receivables under resale agreements</b>	1,272,199 yen from interest income on purchases of Japanese government securities under resale agreements.
<b>Interest and discounts on Japanese government securities</b>	1,287,505,568,153 yen from interest income on Japanese government securities after adjustment.
<b>Interest on commercial paper</b>	1,086,674,266 yen from interest income on commercial paper after adjustment.
<b>Interest and discounts on corporate bonds</b>	3,280,776,668 yen from interest income on corporate bonds after adjustment.
<b>Gains on foreign currency assets</b>	
Gains on foreign currency securities	Total of 62,309,565,485 yen from interest and discounts on foreign currency securities and 71,122,694 yen from lending fees on them; and 8,657,359,403 yen of gains arising from sales, redemption, and revaluation at end-March 2016 of foreign currency securities.
Gains on foreign currency mutual funds	77,694,010 yen
Interest on foreign currency deposits and loans	7,231,667,928 yen
<b>Other operating income</b>	
Gains on pecuniary trusts (stocks held as trust property)	51,147,395,362 yen mainly from dividends.
Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property)	104,825,004,648 yen mainly from distributions.
Gains on pecuniary trusts (Japan real estate investment trusts held as trust property)	10,810,372,668 yen mainly from distributions.
Dividends	669,713,764 yen for dividends from shares of the Bank for International Settlements held by the Bank.
Fees and commissions	10,413,850,146 yen for fees and commissions for operations regarding Japanese government securities, the Bank of Japan Financial Network System (BOJ-NET), foreign exchange transactions, and other operations.
Other income	14,246,232,981 yen from transfer from provision for retirement benefits and other miscellaneous income.

## b. Operating expenses

<b>Interest on payables under repurchase agreements</b>	606,924,135 yen for interest payment on sales of Japanese government securities under repurchase agreements.
<b>Losses on foreign currency assets</b>	
Foreign exchange losses	408,312,687,486 yen from losses on foreign currency assets resulting from revaluation following fluctuations in foreign exchange rates.
<b>General and administrative expenses and costs</b>	
Cost of production of banknotes	51,685,796,000 yen from payments to the National Printing Bureau, an incorporated administrative agency, for the cost of production of banknotes.
Administrative expenses for treasury business and Japanese government securities	17,693,690,093 yen from fees and commissions paid to agents of the Bank for administration of treasury business and Japanese government securities.
Personnel expenses	421,867,400 yen for remuneration of the officers; 40,689,497,055 yen for remuneration of the employees; and 9,635,591,500 yen for retirement allowances.
Expenses for transportation and communications	1,866,055,518 yen for expenses for transportation and 2,532,043,113 yen for expenses for communications.
Expenses for maintenance and repairs	2,328,958,725 yen on offices and other premises.
Other general and administrative expenses and costs	1,163,193,693 yen for the cost of expendable supplies; 2,091,344,525 yen for expenses for electricity and water supply; 8,548,921,288 yen for leasing fees for buildings and equipment; 10,505,091,422 yen for expenses for maintenance of buildings and equipment; and 25,630,182,437 yen for miscellaneous expenses.
Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes	3,754,177,209 yen for taxes and public charges (including fixed-asset tax and urban development tax).
Depreciation and amortization	15,033,677,650 yen on buildings and lease assets.
<b>Other general and administrative expenses</b>	
Interest on excess reserve balances under the complementary deposit facility	221,671,228,866 yen (net difference between interest payment of 223,688,863,365 yen on excess reserve balances to which a positive interest rate is applied and interest income of 2,017,634,499 yen on the balances to which a negative interest rate is applied).
Fees and commissions paid	106,626,749 yen
Other expenses	10,285,646,735 yen for transfer to provision for retirement benefits and other expenses.

