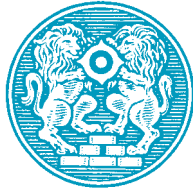




BANK OF JAPAN

ANNUAL REVIEW 2020



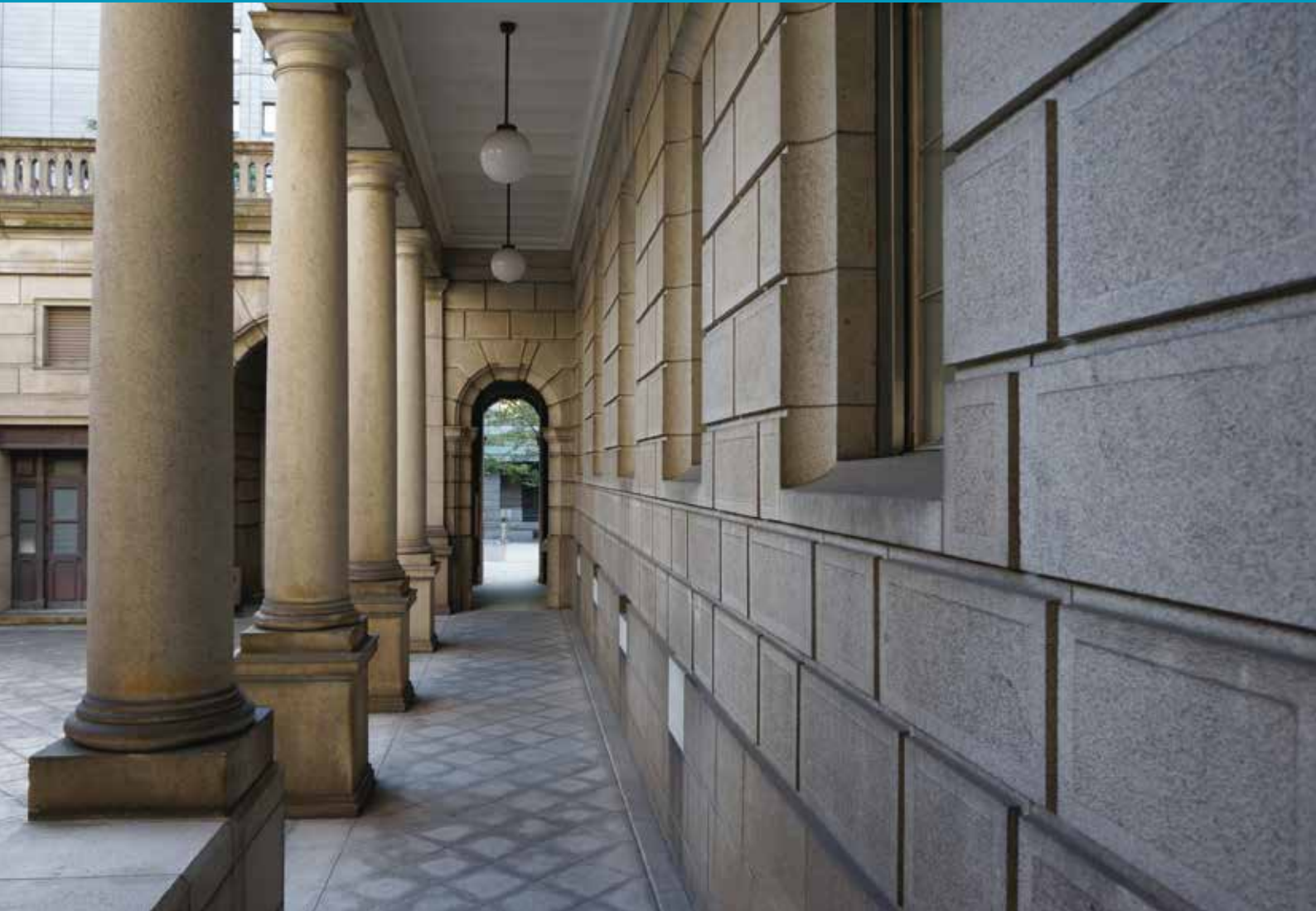


BANK OF JAPAN

ANNUAL REVIEW 2020

Year Ended March 31, 2020

OUR POLICY AND OPERATIONS





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

This Annual Review is available in PDF and HTML on the Bank's website
<https://www.boj.or.jp/en/about/activities/act/ar2020.htm>.



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 its policy of Quantitative and Qualitative Monetary Easing with Yield Curve Control 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 infrastructures, international finance, banknotes, treasury funds and Japanese government securities 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 *Gyoumu Gaikyo Sho* (Outline of Business Operations), which is prepared pursuant to Article 55 of the Bank of Japan Act. The *Gyoumu Gaikyo Sho* for fiscal 2019 and the *Annual Review 2020* have been drawn up and released to explain to readers the implementation of the Bank's business operations during fiscal 2019. Throughout the fiscal year, the Bank, in accordance with the *Medium-Term Strategic Plan (Fiscal 2019–2023)*, addressed various issues and moved forward with a number of measures, while ensuring that its business operations and organizational management were conducted in a timely manner in view of changes in circumstances, as can be seen, for example, from its measures in response to the spread of the novel coronavirus (COVID-19). The Bank will continue with its efforts as the country's central bank to achieve the sustainable growth and development of Japan's economy. I hope this year's *Annual Review* will help readers to gain an overview of the Bank's activities toward these ends.

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

KURODA Haruhiko

Governor of the Bank of Japan

About the Bank of Japan

I. Core Purposes

II. Capital

III. The Bank's Officers

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 2020, 55,008,000 yen is subscribed by the government, and the rest by the private sector (Table 2).¹

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.² Dividend payments as a proportion of paid-up capital are limited to 5 percent or below in each fiscal year.³

Table 2

Subscribers by Category

| Subscribers | Amount of subscription (thous. yen) ¹ | Percentage of the total subscription (%) |
|------------------------|--|--|
| The government | 55,008 | 55.0 |
| The private sector | 44,991 | 45.0 |
| Individuals | 40,353 | 40.4 |
| Financial institutions | 2,019 | 2.0 |
| Public organizations | 191 | 0.2 |
| Securities companies | 32 | 0.0 |
| Other firms | 2,393 | 2.4 |
| Total | 100,000 | 100.0 |

Note: 1. Rounded down to the nearest 1,000 yen. As of the end of March 2020.

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.⁴ Of the above, the Governor, Deputy Governors, and Members of the Policy Board make up the Policy Board.⁵

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.⁶

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.⁷ 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.⁸

For duties and powers of the Bank's officers, see Table 3.⁹

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 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 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 vacancies in the offices 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^{1,2}



Standing from left to right: ADACHI Seiji, SUZUKI Hitoshi, SAKURAI Makoto, MASAI Takako, KATAOKA Goushi, and NAKAMURA Toyoaki
Seated from left to right: AMAMIYA Masayoshi, KURODA Haruhiko, and WAKATABE Masazumi

KURODA Haruhiko, Governor

AMAMIYA Masayoshi, Deputy Governor

WAKATABE Masazumi, Deputy Governor

SAKURAI Makoto

MASAI Takako

SUZUKI Hitoshi

KATAOKA Goushi

ADACHI Seiji

NAKAMURA Toyoaki

Notes: 1. Members are as of October 5, 2020.

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

| | |
|---|---|
| <p>KURODA Haruhiko <i>Governor (the 31st) and Chairman of the Policy Board</i></p> <p>Date of Birth October 25, 1944</p> <p>Education The University of Tokyo (1967, B.A. in Law) University of Oxford (1971, M.Phil. in Economics)</p> | <p>1967 Joined Japan's Ministry of Finance (MOF)</p> <p>1987 Director, International Organizations Division, International Finance Bureau</p> <p>1988 Secretary to the Minister of Finance</p> <p>1989 Director, International Tax Affairs Division, Tax Bureau</p> <p>1990 Director, Income Tax and Property Tax Policy Division, Tax Bureau</p> <p>1991 Director, Co-ordination Division, Tax Bureau</p> <p>1993 Regional Commissioner, Osaka Regional Taxation Bureau, National Tax Agency</p> <p>1994 Deputy Director-General, International Finance Bureau, MOF</p> <p>1996 President, Institute of Fiscal and Monetary Policy</p> <p>1997 Director-General, International Finance Bureau</p> <p>1998 Director-General, International Bureau</p> <p>1999 Vice Minister of Finance for International Affairs</p> <p>2003 Special Advisor to the Cabinet and Professor, Graduate School of Economics, Hitotsubashi University</p> <p>2005 President, Asian Development Bank</p> <p>2013 Present position</p> |
| <p>AMAMIYA Masayoshi <i>Deputy Governor</i></p> <p>Date of Birth September 30, 1955</p> <p>Education The University of Tokyo (1979, B.A. in Economics)</p> | <p>1979 Joined the Bank of Japan</p> <p>1998 Director, Head of Planning Division II, Policy Planning Office Director, Head of Money and Capital Markets Division, Financial Markets Department</p> <p>1999 Director, Head of Planning Division I, Policy Planning Office</p> <p>2001 Associate Director-General, Policy Planning Office</p> <p>2002 Associate Director-General, Bank Examination and Surveillance Department</p> <p>2004 Deputy Director-General, Secretariat of the Policy Board</p> <p>2006 Director-General, Monetary Affairs Department</p> <p>2010 Executive Director</p> <p>2012 Executive Director and General Manager, Osaka Branch</p> <p>2013 Executive Director</p> <p>2018 Present position</p> |
| <p>WAKATABE Masazumi <i>Deputy Governor</i></p> <p>Date of Birth February 26, 1965</p> <p>Education Waseda University (1987, B.A. in Economics; 1990, M.A. in Economics; and 1998, withdrew from doctoral program in Economics after completion of course requirements except for dissertation) University of Toronto (1994, M.A. in Economics; and 2002, withdrew from doctoral program in Economics after completion of course requirements except for dissertation)</p> | <p>1991 Research Associate, Waseda University</p> <p>1998 Assistant Professor, Waseda University</p> <p>2000 Associate Professor, Waseda University</p> <p>2005 Professor, Waseda University</p> <p>2017 Visiting Scholar, Center on Japanese Economy and Business, Columbia Business School</p> <p>2018 Present position</p> |

SAKURAI Makoto

| 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. |
| 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 |

MASAI Takako

| 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, ³ 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 |