## c. Special profits

<b>Gains on disposal of fixed assets</b>	1,017,803,279 yen for gains on sales of land for the Bank's premises and other gains.
<b>Transfer from provision for possible losses on foreign exchange transactions</b>	204,156,000,000 yen

## d. Special losses

<b>Losses on disposal of fixed assets</b>	496,374,911 yen for losses on sales of buildings and land formerly used for the Bank's business operations, as well as on disposals of automatic banknote examination machines and other properties.
<b>Transfer to provision for possible losses on bonds transactions</b>	450,140,000,000 yen

## e. Net income

<b>Net income before taxes</b>	517,168,096,913 yen
<b>Provision for corporate income tax, inhabitants taxes, and enterprise taxes</b>	106,091,290,450 yen
<b>Net income</b>	411,076,806,463 yen

#### IV. EXPENSES

With regard to the Bank's statement of accounts for fiscal 2015 (the 131st fiscal year), the total amount of actual expenses decreased by 2.2 percent (4.1 billion yen) to 184.9 billion yen compared to the previous fiscal year. This was due, among other factors, to the decrease in "other general and administrative expenses and costs," mainly reflecting the decline in BOJ-NET-related computerization expenses.

## 1. Statement of accounts for fiscal 2015

yen

Item	Initial budget	Adjusted budget <sup>1</sup>	Actual	Surpluses	Changes from the previous year (actual)
<b>Cost of production of banknotes</b>	<b>51,685,811,000</b>	<b>51,685,811,000</b>	<b>51,685,796,000</b>	<b>15,000</b>	<b>202,688,000</b>
<b>Administrative expenses for treasury business and Japanese government securities</b>	<b>18,386,078,000</b>	<b>18,386,078,000</b>	<b>17,693,690,093</b>	<b>692,387,907</b>	<b>-239,934,096</b>
<b>Personnel expenses</b>	<b>51,938,313,000</b>	<b>51,938,313,000</b>	<b>50,746,955,955</b>	<b>1,191,357,045</b>	<b>617,267,943</b>
Remuneration of the officers	422,011,000	422,011,000	421,867,400	143,600	-1,850,100
Remuneration of the employees	41,541,514,000	41,541,514,000	40,689,497,055	852,016,945	602,348,163
Retirement allowances	9,974,788,000	9,974,788,000	9,635,591,500	339,196,500	16,769,880
<b>Expenses for transportation and communications</b>	<b>4,781,368,000</b>	<b>4,781,368,000</b>	<b>4,398,098,631</b>	<b>383,269,369</b>	<b>-36,000,657</b>
Expenses for transportation	1,995,081,000	1,995,081,000	1,866,055,518	129,025,482	83,202,916
Expenses for communications	2,786,287,000	2,786,287,000	2,532,043,113	254,243,887	-119,203,573
<b>Expenses for maintenance and repairs</b>	<b>2,455,523,000</b>	<b>2,455,523,000</b>	<b>2,328,958,725</b>	<b>126,564,275</b>	<b>320,446,960</b>
<b>Other general and administrative expenses and costs</b>	<b>53,760,828,000</b>	<b>53,760,828,000</b>	<b>47,938,733,365</b>	<b>5,822,094,635</b>	<b>-4,747,176,434</b>
Cost of expendable supplies	1,366,635,000	1,366,635,000	1,163,193,693	203,441,307	17,908,492
Expenses for electricity and water supply	2,501,677,000	2,501,677,000	2,091,344,525	410,332,475	-164,438,078
Leasing fees for buildings and equipment	9,385,265,000	9,385,265,000	8,548,921,288	836,343,712	-1,167,130,657
Expenses for maintenance of buildings and equipment	11,539,825,000	11,539,825,000	10,505,091,422	1,034,733,578	-652,812,743
Miscellaneous expenses	28,967,426,000	28,967,426,000	25,630,182,437	3,337,243,563	-2,780,703,448
<b>Subtotal</b>	<b>183,007,921,000</b>	<b>183,007,921,000</b>	<b>174,792,232,769</b>	<b>8,215,688,231</b>	<b>-3,882,708,284</b>
<b>Cost of fixed-asset purchases</b>	<b>11,939,140,000</b>	<b>11,939,140,000</b>	<b>10,085,403,414</b>	<b>1,853,736,586</b>	<b>-243,153,650</b>
Of which:					
Subject to the approval of the Minister of Finance <sup>2</sup>	3,731,102,000	3,731,102,000	3,501,585,528	229,516,472	394,606,382
<b>Contingency funds</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>	<b>0</b>	<b>1,000,000,000</b>	<b>0</b>
<b>Total</b>	<b>195,947,061,000</b>	<b>195,947,061,000</b>	<b>184,877,636,183</b>	<b>11,069,424,817</b>	<b>-4,125,861,934</b>
Of which:					
Subject to the approval of the Minister of Finance <sup>2</sup>	187,739,023,000	187,739,023,000	178,293,818,297	9,445,204,703	-3,488,101,902

Notes: 1. "Initial budget" plus/minus "use of contingency funds" and "diversion of funds."

2. Excludes the cost of purchasing fixed assets used for the Bank's business operations. The statement of accounts for each fiscal year is compiled and submitted, together with the Auditors' opinion, to the Minister of Finance. The cost of purchasing fixed assets used for the Bank's business operations is not subject to the Minister's authorization, but it was also audited by the Auditors, who approved it as fairly presenting the expenses for such purchases.

## 2. Expenses by area of business operation for fiscal 2015<sup>1</sup>

mil. yen

Area of business operation	Expenses	Changes from a year earlier	Share of total (percent)
Issuance of banknotes	82,584	-79	42.7
Monetary policy	22,746	-1,851	11.8
Financial system policy	17,291	+212	8.9
Payment and settlement systems	31,976	-1,460	16.5
Services relating to the government <sup>2</sup>	38,983	-757	20.1
<b>Total</b>	<b>193,580</b>	<b>-3,934</b>	<b>100.0</b>

Notes: 1. Calculated based on "general and administrative expenses and costs" (193.6 billion yen) in the statement of income for fiscal 2015 (the 131st fiscal year). Figures are rounded to the nearest million yen.

Expenses for the Bank's various business and organizational divisions (international finance, research and statistics, external relations activities, and organizational management), which contribute jointly to each of the above areas of business operation, are amortized equally and included in the relevant sections of the above table.

2. Services provided by the Bank, specifically those relating to treasury funds, JGSs, and others.



# Appendixes

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

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■ **Appendix 2: The Bank of Japan's Strategic Priorities for Fiscal 2014–2018**

**APPENDIX 1: OVERVIEW OF AUDITS OF THE BANK OF JAPAN**

Pursuant to the provisions of the Bank of Japan Act and in accordance with the Bank's internal rules, the following audits were conducted by the Auditors of the Bank in fiscal 2015 and at the beginning of fiscal 2016.

**I. Audits of the Bank's Financial Statements and Other Documents<sup>1</sup>****A. Financial Statements and Other Documents for Fiscal 2014**

From April through to early May 2015, the Auditors audited the Bank's financial statements and other documents, specifically, the inventory of property, the balance sheet, the statement of income, the statement of accounts, the appropriation of net income, and the schedule for the financial statements for fiscal 2014 (the 130th fiscal year) as well as the statement of income for the second half of fiscal 2014.

The Auditors submitted to the Governor their written opinions indicating that the financial statements and other documents presented fairly the state of property, the results of operations, and the expenses for fiscal 2014 as well as the results of operations for the second half of fiscal 2014.

**B. Financial Statements and Other Documents for the First Half of Fiscal 2015**

From October through to early November 2015, the Auditors audited the Bank's financial statements and other documents, specifically, the inventory of property, the balance sheet, the statement of income, and the

schedule for the financial statements for the first half of fiscal 2015 (the 131st fiscal year).

The Auditors submitted to the Governor their written opinions indicating that the financial statements and other documents presented fairly the state of property and the results of operations for the first half of fiscal 2015.

**C. Financial Statements and Other Documents for Fiscal 2015**

From April through to early May 2016, the Auditors audited the Bank's financial statements and other documents, specifically, the inventory of property, the balance sheet, the statement of income, the statement of accounts, the appropriation of net income, and the schedule for the financial statements for fiscal 2015 as well as the statement of income for the second half of fiscal 2015.

The Auditors submitted to the Governor their written opinions indicating that the financial statements and other documents presented fairly the state of property, the results of operations, and the expenses for fiscal 2015 as well as the results of operations for the second half of fiscal 2015.

**II. Audits of Cash, Securities, and Books**

In fiscal 2015, the Auditors conducted a total of 59 on-site audits on 7 Head Office departments and 32 branches of the Bank, examining cash and securities in their custody as well as their books.