SUZUKI Hitoshi

| Date of Birth | Education |
|-----------------|--|
| January 8, 1954 | Keio University (1977, B.A. in Economics) New York University (1984, MBA) |

| | |
|------|--|
| 1977 | Joined The Mitsubishi Bank, Ltd. |
| 2005 | Executive Officer and General Manager, Treasury Planning Office and Treasury IT Planning Office, The Bank of Tokyo-Mitsubishi, Ltd. (BTM) ⁴ |
| 2006 | Executive Officer and General Manager, Global Markets Planning Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) ⁵ |
| 2007 | Executive Officer and General Manager, Strategic Credit Portfolio Management Division, BTMU |
| 2011 | Senior Managing Director, Chief Executive, Global Markets Unit, BTMU |
| 2012 | Deputy President, BTMU |
| 2014 | Corporate Auditor, BTMU |
| 2016 | Director, Audit and Supervisory Committee Member, BTMU |
| 2017 | Advisor, BTMU Present position |

KATAOKA Goushi

| Date of Birth | Education |
|-------------------|--|
| November 30, 1972 | Keio University (1996, B.A. in Business and Commerce; and 2001, M.A. in Business and Commerce) |

| | |
|------|--|
| 1996 | Joined Sanwa Research Institute |
| 2005 | Senior Economist, Economic & Social Policy Department, UFJ Institute Ltd. ⁶ |
| 2006 | Senior Economist, Economic & Social Policy Department, Mitsubishi UFJ Research and Consulting Co., Ltd. ⁷ |
| 2016 | Senior Economist, Economic Policy Department, Mitsubishi UFJ Research and Consulting Co., Ltd. |
| 2017 | Present position |

ADACHI Seiji

| Date of Birth | Education |
|---------------|--|
| July 4, 1965 | The University of Tokyo (1989, B.A. in Economics) Hitotsubashi University (2014, MBA) |

| | |
|------|--|
| 1989 | Joined Daiwa Securities Co. Ltd. |
| 1995 | Joined Daiwa Institute of Research Ltd. |
| 2001 | Joined Fuji Investment Management Co., Ltd. Joined Credit Suisse First Boston Securities (Japan) Ltd., Tokyo Branch |
| 2004 | Joined Deutsche Securities Ltd., Tokyo Branch |
| 2013 | Joined Marusan Securities Co., Ltd. General Manager, Economic Research Department, Marusan Securities Co., Ltd. |
| 2020 | Present position |

NAKAMURA Toyoaki

| Date of Birth | Education |
|----------------|---|
| August 3, 1952 | Keio University (1975, B.A. in Economics) |

| | |
|------|--|
| 1975 | Joined Hitachi, Ltd. |
| 2006 | General Manager of Finance Department I, Hitachi, Ltd. |
| 2007 | Representative Executive Officer, Senior Vice President (SVP) and Executive Officer, General Manager of Finance Department I and Director, Hitachi, Ltd. |
| 2009 | Representative Executive Officer, SVP and Executive Officer, in charge of Finance, Pension, Group Management and Business Development, Hitachi, Ltd. |
| 2012 | Representative Executive Officer, Executive Vice President (EVP) and Executive Officer, General Manager of Finance & Accounting Group, Hitachi, Ltd. |
| 2014 | Representative Executive Officer, EVP and Executive Officer, CFO, Hitachi, Ltd. |
| 2016 | Director, Hitachi, Ltd. |
| 2020 | Present position |

Notes: 3. Established in 2004 through merger of Credit Agricole Indosuez and Credit Lyonnais.

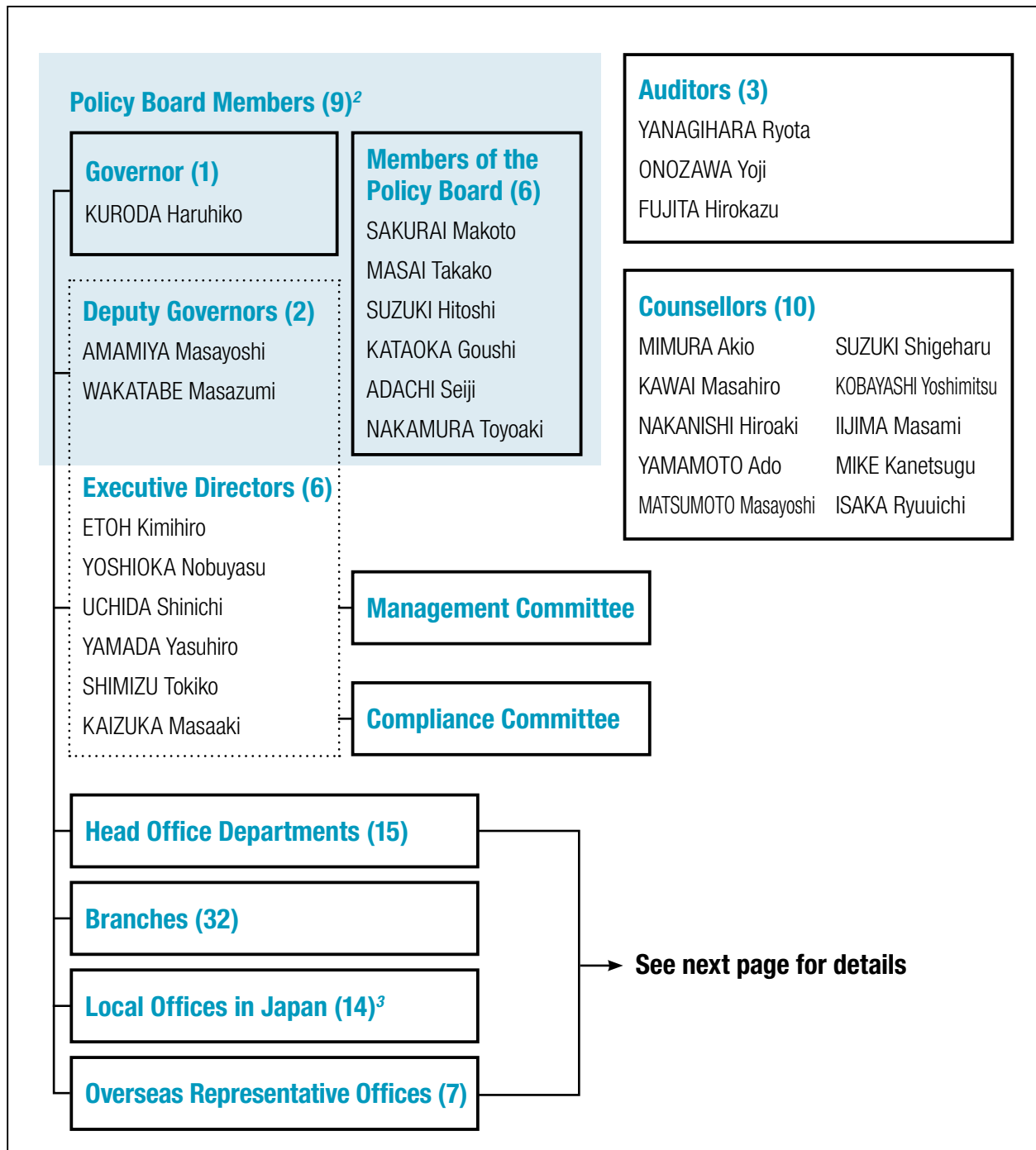
4. Established in 1996 through merger of The Mitsubishi Bank, Ltd. and The Bank of Tokyo, Ltd.

5. Established in 2006 through merger of The Bank of Tokyo-Mitsubishi, Ltd. and UFJ Bank Ltd., and subsequently renamed MUFG Bank, Ltd. in April 2018.

6. Established in 2002 through merger of Sanwa Research Institute and Tokai Research & Consulting Inc.

7. Established in 2006 through merger of UFJ Institute Ltd., The Diamond Business Consulting Co., Ltd., and Tokyo Research International Co., Ltd.

IV. ORGANIZATION

Organization Chart of the Bank¹

Notes: 1. As of October 5, 2020.

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 | NAKAJIMA Takeshi (Director-General) HIROSHIMA Tetsuya (Director-General, Senior Secretary to the Governor) NAKAONE Yasuhiro (Director-General for Management Strategy, Budget and Accounting) |
| Internal Auditors' Office | MIYASHITA Toshiro (Director-General) |
| Monetary Affairs Department | SHIMIZU Seiichi (Director-General) |
| Financial System and Bank Examination Department | KOGUCHI Hirohide (Director-General) |
| Payment and Settlement Systems Department | KAMIYAMA Kazushige (Director-General) |
| Financial Markets Department | OTANI Akira (Director-General) |
| Research and Statistics Department | KAMEDA Seisaku (Director-General) |
| International Department | FUKUMOTO Tomoyuki (Director-General) |
| Currency Issue Department | KANNO Hiroyuki (Director-General) |
| Operations Department | CHIDA Hidetsugu (Director-General) |
| Information System Services Department | TERUUCHI Taro (Director-General) |
| Public Relations Department | HAYASHI Shinichiro (Director-General) |
| Personnel and Corporate Affairs Department | SAKAMOTO Tetsuya (Director-General) HARIMOTO Keiko (Director-General for Personnel Management) |
| Administration Department | TANIGUCHI Fumikazu (Director-General) |
| Institute for Monetary and Economic Studies | MATSUSHITA Ken (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 | NAKAMURA Koji (General Manager for the Americas and Chief Representative in New York) |
| Washington, D.C. | Bank of Japan Representative Office in Washington, D.C. 1801 Pennsylvania Ave., N.W., Suite 800, Washington, D.C. 20006, U.S.A. | +1-202-466-2228 | MIYA Masafumi (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 | HANAJIRI Tetsuro (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 | YAMASHITA Yuji (Chief Representative in Paris) |
| Frankfurt | Bank of Japan Representative Office in Frankfurt Taunusanlage 21, 60325 Frankfurt am Main, Germany | +49-69-9714310 | ADACHI Yuichi (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 | TOYOKURA Chikara (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 | SAKASHITA Hideto (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 committee comprises 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 committee comprises 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) Conducts public relations activities, (2) administers the Bank's library, and (3) works toward raising public 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