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

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

In fiscal 2015, the Auditors conducted on-site audits on 32 branches, 12 of the Bank's local offices in Japan, and 2 overseas representative offices to assess business operations and expenses. They also conducted a total of 211 meetings with Head Office departments

to review the execution of business operations and expenses, receiving explanatory overviews of business operations at each department as well as reports concerning high-priority issues from relevant departments. In addition, they conducted 363 examinations of key documents and 4 special on-site visits to the Bank's premises.

**APPENDIX 2: THE BANK OF JAPAN'S STRATEGIC PRIORITIES FOR FISCAL 2014–2018<sup>1</sup>****I. Introduction**

"The Bank of Japan's Strategic Priorities for Fiscal 2014–2018" describes the basic principles for the Bank's business operations and organizational management during the five-year period.

From fiscal 2009, the Bank formulated the Strategic Priorities within a framework covering a three-year period and updated them every fiscal year. The Bank has decided to adopt a new five-year framework for the Strategic Priorities for fiscal 2014–2018, the content of which will be kept basically unchanged for the whole period, with a view to (1) clarifying the Bank's objectives to be achieved over the medium term and (2) evaluating its performance properly.

The Bank plans to conduct an interim review during the five-year period in order to address any changes in its environment. It will revise the content flexibly in response to any significant changes in its environment.

**II. The Bank's Organizational Principles**

The Bank has decided and made public its organizational principles, which constitute a set of fundamental values to be respected by the Bank, as the central bank of Japan. The officers and employees of the Bank are to keep these principles in mind at all times in the conduct of business operations. The Bank will maintain public confidence through the appropriate conduct of its policies and business operations in accordance with the organizational principles listed below.

**Public Interest**

The Bank shall promote the public interest by fulfilling the core purposes stipulated in the Bank of Japan Act.<sup>2</sup>

**Transparency**

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

**Excellence**

The Bank shall pursue excellence in central banking services, responding sufficiently to changes in its environment.

**Integrity**

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

**Effectiveness and Efficiency**

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

**III. Background and Management Guidelines**

There is a growing need for central banks to address issues arising from (1) further globalization of the financial and economic environment, (2) diversification and the increasing complexity of financial instruments and transactions, and (3) continuing advances in financial engineering and information processing technology.

In this situation, the Bank is required to respond flexibly to any changes in its environment to properly perform its role as the central bank. This involves

1. Decided by the Policy Board on March 25, 2014.

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



(1) dealing proactively with new issues and (2) conducting business operations stably while managing operational risks properly. In order to ensure public confidence, it is also important for the Bank to explain clearly to the public its policies and business operations.

Based on the above understanding, the following three management guidelines have been set out in the Strategic Priorities for fiscal 2014–2018.

#### **A. Engage in Bank-Wide Efforts to Fulfill Its Missions**

The Bank's missions are to achieve price stability and ensure the stability of the financial system. To achieve price stability, the Bank has set the "price stability target" at 2 percent in terms of the year-on-year rate of change in the consumer price index (CPI). It will engage in Bank-wide efforts to steadily fulfill these missions, with its officers and employees sharing the understanding that doing so promotes the public interest. To this end, they shall at all times (1) work to make the fullest possible use of a high degree of central banking expertise and (2) remain aware of the importance of a creative attitude to handle new issues proactively.

#### **B. Improve Capability in the Conduct of Business Operations**

The Bank's missions are fulfilled through the conduct of a wide range of central banking operations, and the public expects the Bank to conduct these operations stably. Recently, there is a growing need for central banks to address issues reflecting changes in the domestic and overseas environments. The Bank will therefore improve its capability in the conduct of business operations, by making use of job-specific expertise that has been cultivated over the years and by managing its operational risks properly. In addition, it will establish an operational framework that responds properly to changes in these environments.

#### **C. Enhance External Communication and Strengthen Networks**

In maintaining public confidence, it is important for the Bank, taking a global perspective, to explain clearly to the public its policies and business operations and to listen carefully to outside opinion. Such multilateral and multilevel communication will contribute to the Bank's fulfillment of its missions and will promote the public interest. Recognizing this, the Bank will further enhance its communication by building appropriate networks with people and organizations across a wide range of fields both inside and outside Japan.

### **IV. Strategic Objectives for Business Operations**

In accordance with (1) the organizational principles, which constitute a set of fundamental values subscribed to by the Bank, and (2) the management guidelines, which provide direction for the Strategic Priorities, the Bank will focus on the following strategic objectives for its business operations.

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

In the course of Japan's economy overcoming deflation and achieving a sustainable growth path with price stability, a number of changes in financial and economic conditions are expected to take place.

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

Based on such multi-perspective analysis of the effects and impacts of monetary policy, the Bank will plan and formulate monetary policy measures flexibly. In

addition, the Bank will work to have the necessary operational arrangements in place so that money market operations are conducted properly, in line with monetary policy conduct.

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

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

In this regard, the Bank will appropriately plan and execute the selection of financial institutions holding current accounts at the Bank (BOJ account holders) as well as business operations relating to the provision of loans.

The Bank will also thoroughly assess the business operations, risk management, profitability, and capital bases of individual financial institutions through on-site examinations and off-site monitoring, making use of analysis of expected future developments in these areas. In particular, with a view to dealing with systemic risks more effectively, the Bank will work to ensure a firm grasp of business conditions at systemically important financial institutions. It will identify and share issues of managerial concern with financial institutions, thereby encouraging an appropriate response.

In planning and formulating its financial system policy measures, the Bank will place greater importance than ever on taking a macroprudential perspective. As a prerequisite for this, it will enhance its research and analysis on the stability and functioning of the financial system as a whole.

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

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

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

The Bank will implement the second phase of the new Bank of Japan Financial Network System (BOJ-NET) project scheduled for fiscal 2015 and thereafter operate the system smoothly and reliably.

While making effective use of the improved functionality of the new BOJ-NET, the Bank will enhance Japan's payment and settlement services in response to the diversification of payment and settlement needs and financial globalization. Specifically, the Bank will encourage the enhancement of retail payment systems and work to realize payment and settlement using the new BOJ-NET for cross-border transactions in yen or Japanese government bonds (JGBs). In addition, the Bank will conduct appropriate oversight of financial market infrastructures, while considering changes in financial market environments.

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

### **D. Conduct Stable and Efficient Central Banking Operations**

With regard to business operations relating to banknote issuance, the Bank will work to secure confidence in banknotes and coins using new technology. It will strengthen the monitoring of the cleanliness of banknotes in circulation and proceed with the introduction of next-generation automatic banknote examination machines.

The Bank will also work to maintain a firm grasp of



changes in the delivery routes of cash and will establish more efficient operational frameworks based on the information gathered.

With regard to banking operations, the Bank will, on a daily basis, continue to settle financial transactions using BOJ accounts and conduct money market operations in an accurate and stable manner. As for treasury funds and Japanese government securities (JGSs), the Bank will carry out its range of services with precision.

The Bank will reassess the efficiency of its operational frameworks in view of changing trends in workloads associated with banking operations as well as services relating to treasury funds and JGSs.

#### **E. Contribute to the Response to Globalization on the International Financial Front**

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

Based on this recognition, the Bank will play its due part as a central bank in ensuring the stability of the international currency system, in cooperation with overseas authorities. It will also play a leading role at international meetings, including those organized by the Bank for International Settlements (BIS) and the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), in keeping with Japan's position. Furthermore, to ensure financial and economic stability in Asia, the Bank will expand and enhance its technical assistance in the region.

#### **F. Contribute to the Regional Economic and Financial Environment**

The Bank will contribute to the regional economic and financial environment by providing appropriate central banking services in each region of the country, making

due use of the functions available at its Head Office, branches, and local offices.

In this regard, the Bank will aim to ensure that it can conduct its business operations in a stable manner even in times of disaster. It will maintain an accurate grasp of regional financial and economic conditions through close and frequent communication with local financial institutions, firms, and economic organizations. At the same time, the Bank will provide a clear and accessible explanation of (1) its view of economic and financial conditions both at home and abroad as well as (2) the thinking behind its policies and business operations. It will make active use of information gained through such efforts in conducting monetary policy and business operations.

#### **G. Strengthen External Communication**

With a view to ensuring broad public confidence, the Bank will communicate its conduct of monetary policy and business operations to not only financial professionals but also the public in a clear and intelligible manner. To this end, the Bank will enhance (1) the effectiveness of its communication by making full use of information technology, for example through improvements to its website, and (2) the in-house tours of its Head Office and branches.