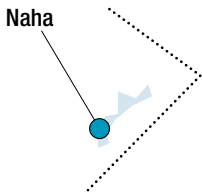
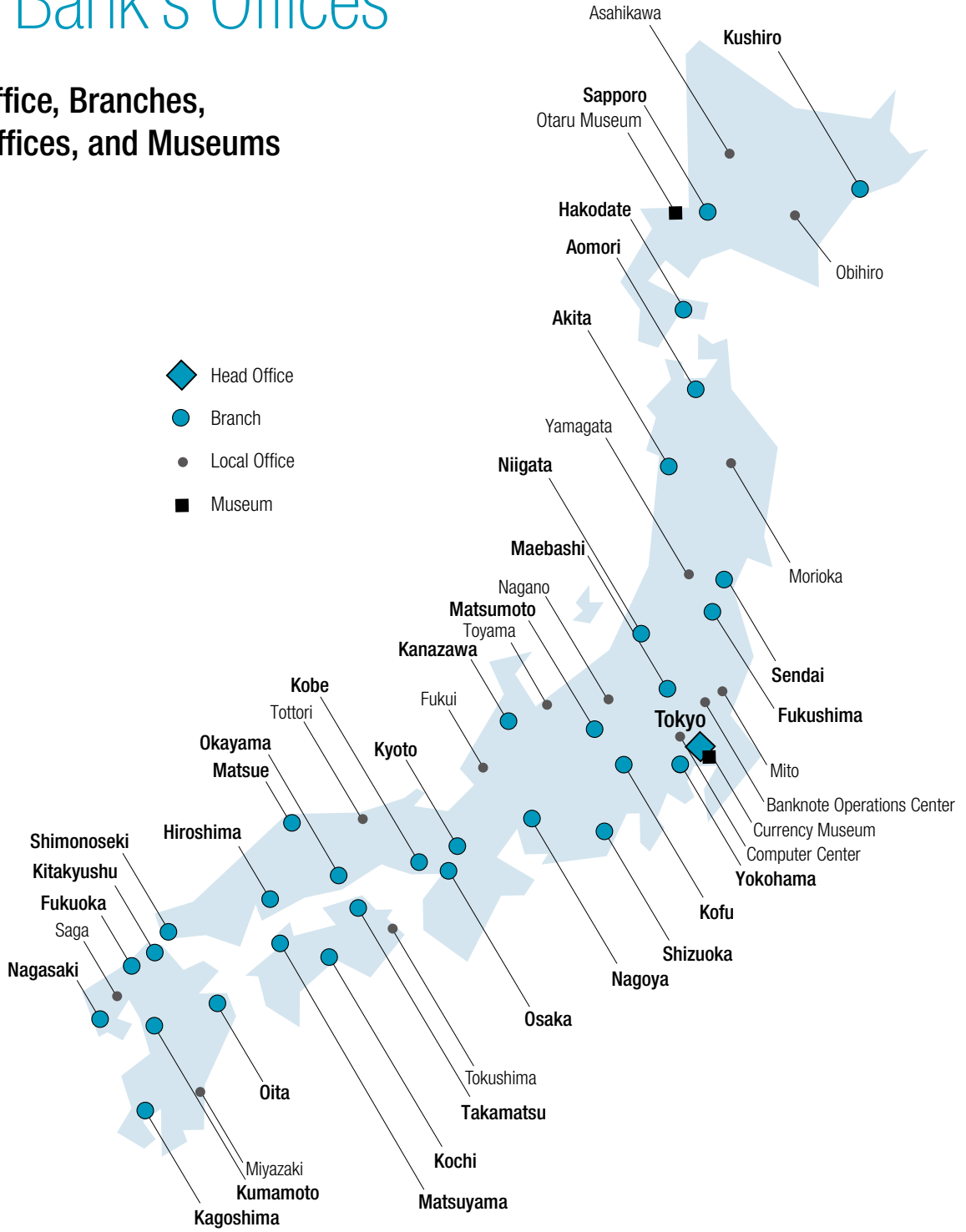
The Computer Center in Fuchu City, Tokyo, operates the Bank's systems. The Banknote Operations Center in Toda City, Saitama Prefecture, receives, pays, and stores banknotes. The other 12 local offices handle some of the operations of the Head Office or branches.

Overseas Representative Offices

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

The Bank's Offices

Head Office, Branches, Local Offices, and Museums



Overseas Representative Offices¹



Note: 1. For details, see page 15.

The Bank's Business Operations

I. Monetary Policy

II. Financial System Policy

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

IV. International Operations

V. Issuance, Circulation, and Maintenance of Banknotes

VI. Services Relating to the Government

VII. Communication with the Public

I. MONETARY POLICY

The Bank of Japan decides and implements monetary policy under 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 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 eight MPMs in fiscal 2019.

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 MPMs held, in principle, in January, April, July, and October. 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*.¹

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 market operations during fiscal 2019.²

1. Papers and statistics as well as lists of the Bank's publications in English are available on the Bank's website (<https://www.boj.or.jp/en/index.htm>) and on the IMES website (<https://www.imes.boj.or.jp/en/index.html>); for the list of the Bank's major publications and reports, see page 106.

2. The summaries of these two issues in English are available on the Bank's website; for excerpts from these summaries, see pages 30–38. The full texts are available in Japanese on the website (<https://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 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 raise the sophistication of their business and risk management as well as business operations.

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 and implementing policy. The Bank has also been participating in international initiatives to maintain the stability of the global financial system. These include discussions held by the Basel Committee on Banking Supervision, which comprises central banks and supervisory authorities from major economies.

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 2019¹

| | Financial institutions that hold current accounts at 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 |
|--|---|--|--|--|--|
| | | Of which: Financial institutions that have concluded on-site examination contracts with the Bank | | | |
| City and regional banks | 123 (125) | 123 (125) | 122 (124) | 122 (124) | 123 (125) |
| Trust banks | 13 (13) | 13 (13) | 10 (10) | 10 (10) | 13 (13) |
| Foreign banks | 50 (50) | 50 (50) | 37 (37) | 41 (41) | 38 (38) |
| <i>Shinkin</i> banks | 248 (251) | 248 (251) | 112 (112) | 135 (136) | 169 (171) |
| Financial instruments business operators | 35 (34) | 35 (34) | 30 (29) | 35 (34) | 34 (33) |
| Bankers associations | 33 (33) | 0 (0) | 0 (0) | 0 (0) | 0 (0) |
| Other institutions | 18 (18) | 9 (9) | 9 (9) | 9 (9) | 11 (11) |
| Total | 520 (524) | 478 (482) | 320 (321) | 352 (354) | 388 (391) |

Note: ¹ Figures in parentheses indicate the number of institutions as of the end of fiscal 2018.

Table 2
Number of Financial Institutions Examined

| | Fiscal 2017 | Fiscal 2018 | Fiscal 2019 |
|--|-------------|-------------|-------------|
| Domestically licensed banks ¹ | 29 | 29 | 34 |
| <i>Shinkin</i> banks | 54 | 54 | 43 |
| Other institutions ² | 17 | 8 | 8 |
| Total | 100 | 91 | 85 |

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 INFRASTRUCTURES

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 and improve the efficiency of the functioning of markets as well as to support more robust risk management and innovation in financial services and market transactions, the

Bank, with an eye on international developments, takes initiatives to reinforce the infrastructures of financial and capital markets. Specifically, it exchanges views with market participants, supports the formulation of additional rules on and revisions of market practices, and compiles and releases statistics on market transactions. 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 infrastructures, 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 (G20), the Group of Seven (G7), 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 in support of efforts to ensure economic and financial stability in Asia; 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 counterfeit deterrence and the 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 in a timely manner 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. The Bank actively provides 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 Bank's website. Transcripts of MPMs held more than 10 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 general public, the Bank endeavors to tailor its publications and releases to the diverse needs and interests of their users. It also works to promote financial literacy among the public.

The Bank compiles and releases various statistics to be widely shared with the public and takes steps to refine 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 2019

I. Introduction

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

- A. First Half of Fiscal 2019 (April–September 2019)
- B. Second Half of Fiscal 2019 (October 2019–March 2020)

III. The Bank's Response to the Novel Coronavirus (COVID-19)

IV. Performance Reviews of Measures Taken under the *Medium-Term Strategic Plan*

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

I. INTRODUCTION

In March 2019, the Bank of Japan formulated and released the *Medium-Term Strategic Plan (Fiscal 2019–2023)* (Plan).¹ The Plan's content will remain, in principle, fixed during the five-year period, with a view to clarifying the Bank's objectives over the medium term and to ensuring proper assessment of its performance. The Bank conducts and makes public performance reviews of measures taken under the Plan every fiscal year.

In fiscal 2019, the Bank's business operations were strongly affected by the novel coronavirus (COVID-19) toward the fiscal year-end. This section provides (1) a brief review of economic and financial developments as well as decisions made at Monetary Policy Meetings (MPMs) in fiscal 2019, (2) an overview of the Bank's response to COVID-19, and (3) performance reviews

of measures taken under the Plan. Each performance review is divided into two parts: a description of progress in implementing specific measures during fiscal 2019 for each of the strategic objectives for its business operations laid out in the Plan, and the Bank's evaluation of that progress. The Bank's performance with regard to the strategic objectives for its organizational management is described in "The Bank's Organizational Management in Fiscal 2019" (see pages 57–60).

The Bank will conduct an interim review of the Plan in or around fiscal 2021, in order to enable the Bank to address any changes in the environment. It will flexibly revise the Plan as appropriate in response to any significant changes. A comprehensive review of its performance over the entire period of the Plan will be conducted separately.

II. REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS AND MONETARY POLICY MEETINGS²

A. First Half of Fiscal 2019 (April–September 2019)

1. Economic developments

a. Looking back at the first half of fiscal 2019, Japan's economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports, production, and business sentiment had been affected by the slowdown in overseas economies.

Exports continued to show some weakness, reflecting the effects of the slowdown in overseas economies. On the other hand, with corporate

profits staying at high levels on the whole, business fixed investment continued on an increasing trend. Private consumption had been increasing moderately, albeit with fluctuations, against the background of steady improvement in the employment and income situation. Meanwhile, housing investment and public investment had been more or less flat. Reflecting these developments in demand both at home and abroad, industrial production also had been more or less flat.

b. On the price front, the year-on-year rate of change

1. For the text of the "Medium-Term Strategic Plan (Fiscal 2019–2023)," see Appendix 2 on pages 92–97.

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 2019 and June 2020. The full texts of both issues in Japanese and summaries in English are available on the Bank's website.

in the consumer price index (CPI, all items less fresh food) had narrowed gradually within positive territory from the range of 0.5–1.0 percent, being at around 0.0–0.5 percent in the second half of April–September 2019. Inflation expectations had been more or less unchanged.