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

Meanwhile, the Bank will publish the findings from its research and analysis in effective ways. It will also appropriately compile and release statistics with a view to improving their user-friendliness and responding to

global structural changes.

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

## V. Strategic Objectives for Organizational Management

### A. Organizational Management

In accordance with the organizational principles and the management guidelines described above, the Bank will focus on the following strategic objectives for its organizational management and all sections of its Head Office, branches, and local offices will coordinate their efforts to achieve them.

#### 1. Ensure the appropriate conduct of business operations given changes in the Bank's environment

The Bank will enhance its capability in planning business operations, responding appropriately to changes in its environment where the need for central banks to address certain issues is growing. It will promote the passing on of know-how among employees with a view to firmly maintaining the levels of job-specific expertise that have underpinned its business operations over the years. In addition, it will work actively to revise its business processes in response to changes in its environment.

Moreover, the Bank will promote efficiency and stability in its business operations through computerization, and will also review its business processes to reflect technological advances.

#### 2. Manage operational risks appropriately

In order to maintain public confidence, it is important for the Bank to continue to conduct all business operations

with precision and deliberation. To this end, it will engage in Bank-wide efforts to manage operational risks effectively, giving due consideration to a change in the composition of its workforce following the anticipated retirement of a large number of experienced workers.

With regard to due execution of duties by its officers and employees, the Bank will continue to work to promote compliance with social norms as well as the appropriate management of information security.

#### 3. Strengthen business continuity arrangements

Based on its experience following the Great East Japan Earthquake and the government's reappraisal of potential damage for large-scale earthquakes such as those directly under Tokyo or in the Nankai Trough, the Bank will reinforce its business continuity arrangements through the effective use of its management resources.

### B. Management Resources

#### 1. Human resources

In order to steadily carry out the strategic objectives outlined in the Strategic Priorities for fiscal 2014–2018, the Bank will work to secure the necessary employee numbers and to increase the efficiency of its overall business operations. To this end, for each fiscal year, it will decide and make public the ceiling on the number of full-time employees.<sup>3</sup>

In addition, the Bank will secure and foster human resources with a high degree of central banking expertise in the execution of business operations and organizational management. In particular, it will encourage its employees to cultivate the practical skills to build and manage relationships both inside and outside Japan, the creative mind-set to deal proactively with new issues, and the ability to play an active role internationally. From this perspective, the Bank will continue to work to promote personnel exchanges with

3. See Attachment 2 for Appendix 2 on page 93 for the ceiling on the number of full-time employees for fiscal 2016.

institutions both inside and outside Japan.

Furthermore, the Bank will expand its recruitment of women and encourage their promotion; it will also seek to offer various working arrangements to improve the work-life balance of its employees. In addition, it will continue to work to facilitate internal communication.

## **2. Budget for expenses**

In order to steadily carry out the strategic objectives outlined in the Strategic Priorities for fiscal 2014–2018, the Bank will secure the necessary budget and achieve more streamlined overall spending. To this end, for each fiscal year, it will decide and make public the budget for expenses.<sup>4</sup>

## **VI. Performance Reviews**

With a view to (1) steadily carrying out the strategic objectives for business operations and organizational management outlined in the Strategic Priorities for fiscal 2014–2018 and (2) reviewing and revising as necessary the allocation of management resources, the Bank will conduct and make public performance reviews of measures taken under the Strategic Priorities every fiscal year. In addition, it will conduct a thorough review of the entire contents of the Strategic Priorities.

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4. See Attachment 1 for Appendix 2 on page 92 for the budget for expenses for fiscal 2016.

### THE BANK OF JAPAN'S BUDGET FOR EXPENSES FOR FISCAL 2016<sup>1</sup>

The Bank of Japan's budget for expenses for fiscal 2016 (the 132nd fiscal year) is as follows (Table 1).<sup>2</sup> While securing the necessary budget to perform its role as the central bank of Japan, the Bank has also thoroughly examined each item of expenditure to achieve more streamlined overall spending.