2. Financial developments

a. Money market rates had been at low levels on the whole.

Turning to developments in the bond market, the long-term interest rate had been at the target level of around zero percent under Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control.

The Nikkei 225 Stock Average had fallen temporarily, mainly reflecting heightening uncertainties over U.S.-China trade negotiations, but started to rise from early September, mainly on the back of expectations for progress in U.S.-China trade negotiations and a resultant rebound in U.S. and European stock prices, and was in the range of 21,500–22,000 yen at end-September.

In the foreign exchange market, the yen had appreciated against the U.S. dollar temporarily, mainly reflecting heightening uncertainties over U.S.-China trade negotiations, but depreciated somewhat from early September and was in the range of 107–108 yen at the end of that month. The yen also had appreciated against the euro temporarily, but depreciated somewhat from early September.

b. As for corporate finance, in terms of credit supply, financial institutions' lending attitudes as perceived by firms remained highly accommodative.

Firms' credit demand had increased, mainly

for funds for business fixed investment, as well as those related to mergers and acquisitions of firms. With regard to firms' funding, the year-on-year rate of increase in the amount outstanding of lending by domestic commercial banks had been in the range of 2–3 percent. The year-on-year rates of increase in the amounts outstanding of CP and corporate bonds had been at relatively high levels.

c. The monetary base (currency in circulation plus current account balances at the Bank) continued to increase at a year-on-year growth rate of around 3–4 percent. The year-on-year rate of increase in the money stock (M2) had been at around 2.0–2.5 percent.

3. MPMs³

a. Four MPMs were held in the first half of fiscal 2019.

The Policy Board judged at the MPMs held in April and June that Japan's economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports and production had been affected by the slowdown in overseas economies. At the July and September MPMs, it judged that the economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports, production, and business sentiment had been affected by the slowdown in overseas economies.

b. In the conduct of monetary policy, at all the MPMs held in the first half of fiscal 2019, the Policy Board decided to continue with the following guidelines for market operations and asset purchases under QQE with Yield Curve Control.

3. Information related to MPMs is available on the Bank's website (https://www.boj.or.jp/en/mopo/mpmsche_minu/index.htm).

(1) Yield curve control

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

The short-term policy interest rate:

The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.

The long-term interest rate:

The Bank will purchase Japanese government bonds (JGBs) so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices. With regard to the amount of JGBs to be purchased, the Bank will conduct purchases in a flexible manner so that their amount outstanding will increase at an annual pace of about 80 trillion yen.

(2) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

(a) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, the Bank may increase or decrease the amount of purchases depending on market conditions.

(b) 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 April MPM, with a view to making clearer its policy stance to persistently continue with powerful monetary easing, the Policy Board decided upon the following.

(1) Clarification of forward guidance for policy rates

The Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020, taking into account uncertainties regarding economic activity and prices including developments in overseas economies and the effects of the scheduled consumption tax hike.

(2) Implementation of measures contributing to the continuation of powerful monetary easing

The Bank will implement measures contributing to the continuation of powerful monetary easing as follows.

(a) Expanding eligible collateral for the Bank's provision of credit

(i) The Bank will relax the eligibility standards concerning creditworthiness regarding debt of companies based on the following principal policy.

- With regard to debt of companies that have obtained an external credit rating, the companies should be rated BBB or higher by an eligible rating agency.
- With regard to debt of companies that have not obtained an external credit rating, the companies should be classified as "normal" borrowers in the self-assessment by financial institutions.

(ii) With respect to loans on deeds to municipal governments, the Bank will not require

any procedures such as auction as the method of determining lending conditions. Regarding privately-placed municipal bonds, the Bank will not impose spread requirements on the coupon rates and issue prices in terms of differences from those of publicly-offered municipal bonds.

- (iii) The Bank will accept collateral such as loans on deeds to the government that financial institutions have acquired in the secondary market as eligible collateral.
- (b) Improving and promoting the use of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth
 - (i) Regarding the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth, financial institutions will be able to receive the yen fund-provisioning within the limit set for each financial institution based on the amount of fund-provisioning in the past.
 - (ii) Regarding the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth and the Fund-Provisioning Measure to Stimulate Bank Lending, the deadline for new loan disbursements will be extended to June 30, 2021.
- (c) Relaxation of the terms and conditions for the Securities Lending Facility (SLF)

The Bank will relax the terms and conditions for the SLF, including the reduction of the minimum fee rate and abolition of the upper limit on the amount of sales per issue.
- (d) Introduction of ETF Lending Facility

The Bank will consider the introduction of

ETF Lending Facility, which will make it possible to temporarily lend ETFs that the Bank holds to market participants.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following at all the MPMs: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. As for policy rates, the Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020, taking into account uncertainties regarding economic activity and prices including developments in overseas economies and the effects of the scheduled consumption tax hike. It will examine the risks considered most relevant to the conduct of monetary policy and make policy adjustments as appropriate, taking account of developments in economic activity and prices as well as financial conditions, with a view to maintaining the momentum toward achieving the price stability target." In addition, the Policy Board confirmed the following at the July and September MPMs: "in particular, in a situation where downside risks to economic activity and prices, mainly regarding developments in overseas economies, are significant, the Bank will not hesitate to take additional easing measures if there is a greater possibility that the momentum toward achieving the price stability target will be lost."

B. Second Half of Fiscal 2019 (October 2019–March 2020)

1. Economic developments

a. After the turn of the second half of fiscal 2019, Japan's economy maintained its moderate expanding trend, despite being affected mainly by the slowdown in overseas economies and natural disasters. However, it had been in an increasingly severe situation toward the end of the fiscal year due to the impact of the spread of COVID-19 at home and abroad.

Exports and industrial production had been somewhat weak, mainly affected by the slowdown in overseas economies and natural disasters. Toward the end of the fiscal year, however, with COVID-19 spreading, they had declined due to the decrease in external demand mainly from China and the effects on the global supply chain of weak production activity, also mainly in China. Supported by generally high corporate profits, business fixed investment continued on an increasing trend, albeit with fluctuations. However, the deceleration in its pace of increase had become evident toward the end of the fiscal year. Despite being affected mainly by the consumption tax hike, private consumption maintained its moderate increasing trend on the back of the improvement in the employment and income situation. With the growing impact of the spread of COVID-19, however, it had decreased significantly, mainly in services such as eating and drinking as well as accommodations. Meanwhile, housing investment had been more or less flat and public investment had increased moderately.

b. On the price front, the year-on-year rate of change in the CPI (all items less fresh food) had been at

around 0.5–1.0 percent. Inflation expectations had been more or less unchanged from a somewhat longer-term perspective, but somewhat weak indicators had been observed toward the end of the fiscal year.

2. Developments in financial markets and conditions

a. In global financial markets, prices of risky assets generally had followed an uptrend through around mid-February, mainly reflecting a subsiding of uncertainties over political developments such as the progress in U.S.-China trade negotiations. Subsequently, these prices had declined significantly due to a rise in investors' risk aversion that was attributable mainly to the spread of COVID-19. In addition, amid a situation where demand for U.S. dollar cash had increased considerably worldwide due to investors' preference for safe assets, U.S. dollar funding premia had spiked and tension in U.S. money markets had intensified. In response to these market developments, central banks of major economies had implemented measures such as interest rate cuts, ample supply of liquidity, and asset purchases. A global cooperative action to enhance the provision of U.S. dollar liquidity also had been taken by major central banks including the Bank of Japan. Tension in financial markets, therefore, had eased somewhat toward the end of the fiscal year.

b. Turning to domestic financial markets, money market rates had been at low levels on the whole.

With regard to developments in the bond market, the long-term interest rate had been at the target level of around zero percent under QQE with Yield Curve Control. Looking at developments in more detail, the rate had increased somewhat

temporarily in mid-March with global financial markets being unstable, due mainly to the spread of COVID-19, but declined toward end-March partly because the Bank had increased the amount and frequency of its JGB purchases. Meanwhile, issuance rates for CP had been at low levels on the whole. Those for corporate bonds had been at extremely low levels.

The Nikkei 225 Stock Average had increased temporarily, mainly reflecting the progress in U.S.-China trade negotiations, but started to decline since late February, mainly against the background of heightening uncertainties over the outlook for the global economy due to the spread of COVID-19, thereby being in the range of 18,500–19,000 yen at end-March.

In the foreign exchange market, the yen generally had been more or less flat against the U.S. dollar from October 2019 through February 2020. Subsequently, it had appreciated temporarily in early March, mainly reflecting heightening uncertainties over the global economy and a decline in U.S. interest rates, but started to depreciate since mid-March, due mainly to an increase in demand for U.S. dollar funds, thereby being in the range of 108–109 yen at the end of the month. The yen generally had been more or less flat against the euro throughout the second half of fiscal 2019.

c. As for corporate financing, growth in demand for funds had been supported thus far by, for example, rises in demand for funds for business fixed investment, as well as that related to mergers and acquisitions of firms. Toward the end of the fiscal year, however, there had been an increase in

demand for funds that was mainly brought about by a decline in sales and the need to secure funds, both of which were due to the impact of the spread of COVID-19. In this situation, firms' financial positions had deteriorated, mainly reflecting the decline in sales brought about by the impact of the spread of COVID-19. Meanwhile, in terms of credit supply, financial institutions' lending attitudes as perceived by firms remained accommodative.

d. The monetary base continued to increase at a year-on-year growth rate of around 3–4 percent. The year-on-year rate of increase in the M2 had been at around 2–3 percent.

3. MPMs⁴

a. Four MPMs were held in the second half of fiscal 2019.

The Policy Board judged at the MPM held in October that Japan's economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports, production, and business sentiment continued to be affected by the slowdown in overseas economies. At the December and January MPMs, it deemed that the economy had been on a moderate expanding trend, with a virtuous cycle from income to spending operating, although exports, production, and business sentiment had shown some weakness, mainly affected by the slowdown in overseas economies and natural disasters. The Policy Board judged at the March MPM that Japan's economic activity had been weak recently due mainly to the impact of the outbreak of COVID-19.

b. In the conduct of monetary policy, at all the MPMs held in the second half of fiscal 2019, the Policy

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

Board decided to continue with the following guideline for market operations under QQE with Yield Curve Control.