The budget for expenses for fiscal 2016 was more or less unchanged from the previous year, an increase of 0.6 percent, of which the amount subject to the approval of the Minister of Finance decreased by 0.0 percent. This was mainly due to changes in the following items. The cost of fixed-asset purchases increased by 28.0 percent, largely reflecting the need to update automatic banknote examination machines and aging equipment. On the other hand, other general and administrative expenses and costs decreased by 4.8 percent, mainly due to a decline in computerization expenses with the full launch of the new BOJ-NET.

1. Decided by the Policy Board on March 18, 2016.

2. The Bank prepares a budget for expenses every fiscal year. Its budget for core operations, excluding the cost of purchasing fixed assets used for the Bank's business operations, is subject to the approval of the Minister of Finance under Article 51, paragraph 1 of the Bank of Japan Act before the beginning of each fiscal year. For fiscal 2016, the Bank sought approval on March 18, 2016 and will implement the budget upon authorization from the Minister of Finance. All figures, including those in Table 1, are rounded off to the nearest whole number.

Table 1

#### Budget for Expenses for Fiscal 2016 (The 132nd Fiscal Year)

Item	Initial budget (thous. yen)	Change from the previous year (percent)
<b>Cost of production of banknotes</b>	<b>51,805,792</b>	<b>0.2</b>
<b>Administrative expenses for treasury business and Japanese government securities</b>	<b>18,129,258</b>	<b>-1.4</b>
<b>Personnel expenses</b>	<b>52,454,946</b>	<b>1.0</b>
Remuneration of the officers	426,751	1.1
Remuneration of the employees	42,197,364	1.6
Retirement allowances	9,830,831	-1.4
<b>Expenses for transportation and communications</b>	<b>4,741,518</b>	<b>-0.8</b>
Expenses for transportation	2,027,469	1.6
Expenses for communications	2,714,049	-2.6
<b>Expenses for maintenance and repairs</b>	<b>2,440,463</b>	<b>-0.6</b>
<b>Other general and administrative expenses and costs</b>	<b>51,177,538</b>	<b>-4.8</b>
Cost of expendable supplies	1,422,388	4.1
Expenses for electricity and water supply	2,349,669	-6.1
Leasing fees for buildings and equipment	7,808,394	-16.8
Expenses for maintenance of buildings and equipment	8,754,942	-24.1
Miscellaneous expenses	30,842,145	6.5
<b>Subtotal</b>	<b>180,749,515</b>	<b>-1.2</b>
<b>Cost of fixed-asset purchases</b>	<b>15,285,687</b>	<b>28.0</b>
Of which: Subject to the approval of the Minister of Finance <sup>1</sup>	5,926,335	58.8
<b>Contingency funds</b>	<b>1,000,000</b>	<b>0.0</b>
<b>Total<sup>2</sup></b>	<b>197,035,202</b>	<b>0.6</b>
Of which: Subject to the approval of the Minister of Finance <sup>1</sup>	187,675,850	-0.0

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

2. Of the budget for expenses, those related to computerization amounted to 28,916,067 thousand yen, a 8.2 percent decrease from the previous year, and are included in expenses for communications, leasing fees for buildings and equipment, expenses for maintenance of buildings and equipment, and miscellaneous expenses.

Budget estimates of computerization expenses assume required outsourcing of approximately 9,876 person-months (one person-month is the workload equivalent of one person working for one month in system development), and total of approximately 12,808 person-months if the workload of the Bank's employees is included.

**THE CEILING ON THE NUMBER OF FULL-TIME EMPLOYEES  
OF THE BANK OF JAPAN FOR FISCAL 2016<sup>7</sup>**

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The Bank has set the ceiling on the number of full-time employees for fiscal 2016 at 4,900.

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7. Decided by the Policy Board on March 18, 2016.





# Information

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**I. Bank of Japan Website**

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**II. Visiting the Bank of Japan**

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**III. Publications and Reports**

# I. BANK OF JAPAN WEBSITE

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

## Renewal of the Website

The Bank of Japan is currently working toward launching a renewed website in its efforts to provide web services that are more user-friendly.

### ■ Bank of Japan FAQs:

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

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

FAQs ?

### ■ Virtual Tour:

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

Introduces the Bank's history and operations, allowing viewers to take a virtual stroll around its Old and New Buildings.