(1) Yield curve control

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

The short-term policy interest rate:

The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.

The long-term interest rate:

The Bank will purchase JGBs so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices. With regard to the amount of JGBs to be purchased, the Bank will conduct purchases in a flexible manner so that their amount outstanding will increase at an annual pace of about 80 trillion yen.

The Policy Board decided to continue with the following guidelines for asset purchases at the MPMs held in October through January.

(1) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

- (a) The Bank will purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, the Bank may increase or decrease the amount of purchases depending on market conditions.

- (b) 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 March MPM, in light of the impact of the outbreak of COVID-19, the Policy Board decided upon active purchases of ETFs and J-REITs and an increase in purchases of CP and corporate bonds under the following guidelines for asset purchases.

(1) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

- (a) In principle, the Bank will purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, it may increase or decrease the amount of purchases depending on market conditions. For the time being, the Bank will actively purchase these assets so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.
- (b) 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. In addition, it will conduct additional purchases with the upper limit of 1 trillion yen for each until the end of September 2020.

At the October MPM, the Policy Board reexamined economic and price developments as presented in the policy statement of the

September MPM and assessed the momentum toward achieving the price stability target. On this basis, it judged that, although there had been no further increase in the possibility that the momentum toward achieving the price stability target would be lost, it was necessary to continue to pay close attention to the possibility. With a view to clarifying this recognition, the Policy Board decided upon a new forward guidance for the policy rates as follows.

- (a) As for the policy rates, the Bank expects short- and long-term interest rates to remain at their present or lower levels as long as it is necessary to pay close attention to the possibility that the momentum toward achieving the price stability target will be lost.

At the March MPM, in light of the impact of the outbreak of COVID-19, the Policy Board judged it appropriate to enhance monetary easing with a view to doing its utmost to ensure smooth corporate financing and maintaining stability in financial markets, thereby preventing firms' and households' sentiment from deteriorating, and thus decided upon the following.

(1) Further ample supply of funds

The Bank will provide more ample yen funds for the time being by making use of active purchases of JGBs and other operations as well as the measures to facilitate corporate financing and active purchases of ETFs and J-REITs.

As for U.S. dollar liquidity, coordinated with the Bank of Canada (BOC), the Bank of England (BOE), the European Central Bank (ECB), the Federal Reserve, and the Swiss National Bank (SNB), regarding the U.S. dollar funds-supplying

operations, the Bank made public today to lower the loan rate by 0.25 percent and offer U.S. dollars weekly with an 84-day maturity, in addition to the 1-week maturity operations currently offered. Thereby, the Bank will do its utmost to provide U.S. dollar liquidity.

(2) Measures to facilitate corporate financing

- (a) Introduction of the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19)

The Bank will introduce a new operation to provide loans against corporate debt (of about 8 trillion yen as of end-February 2020) as collateral at the interest rate of 0 percent with maturity up to one year. Twice as much as the amount outstanding of the loans will be included in the Macro Add-on Balances in current accounts held by financial institutions at the Bank. This operation will be conducted until the end of September 2020.

- (b) Increase in purchases of CP and corporate bonds

The Bank will increase the upper limit to purchase CP and corporate bonds by 2 trillion yen in total and conduct purchases with the upper limit of their amounts outstanding of about 3.2 trillion yen and about 4.2 trillion yen, respectively. The additional purchases will continue until the end of September 2020.

(3) Active purchases of ETFs and J-REITs

The Bank will actively purchase ETFs and J-REITs for the time being so that their amounts outstanding will increase at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively.

With regard to the future conduct of monetary policy, including the aforementioned forward guidance for the policy rates, the Policy Board confirmed the following at the MPMs held in October through January: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. As for the policy rates, the Bank expects short- and long-term interest rates to remain at their present or lower levels as long as it is necessary to pay close attention to the possibility that the momentum toward achieving the price stability target will be lost. It will examine the risks considered most relevant to the conduct of monetary policy and make policy adjustments as appropriate, taking account of developments in economic activity and prices as well as financial conditions, with a view to maintaining the momentum toward achieving the price stability target. In particular, in a situation where downside

risks to economic activity and prices, mainly regarding developments in overseas economies, are significant, the Bank will not hesitate to take additional easing measures if there is a greater possibility that the momentum toward achieving the price stability target will be lost."

At the March MPM, the Policy Board confirmed the following: "the Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. As for the policy rates, the Bank expects short- and long-term interest rates to remain at their present or lower levels as long as it is necessary to pay close attention to the possibility that the momentum toward achieving the price stability target will be lost. The Bank will closely monitor the impact of COVID-19 for the time being and will not hesitate to take additional easing measures if necessary."

III. THE BANK'S RESPONSE TO THE NOVEL CORONAVIRUS (COVID-19)

The Bank had taken the following actions since COVID-19 started to spread in Japan.

First, the Bank carried out measures to prevent the spread of COVID-19 in conducting its business operations. Namely, in light of, for example, the government's Basic Policies for Novel Coronavirus Disease Control decided by the Novel Coronavirus Response Headquarters on February 25, 2020, it promoted such infection control measures as handwashing, cough etiquette, staggered commuting hours, and teleworking. As for hosting meetings and events, the Bank carefully considered their necessity and responded accordingly, taking into account the request by the government. Specifically, it postponed a meeting with business leaders and local seminars organized by its Center for Advanced Financial Technology (CAFT) that had been scheduled for March, and canceled special in-house tours for families visiting with primary and junior high school children during school holidays in spring 2020. It also temporarily closed the Currency Museum and the Bank of Japan Otaru Museum.

Second, the Bank swiftly implemented necessary measures to maintain stability in financial markets and ensure smooth corporate financing. With global financial and capital markets experiencing instability as COVID-19 spread in the United States and Europe, the Bank released a statement by the Governor on March 2, 2020, indicating that it would strive to provide ample liquidity and ensure stability in financial markets. The Bank then announced on March 13 its market operations toward the end of March—including provision of ample liquidity using market operations with long maturities, additional outright purchases of JGBs, and measures to maintain the stability of the repo market—and on March 15 and 20 coordinated

central bank actions to enhance the provision of global U.S. dollar liquidity. At the MPM held on March 16, the Bank decided to enhance monetary easing through the further ample supply of funds by conducting various operations including purchases of JGBs, measures to facilitate corporate financing including the introduction of a new funds-supplying operation, and active purchases of ETFs and J-REITs. Moreover, at the MPM held on April 27, it decided to further enhance monetary easing through an increase in purchases of CP and corporate bonds, strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), and further active purchases of JGBs and treasury discount bills (T-Bills).

Third, the Bank continued to provide central banking services, such as maintaining financial functioning and ensuring smooth settlement of funds. Specifically, in February 2020, when COVID-19 started to spread in Japan, it made necessary arrangements such as implementing split shifts—for those engaged in, for example, market operations, settlement of funds and Japanese government securities (JGSs), services relating to treasury funds, banknote issuance, management of the Bank's computer systems, and administrative operations relating to the Bank's facilities—to address the risk of possible infections among its staff. These arrangements enabled the Bank to conduct its business operations in a stable manner even after the spread of COVID-19 in Japan. On the organizational management side, in line with the March 14 enactment of the amendment to the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, the Bank, on

the same day, organized a COVID-19 response team headed by the Governor and strengthened its business continuity arrangements. Thereafter, in response to the government's declaration of a state of emergency based on the aforementioned act and to the Basic Policies for Novel Coronavirus Disease Control, the Bank, from

April 8, reduced some operations and the number of office staff commuting into its Head Office, branches, and local offices in the areas subject to the declaration. While taking these preventive measures, the Bank did its utmost to continue providing essential central banking services as a designated public institution.

THE BANK'S MAJOR RESPONSES TO COVID-19

Since mid-February

- Promoted such infection control measures as handwashing, cough etiquette, staggered commuting hours, and teleworking in light of, for example, the Basic Policies for Novel Coronavirus Disease Control decided on February 25

Wednesday, February 26

- Canceled special in-house tours for families visiting with primary and junior high school children during school holidays in spring 2020
- Announced a temporary suspension of Head Office tours from March 2

Thursday, February 27

- Postponed local seminars organized by the Bank's CAFT scheduled for March in Fukuoka and Sendai

Friday, February 28

- Postponed a meeting, scheduled for March, with business leaders in Fukushima
- Announced a temporary closing of the Currency Museum and the Bank of Japan Otaru Museum

Monday, March 2

- "Statement by the Governor"
Announced that the Bank would strive to provide ample liquidity and ensure stability in financial markets

Friday, March 13

- "Market Operations toward the End of March"
Announced the decision to provide ample liquidity (market operations with long maturities and additional outright purchases of JGBs) as well as to implement measures to maintain the stability of the repo market
- Announced that the April 2020 meeting of general managers of the Bank's branches would be held via videoconferencing

Saturday, March 14

- Organized a COVID-19 response team headed by the Governor

Sunday, March 15⁷

- Released "Coordinated Central Bank Action to Enhance the Provision of Global U.S. Dollar Liquidity"

Monday, March 16

- "Enhancement of Monetary Easing in Light of the Impact of the Outbreak of the Novel Coronavirus (COVID-19)"

At the March 16 MPM, decided on (1) the further ample supply of funds by conducting various operations including purchases of JGBs and the U.S. dollar funds-supplying operations, (2) the introduction of a new funds-supplying operation, as well as an increase in purchases of CP and corporate bonds, with a view to facilitating corporate financing, and (3) active purchases of ETFs and J-REITs

Friday, March 20

- Released "Coordinated Central Bank Action to Further Enhance the Provision of U.S. Dollar Liquidity"

Friday, March 27

- Canceled a welcome ceremony for new graduates joining the Bank on April 1

Monday, March 30

- Released "Confirmation of Eligible Standards for Criteria for Current Account Transactions in View of the Growing Impact of COVID-19"
- Announced not to hold an international conference that had been scheduled to be hosted by the Institute for Monetary and Economic Studies (IMES) in 2020

Wednesday, April 8

- Released "Business continuity at the Bank of Japan at declaration of emergency state by the Government of Japan"

Announced that the Bank would continue providing essential central banking services as a designated public institution, while reducing some operations and the number of office staff commuting into the Head Office as well as branches in Yokohama, Osaka, Kobe, Kitakyushu, and Fukuoka, all of which were located in the areas subject to the declaration

Thursday, April 16

- Together with the Financial Services Agency (FSA), released "Notice regarding the handling of bills and checks, etc. in consideration of the impact of the COVID-19 (novel coronavirus) infection"

7. Eastern Standard Time (March 16 in Japan Standard Time).

Friday, April 17

- Adopted the business continuity arrangements decided on April 8 at all other branches as well as local offices in response to the government's decision to extend the state of emergency to all prefectures

Monday, April 27

- "Enhancement of Monetary Easing"

At the April 27 MPM, decided on (1) increases in purchases of CP and corporate bonds as well as in the maximum amounts outstanding of a single issuer's CP and corporate bonds to be purchased, (2) strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), and (3) further active purchases of JGBs and T-Bills

IV. PERFORMANCE REVIEWS OF MEASURES TAKEN UNDER THE *MEDIUM-TERM STRATEGIC PLAN*

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

1. Progress in implementing specific measures

- (1) With a view to contributing to monetary policy conduct, the Bank conducted research and analysis from multiple perspectives regarding economic and financial conditions at home and abroad, including the following: the impact of the slowdown in overseas economies accompanying the prolonged U.S.-China trade friction; developments in household spending before and after the consumption tax hike in October 2019; and the impact of the spread of COVID-19. The results of these analyses were released, for example, in the quarterly *Outlook for Economic Activity and Prices* (hereafter the Outlook Report) and in the "Assessment of the Momentum toward Achieving the Price Stability Target" (October 2019).
- (2) The Bank conducted multi-perspective analysis on the efficacy and impacts of monetary policy, focusing on the policy effects of QQE with Yield Curve Control, as well as the mechanism of inflation expectations formation. In light of its analysis, the Bank planned and formulated the following monetary policy measures flexibly. It also swiftly formulated measures in response to the impact of the spread of COVID-19.
 - (a) Clarifying forward guidance for policy rates in April 2019.
 - (b) Implementing measures contributing to the continuation of powerful monetary easing in April 2019, which included (1) the expansion of eligible collateral for the Bank's provision of credit, (2) the improvement and promotion of the use of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth, (3) the relaxation of the terms and conditions for the SLF, and (4) the introduction of the ETF Lending Facility.
 - (c) Deciding on a new forward guidance for policy rates in October 2019, taking account of the "Assessment of the Momentum toward Achieving the Price Stability Target."
 - (d) Enhancing monetary easing in light of the impact of the outbreak of COVID-19 in March 2020 via:
 - (1) the further ample supply of funds through measures such as active purchases of JGBs and the strengthening of the U.S. dollar funds-supplying operations coordinated with other central banks;
 - (2) the introduction of a new funds-supplying operation, as well as an increase in purchases of CP and corporate bonds, with a view to facilitating corporate financing; and
 - (3) active purchases of ETFs and J-REITs.
- (3) The Bank enhanced dialogue with market participants by, for example, actively exchanging opinions on such occasions as the "Meeting on Market Operations" and the "Bond Market Group Meeting," each held twice in fiscal 2019, as well as the "Meeting with Relevant Parties in the ETF Market" held once in fiscal 2019.
- (4) Progress was made in fundamental research on the following: monetary policy; the macroeconomy; financial markets; legal and accounting systems, as well as information security, in finance-related fields; and monetary history. The Bank communicated its research findings to the public through the release of research papers and presentations at academic conferences at home and abroad.

2. Evaluation of progress

With a view to contributing to monetary policy conduct, the Bank conducted research and analysis from multiple perspectives regarding economic and financial conditions at home and abroad; it also carried out multi-perspective analysis on the efficacy and impacts of monetary policy. In light of its analysis, the Bank planned and formulated monetary policy measures flexibly. In addition, the Bank enhanced dialogue with market participants through, for example, the "Meeting on Market Operations," the "Bond Market Group Meeting," and the "Meeting with Relevant Parties in the ETF Market," and made steady adjustments to its operational arrangements so as to ensure that monetary policy continued to be conducted appropriately.

Based on the above, the Bank considers that, in fiscal 2019, it achieved its intended objectives in implementing measures and provided a firm underpinning for monetary policy conduct. In fiscal 2020, the Bank will continue to work to have the necessary arrangements in place to conduct research and analysis that appropriately reflect various changes in economic and financial conditions, including the impact of COVID-19 as well as the effects of advances in IT, to plan policy measures flexibly, and to conduct market operations properly.

B. Ensure the 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 2019," the Bank conducted on-site examinations of financial institutions flexibly and efficiently in light of the extent of their influence on the financial system and their risk profiles; it also conducted "targeted on-site examinations" focusing on the profitability of regional financial institutions. Under

this policy, the Bank carried out examinations of 85 financial institutions. It conducted thorough assessments, particularly of financial institutions' business operations and asset quality as well as their profitability and resilience against risks, including business conditions in their financial group as a whole and the risk management of their overseas branches and subsidiaries.

(2) With regard to off-site monitoring of financial institutions, the Bank conducted in-depth research and analysis, particularly on their business operations, risk management, and profitability; the efficacy and impacts of QQE with Yield Curve Control; and their digitalization efforts. In addition, it worked to maintain a firm grasp of business conditions at systemically important financial institutions by conducting off-site monitoring given developments such as increased integration of group firms' operations as well as changes in the business models and risk profiles accompanying the expansion of these institutions' overseas business. The Bank further enhanced its assessment and analysis of the increasingly severe business conditions at regional financial institutions.

(3) In the two issues of the 2019 *Financial System Report*, released in April and October, the Bank enhanced its analysis of the medium- to long-term stability and vulnerability of the financial system amid the ongoing population decline, falling numbers of firms, and persistently low interest rates. In addition, it released four issues of the *Financial System Report Annex Series* in fiscal 2019, providing more detailed analysis of and insight into selected topics, such as financial institutions' adaptation to digitalization and efforts toward ensuring cybersecurity. The Bank also actively communicated with financial institutions,

analysts, the media, academics, and other relevant parties, mainly through holding seminars and giving presentations at various international meetings (there were 72 such occasions in total in fiscal 2019).

- (4) The Bank further strengthened cooperation on the macroprudential front with the FSA. The two entities increasingly shared awareness of challenges and risks at all levels, for example, by holding a meeting of the Council for Cooperation on Financial Stability. They also conducted (1) surveys on overseas credit investment/lending and on the use of LIBOR, both targeting a wide range of financial institutions, and (2) supervisory simultaneous stress testing based on common scenarios targeting major financial institutions.
- (5) The Bank continued its stable execution of business operations for the Loan Support Program, while improving and promoting the use of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth in April 2019 as well as amending the Fund-Provisioning Measure to Stimulate Bank Lending in December 2019.
- (6) The Bank hosted workshops on finance for achieving sustainable development goals (SDGs) and finance integrating environmental, social, and governance (ESG) criteria as well as on corporate governance reforms. It also held a series of workshops on the use of artificial intelligence (AI) to advance financial technology and released a related report in September 2019 (available only in Japanese).
- (7) The Bank collected information on how financial institutions had responded to the spread of COVID-19. In addition, in March 2020, it released "Confirmation of Eligible Standards for Criteria for Current Account Transactions in View of the Growing Impact of COVID-19."

2. Evaluation of progress

The Bank conducted thorough assessments, particularly of business operations and risk management at financial institutions, and facilitated necessary improvements through the following: it presented in the *Financial System Report* 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 addition, the Bank further deepened dialogue with regional financial institutions on the key management issues and challenges facing them, such as strengthening their core profitability in an environment of low interest rates and population decline. Moreover, it gained a better grasp of business conditions at systemically important financial institutions, taking into account the extent of their systemic implications, and facilitated necessary improvements.

The Bank carried out, in an efficient and appropriate manner, the selection of financial institutions with which to conduct transactions as well as business operations relating to the provision of loans. It also further strengthened cooperation on the macroprudential front with the FSA.

During fiscal 2019, there were no circumstances that required the Bank to provide loans pursuant to Articles 37 and 38 of the Bank of Japan Act.

Based on the above, the Bank considers that it steadily tackled challenges faced in maintaining and improving the stability and functioning of the financial system in light of changes in financial institutions' risk profiles and structural changes in the financial system, and that its intended effects were thereby achieved. In fiscal 2020, the Bank will closely monitor the impact of the spread of COVID-19 on financial institutions' business conditions and on the financial system.

Moreover, taking into consideration such factors as shifting demographics, advances in digitalization, and risks arising from climate change, the Bank will continue to (1) maintain a firm grasp of business conditions at financial institutions and provide support as they make necessary improvements, and (2) facilitate and enhance its efforts on the macroprudential front.

C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures

1. Progress in implementing specific measures

- (1) The Bank continued its deliberations and coordination of efforts with other central banks and relevant parties toward realizing payment and settlement for cross-border transactions in yen or JGBs by, for example, promoting preparation with the Hong Kong Monetary Authority toward implementation of a cross-border delivery-versus-payment (DVP) link between the Bank of Japan Financial Network System (BOJ-NET) JGB Services and the Hong Kong Dollar Clearing House Automated Transfer System (HKD CHATS).
- (2) The Bank supported initiatives taken by relevant parties for the safety and efficiency of payment and settlement systems, such as a shift to a T+2 settlement cycle for equities in July 2019 and the start of operation of the 7th Generation Zengin Data Telecommunication System (Zengin System) in November 2019.
- (3) With such topics as central bank digital currency (CBDC) attracting increasing attention around the world, the Bank actively participated in discussions at home and abroad regarding new possibilities and challenges that IT advances present for payment and settlement services and reinforced the arrangements for carrying out related research, through initiatives such as the following.
 - (a) The Study Group on Legal Issues regarding Central Bank Digital Currency, which was set up by the IMES, released in September 2019 a report that examined and discussed crucial issues that might arise within the Japanese legal framework.
 - (b) The Bank contributed to compiling the final report of the Group of Seven (G7) Working Group on Stablecoins, released in October 2019.
 - (c) The Bank, together with other major central banks, created a group to assess potential cases for CBDC in January 2020.
 - (d) The Bank and the ECB continued to conduct joint research on the possible usage of distributed ledger technology in the field of payments and financial market infrastructures and released their findings in June 2019 and February 2020.
 - (e) The Bank actively collected and communicated information on such topics as IT advances in payment and settlement systems through, for example, the FinTech Forum held in June 2019.
 - (f) The Bank actively participated in discussions on the future of payment and settlement infrastructures with a wide range of relevant parties through such occasions as the Future of Payments Forum held in February 2020.
 - (g) The Bank made necessary arrangements for carrying out research, including the establishment in February 2020 of a research team on CBDC.
- (4) In January 2020, the Bank started to release *Statistics on Securities Financing Transactions in Japan*, which includes aggregated data, for example, on repo transactions.
- (5) In light of the development of the FX Global Code, the Bank continued to encourage market participants in Japan to declare their commitment to adhere to the code.