New Building



Old Building



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

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

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



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

[http://www.boj.or.jp/en/announcements/education/boj\\_pamphlet.htm/](http://www.boj.or.jp/en/announcements/education/boj_pamphlet.htm/)

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



## BOJ Time-Series Data Search:

[http://www.stat-search.boj.or.jp/index\\_en.html](http://www.stat-search.boj.or.jp/index_en.html)

Provides more than 200,000 items of time-series statistical data released by the Bank which are available for viewing, searching, downloading, and drawing graphs. The BOJ Time-Series Data Search will be renewed, along with the Bank of Japan's website.

### Twitter Account: @Bank\_of\_Japan\_e

Tweets the latest updates on the Bank's website. In addition, the Bank may use this account as an extra channel for communication, for example in cases of emergency.



## II. VISITING THE BANK OF JAPAN

### ■ Bank of Japan (Head Office)

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

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

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



#### Tours of the Bank's Head Office

For details, visit the Bank's website: <http://www.boj.or.jp/en/about/services/kengaku.htm/>

### ■ Bank of Japan Currency Museum

1-3-1 Nihonbashi-Hongokucho, Chuo-ku, Tokyo 103-0021, Japan  
Tel: +81-3-3277-3037  
<http://www.imes.boj.or.jp/cm/english/index.html>

#### Reopening of the Currency Museum

On November 21, 2015, the Bank of Japan Currency Museum reopened its doors to the public. The Museum looks to provide visitors with an opportunity to think about the history and role of currency and its relation to culture and society through viewing the Museum's collection of coins, notes, related materials, and research results.



### ■ Bank of Japan Otaru Museum

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

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



## III. PUBLICATIONS AND REPORTS

### About the Bank

Title	URL	Frequency of publication
Annual Review	<a href="http://www.boj.or.jp/en/about/activities/act/index.htm/">http://www.boj.or.jp/en/about/activities/act/index.htm/</a>	Annual
Functions and Operations of the Bank of Japan	<a href="http://www.boj.or.jp/en/about/outline/foboj.htm/">http://www.boj.or.jp/en/about/outline/foboj.htm/</a>	–

### About Monetary Policy

Title	URL	Frequency of publication
Outlook for Economic Activity and Prices	<a href="http://www.boj.or.jp/en/mopo/outlook/index.htm/">http://www.boj.or.jp/en/mopo/outlook/index.htm/</a>	Quarterly
Semiannual Report on Currency and Monetary Control	<a href="http://www.boj.or.jp/en/mopo/diet/d_report/index.htm/">http://www.boj.or.jp/en/mopo/diet/d_report/index.htm/</a>	Semiannual

### Reports & Research Papers

Title	URL	Frequency of publication
Financial System Report	<a href="http://www.boj.or.jp/en/research/brp/fsr/index.htm/">http://www.boj.or.jp/en/research/brp/fsr/index.htm/</a>	Semiannual
Payment and Settlement Systems Report	<a href="http://www.boj.or.jp/en/research/brp/psr/index.htm/">http://www.boj.or.jp/en/research/brp/psr/index.htm/</a>	Ad hoc basis
Regional Economic Report	<a href="http://www.boj.or.jp/en/research/brp/rer/index.htm/">http://www.boj.or.jp/en/research/brp/rer/index.htm/</a>	Quarterly
Monetary and Economic Studies	<a href="http://www.boj.or.jp/en/research/imes/mes/index.htm/">http://www.boj.or.jp/en/research/imes/mes/index.htm/</a>	Annual

### Data Compiled in Statistical Publications

Title	URL	Frequency of publication
Financial and Economic Statistics Monthly	<a href="https://www.boj.or.jp/en/statistics/pub/sk/">https://www.boj.or.jp/en/statistics/pub/sk/</a>	Monthly
Bank of Japan Statistics	<a href="http://www.boj.or.jp/en/statistics/pub/boj_st/">http://www.boj.or.jp/en/statistics/pub/boj_st/</a>	Annual
Price Indexes Annual	<a href="https://www.boj.or.jp/en/statistics/pub/pim/index.htm/">https://www.boj.or.jp/en/statistics/pub/pim/index.htm/</a>	Annual
TANKAN (Short-Term Economic Survey of Enterprises in Japan)	<a href="https://www.boj.or.jp/en/statistics/tk/index.htm/">https://www.boj.or.jp/en/statistics/tk/index.htm/</a>	Quarterly







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