(6) In its role as the secretariat of the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks, the Bank supported market participants' initiatives on the reform of Japanese yen interest rate benchmarks by, for example, releasing the "Final Report on the Results of the Public Consultation on the Appropriate Choice and Usage of Japanese Yen Interest Rate Benchmarks" in November 2019 and the "Determination of the Calculating and Publishing Entity of Prototype Rates for Term Reference Rates" in February 2020.

2. Evaluation of progress

The Bank made steady progress in deliberating and coordinating efforts with other central banks and relevant parties toward the realization of payment and settlement for cross-border transactions in yen or JGBs, as well as in working toward the enhancement of Japan's payment and settlement services. In addition, it actively contributed to discussions at home and abroad regarding the new possibilities and challenges that IT advances present for payment and settlement services, such as CBDC.

As for the reinforcement of the infrastructures of financial and capital markets, the Bank encouraged market participants in Japan to declare their commitment to adhere to the FX Global Code and started to release aggregated data, for example, on repo transactions. It also supported market participants' initiatives on the reform of Japanese yen interest rate benchmarks.

Based on the above, the Bank considers that it made progress in fiscal 2019 in terms of measures taken to contribute to enhancing payment and settlement services and reinforcing the infrastructures of financial and capital markets in Japan. In fiscal 2020, with respect to payment and settlement services, the Bank will continue to work toward the enhancement of retail payments in Japan; regarding CBDC, it will

reinforce research through the efforts of the new research team and contribute to discussions at the global level. Furthermore, as for the reinforcement of the infrastructures of financial and capital markets in Japan, the Bank will continue with, for example, its support for market participants' initiatives on the reform of Japanese yen 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.
- (2) The Bank conducted market operations appropriately in accordance with the guidelines decided at MPMs for market operations and asset purchases. When financial markets experienced a period of instability due to the impact of COVID-19, the Bank duly responded to changes in the market environment by, for example, revising the tools for market operations as well as their frequency and size in a timely manner.
- (3) In coordination with the Ministry of Finance and other relevant parties, the Bank proceeded with preparations for the introduction of a new series of Bank of Japan notes and a new 500 yen coin, for example, by holding seminars for banknote equipment manufacturers.
- (4) The Bank ensured the smooth supply of clean banknotes from its Head Office and branches and maintained the cleanliness of banknotes in circulation by examining the banknotes it received. As part of the process, it monitored and improved the level of the cleanliness of banknotes in circulation.

- (5) The Bank continued to maintain, by gathering information from relevant parties, a firm grasp of changes in cash delivery routes and conducted cash transportation and other operational procedures efficiently.
- (6) The Bank carried out a wide range of treasury funds and JGS services with precision. It also worked to streamline and digitize business operations by, for example, reducing the number of agents and promoting further use of online payments of treasury funds through the provision of support to relevant parties. In addition, the Bank responded positively to the need for financial institutions to improve the efficiency of their business operations, including by approving the establishment of revenue sub-agents specializing in handling online treasury fund receipts.
- (7) The Bank undertook detailed research into the changes in the environment surrounding the business operations of its agents and revised the fees and commissions paid to those agents for the administration of treasury business.
- (8) With COVID-19 spreading, the Bank made necessary arrangements to ensure the stable execution of its central banking operations overall, such as implementing split shifts to address the risk of possible infections among its staff.

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

As for business operations relating to banknotes, the Bank—in coordination with the Ministry of Finance and other relevant parties—proceeded steadily with

preparations for the introduction of a new series of Bank of Japan notes and a new 500 yen coin. In addition, it made progress in securing confidence in banknotes, for example, proceeding smoothly with replacing automatic banknote examination machines with the new model. The Bank also made progress in firmly grasping the current situation of cash circulation by gathering information from relevant parties.

The Bank carried out a wide range of treasury funds and JGS services with precision; it also worked to streamline and digitize business operations.

Based on the above, the Bank considers that, in fiscal 2019, it conducted stable and efficient central banking operations, while reviewing its business processes in response to changes in its operational environment, and thus that it achieved its intended objectives. In fiscal 2020, with the impact of COVID-19 likely to persist, the Bank will conduct its business operations at its Head Office and branches in a stable manner, while continuing constantly to pursue excellence in central banking services in light of trending changes, both qualitative and quantitative, in its operations.

E. Contribute to International Finance amid Globalization

1. Progress in implementing specific measures

- (1) As the central bank of the chair country, the Bank, together with the Ministry of Finance, took appropriate actions in proceeding with preparations for and successfully organizing the Group of Twenty (G20) Finance Ministers and Central Bank Governors Meetings held in April, June, and October 2019. The Bank also engaged in a wide range of activities such as releasing "G20 Press Release on Global Stablecoins" in October 2019 as well as participating in events including the Think 20 (T20)

Summit—the research and policy advice network of think tank scholars and experts from G20 member countries.

(2) The Bank, as the central bank of Japan, actively participated in meetings such as those organized by the Association of Southeast Asian Nations Plus Three (ASEAN Plus Three), the Bank for International Settlements (BIS), the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), the Financial Stability Board (FSB), the G7, the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD), thereby achieving the following.

(a) The Bank contributed to discussions at global forums on fostering economic growth as well as on strengthening the robustness of the financial system based on its analysis of current overseas economic and financial developments, while also promoting understanding of its conduct of monetary policy.

(b) With regard to financial regulation and supervision, the Bank, in cooperation with the FSA, actively participated in discussions on the implementation and impact assessment of, for example, international financial regulations as well as on the enhancement of supervision; it also contributed appropriately to policy making processes for ensuring the stability of the international financial system.

(c) The Bank continued to participate in and contribute to, for example, discussions in the fields of global financial markets, financial market infrastructures, interest rate benchmarks, the FX Global Code, and statistics.

(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 BIS- and EMEAP-related committees, the Bank played a leadership role, 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 discussions at the global level, for example, through the presentation of papers at related conferences.

(3) The Bank actively exchanged information with overseas authorities on business conditions at systemically important financial institutions, mainly through supervisory colleges.

(4) The Bank obtained prompt access to a wide range of information, for example, on economic and financial conditions, the financial system, and central banking operations, through individual exchanges of opinions with major central banks and other relevant parties as well as active strengthening of relations with monetary authorities in Asia.

(5) With a view to enhancing its understanding of as well as participating in international discussion on climate-related risks, the Bank announced in November 2019 that it had joined the Network for Greening the Financial System (NGFS), a group of central banks and supervisors committed to helping improve environmental and climate risk management in the financial sector.

(6) With regard to international monetary cooperation, the Bank deliberated on and coordinated bilateral local currency swap arrangements to provide liquidity backstops that meet the local currency funding needs of Japanese financial institutions operating overseas. In March 2020, the Bank signed an agreement with the Bank of Thailand, allowing for the exchange of Thai

baht and yen between the two central banks. Moreover, in November 2019, it extended the agreement with the Monetary Authority of Singapore, allowing for the exchange of Singapore dollars and yen between the two central banks.

- (7) Under the framework of ASEAN Plus Three, the Bank, together with the Ministry of Finance, played a key role, for example, by taking the lead in discussions regarding currency swap exercises based on the Chiang Mai Initiative Multilateralization (CMIM).
- (8) 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 by providing technical assistance, holding seminars, and exchanging personnel, mainly with other central banks in Asia. Of these interactions, 43 involved staff being sent from other central banks (335 people), while 9 involved sending the Bank's staff to overseas counterparts.
- (9) The Bank contributed to discussions at meetings of the G7, the G20, the Basel Committee on Banking Supervision, and the FSB regarding the international financial response to the spread of COVID-19.

2. Evaluation of progress

The Bank, as the central bank of Japan, together with the Ministry of Finance, successfully organized and co-hosted G20 meetings. It also actively participated in meetings such as those organized by the BIS and the EMEAP on topics including financial regulation, financial markets, and financial market infrastructures. Through these initiatives, the Bank contributed to and played a leadership role in discussions toward ensuring the stability of the international currency and financial system. It boosted bilateral monetary cooperation in the Asian region and provided technical assistance, most of which was provided within the region. The

Bank maintained and strengthened cooperation with overseas authorities, especially central banks, and obtained prompt access to a wide range of information, for example, on economic and financial conditions, the financial system, and central banking operations.

Based on the above, the Bank considers that it made steady progress in fiscal 2019 in terms of measures taken to contribute, as the central bank of Japan, toward ensuring the stability of the international currency and financial system as well as securing the stability and development of financial and capital markets in Asia. In fiscal 2020, the Bank will continue to work in cooperation with relevant parties to deepen and extend the initiatives taken to date, particularly in Asia. In doing so, it will participate in discussions at the global level on responses to COVID-19.

F. Contribute to Regional Economic and Financial Environments

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, holding working-level meetings as needed with financial institutions that hold current accounts at the Bank as well as ministries and government agencies.
- (2) At its Head Office as well as Sendai, Fukushima, Maebashi, Yokohama, Niigata, Kofu, Matsumoto, Shizuoka, and Fukuoka 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 maintained 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 utilized its findings in conducting monetary policy as well as in ensuring the stability and improving the functioning of the financial system.

- (a) With regard to demand for rebuilding and reconstruction following the Great East Japan Earthquake and the Kumamoto Earthquake, as well as large-scale storm and flood damage that occurred in Japan during fiscal 2019, the Bank maintained a thorough grasp of the situation by making use of its networks of branches and offices in the disaster-stricken areas.
- (4) The Bank disseminated the results of its research and analysis on regional economic developments as well as the thinking behind its policies and business operations to each region by, for example, organizing speeches and undertaking other public relations activities. The Bank's findings from research and analysis on regional economic developments were also compiled and released each quarter in the *Regional Economic Report*. Moreover, the Bank released two issues of the annex series to the report in fiscal 2019, providing more detailed analysis of and insight into selected topics; the issues (available only in Japanese) addressed, respectively, the current state of inbound tourism and initiatives by firms and others to attract, retain, and develop workforces in regional areas.
- (5) In fiscal 2019, the Bank's CAFT hosted 10 seminars, targeted mainly at regional financial institutions, on topics such as corporate governance reform and management reform.

2. Evaluation of progress

The Bank, at its Head Office and branches, conducted central banking operations in a stable manner. It also maintained a detailed grasp of economic and financial conditions specific to each region through vigorous research efforts; it disseminated its findings to each region and utilized them in conducting monetary policy as well as in ensuring the stability and improving the functioning of the financial system.

Based on the above, the Bank considers that it made steady progress in fiscal 2019 in terms of initiatives taken to contribute to regional economic and financial environments, making due use of the functions performed as the country's central bank by its Head Office, branches, and local offices. In fiscal 2020, the Bank will continue to provide appropriate central banking services in each region of the country. It will also work particularly to maintain an accurate grasp of regional economic and financial conditions and of region-specific challenges as well as to disseminate its findings, with a view to supporting sustainable development. With regard to organizing speeches and undertaking other public relations activities, the Bank will make the appropriate decision in each case in light of the COVID-19 situation in each region.

G. Strengthen External Communication

1. Progress in implementing specific measures

- (1) In accordance with the Bank of Japan Act, the Bank kept the public fully informed regarding its conduct of monetary policy and business operations via the following.
 - (a) Releasing the minutes and transcripts of MPMs.
 - (b) Submitting the *Semiannual Report on Currency and Monetary Control* to the Diet in June and December 2019, and releasing the full texts of the

two issues in Japanese as well as the summaries in English on the Bank's website.⁵

- (c) Publishing the *Gyomu Gaikyo Sho* (Outline of Business Operations) for fiscal 2018 in May 2019.
- (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 Report released in April, July, and October 2019 as well as in January 2020; a document that contains a summary of the opinions presented at each MPM (Summary of Opinions); and press conferences, speeches, and articles by the Governor, Deputy Governors, and Members of the Policy Board.
- (3) The Bank was also involved in the following public relations activities in fiscal 2019, 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, thereby disseminating information to a wider audience in an apposite and timely manner. The number of page views on the Bank's website was around 217 million, of which around 107 million were made to its English-language pages. The number of page views on its branches' websites was around 4.5 million in total. Followers of the Bank's Twitter and

Facebook accounts totaled around 130,000 and around 3,500, respectively.

- (b) The Bank enhanced the content of *Nichigin*, its public relations magazine (available only in Japanese), for example, by starting a series of short history articles on past governors of the Bank as well as by including articles that provided accessible descriptions of its policies and business operations.
 - (c) The Bank introduced an online reservation system for in-house tours of its Head Office in June 2019. In August, in-house tours of the Main Building were also partially resumed, following the completion of seismic reinforcement work on the building. The total number of tour visitors to the Head Office—including those who attended short tours on the day—was around 19,000. The Bank's branches also enhanced the content of in-house tours by, for example, adding exhibits, and received around 23,000 tour visitors.
 - (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 holidays in 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 104 entries.
 - (e) The Bank gave lectures to young people on its functions and operations. Its Head Office gave a total of 15 on-campus lectures to college students.
- (4) The Bank actively disseminated information on its

5. Excerpts from the summaries of the two issues of the report dealing with developments in fiscal 2019, namely, the issues released in December 2019 and June 2020, can be found on pages 30–38.

conduct of monetary policy and business operations in English.

- (5) The Bank worked to gain a better grasp of public opinion as well as public needs regarding its policies and business operations from people across a wide range of fields via the following.
 - (a) Holding 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 4,400 inquiries and comments received at the Head Office via phone calls or e-mails (excluding those for sales purposes or those that were incorrectly addressed).
- (6) The Bank operated the Currency Museum and the Bank of Japan Otaru Museum appropriately, including feature exhibitions commemorating the centennial of the death of architect Tatsuno Kingo, who designed the Bank's Old Building; the number of visitors to each museum during fiscal 2019 was around 108,000 and 95,000, respectively.
- (7) The Bank responsibly managed the activities of its Archives, which have the status of "the National Archives of Japan, etc." as stipulated in the Public Records and Archives Management Act as well as the order for enforcement of this Act. A total of 2,502 historical official documents were added to the Archives, and there were a total of 98 requests for access.
- (8) The Bank made public the findings of its research and analysis on economic and financial developments, releasing 8 papers in the *Bank of Japan Review Series*, 14 in the *Bank of Japan Working Paper Series*, 31 in the *IMES Discussion Paper Series*, 3 in the *Bank of Japan Research Laboratory Series*, and 4

research papers.

- (9) The Bank held the following conferences and workshop at its Head Office.
 - (a) In April 2019, the Bank and the University of Tokyo co-hosted a conference on issues surrounding inflation dynamics in recent years focusing on Japan's experience.
 - (b) In May 2019, the IMES hosted an international conference entitled "Central Bank Design under a Continued Low Inflation and Interest Rate Environment."
 - (c) In September 2019, the Bank held a joint workshop with the BOC and the Federal Reserve Bank of Philadelphia.
- (10) The Bank revised, rebased, and made appropriate enhancements to its statistics so as to accommodate changes in the economic and regulatory environment.
 - (a) In September 2019, the Bank released the results for Japan from the *Central Bank Survey of Foreign Exchange and Derivatives Market Activity*.
 - (b) In January 2020, the Bank started to release *Statistics on Securities Financing Transactions in Japan*.
 - (c) As for the *Tankan* (Short-Term Economic Survey of Enterprises in Japan), the Bank enhanced the exchange rates survey and abolished some survey items from the March 2020 survey.
 - (d) In June 2019, the Bank updated the base year of the services producer price index (SPPI) to 2015.
- (11) Through the following measures, the Bank promoted an in-depth understanding of its statistics.
 - (a) In June 2019, the Bank released a research paper on the results of the rebasing of the SPPI to the base year 2015.
 - (b) In August 2019, a month prior to the release

of the retroactively revised *Flow of Funds Accounts Statistics* (FFA), the Bank made public a document explaining the highlights of the revision and how the outstanding FFA figures would be affected.

(c) In January 2020, the Bank released a paper in the *Bank of Japan Review Series*, which provided an overview of *Statistics on Securities Financing Transactions in Japan* and explained some key features of Japanese securities financing markets that emerged from the statistics (English version released in February 2020).

(12) The Bank contributed to discussions held by the government toward the refinement of economic statistics, such as enhancing the accuracy of GDP statistics, by taking part in the Statistics Commission and deliberations on Japan's balance of payments statistics.

(13) As the secretariat of the Central Council for Financial Services Information (CCFSI), and in light of changes in the environment surrounding the provision of financial information to the public, the Bank supported the CCFSI's efforts to develop a range of financial information-related activities in cooperation with relevant parties such as ministries, local public bodies, and financial and economic organizations. For example, the CCFSI conducted the *Financial Literacy Survey* and released its findings in July 2019 (English version released in December 2019). It also continued to provide lectures to college students on financial literacy and to work toward publishing user-friendly website pages including those designed for mobile devices (available only in Japanese) on the CCFSI's official website *Shiruporuto* (Gateway to Knowledge).

(14) Toward the end of fiscal 2019, the Bank, in light of the

spread of COVID-19 in each region, addressed the situation appropriately by, for example, postponing or canceling meetings and events hosted by the Bank as well as temporarily closing the Currency Museum and the Bank of Japan Otaru Museum. Meanwhile, the Bank, as the country's central bank, worked to communicate requisite information to the public, for example, by continuing to hold press conferences and release various statistics.

2. Evaluation of progress

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

The Bank worked to gain a better grasp of public opinion and public needs by increasing dialogues 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. It also continued to contribute to discussions held by the government toward the refinement of economic statistics.

As the secretariat of the CCFSI, and in light of changes in the environment surrounding the provision of financial information to the public, the Bank supported the CCFSI's efforts to develop a range of financial information-related activities, thereby contributing to the promotion of financial literacy among the public.

Based on the above, the Bank considers that, in fiscal 2019, it steadily implemented the measures scheduled under its strategic objective of strengthening external communication. In fiscal 2020, the Bank will

continue (1) to work to achieve multilateral and effective communication at home and abroad regarding its conduct of monetary policy and business operations by making use of various communication platforms, and also (2) to better grasp public opinion and public needs by maintaining and strengthening relationships with people, firms, and economic organizations across a wide range of fields. Meanwhile, the Bank will take appropriate measures regarding implementation of certain of its public relations activities, in light of the spread of COVID-19.

The Bank's Organizational Management in Fiscal 2019

I. Statement of Accounts and Budget for Expenses

II. IT Investment

III. Human Resources

IV. Organizational Management Measures

V. Internal Audits

I. STATEMENT OF ACCOUNTS AND BUDGET FOR EXPENSES

As for the Bank of Japan's expenses for fiscal 2019, the Bank duly made, in line with the budget, the disbursements necessary to cover the *Medium-Term Strategic Plan (Fiscal 2019–2023) (Plan)*. With regard to the Bank's statement of accounts for fiscal 2019, the total amount of actual expenses increased from

the previous fiscal year by 3.8 percent (7.4 billion yen) to 199.9 billion yen. Regarding the Bank's budget for expenses for fiscal 2020, 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 Plan, while working to raise the efficiency and streamline the development of such projects. The scale

of system development for fiscal 2019 was 13,679 person-months⁷ (including 10,585 person-months that were outsourced).

III. HUMAN RESOURCES

The Bank maintained the number of employees necessary to achieve the goals set out in the Plan without breaking the ceiling on the number of full-time employees for fiscal 2019, which was set at 4,900. Following the Bank's efforts to further increase the efficiency of its overall business operations while securing the necessary employee numbers, the number of full-time employees stood at 4,626 at the end of March 2020, down 10 from the previous fiscal year (Table 1).

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

bonuses—in fiscal 2019 by 0.4 percent from the previous fiscal year.

As for its employees, the Bank raised the annual remuneration for fiscal 2019 by 0.9 percent from the previous fiscal year. For those in non-managerial positions, the Bank raised the base levels of salaries by 0.2 percent from the previous fiscal year and paid semiannual bonuses in May and November, each amounting to 2.189 months of salary, on a basis excluding the base salary increase. For those in managerial positions, the Bank paid 2.327 months of salary per semiannual bonus.

7. In system development, one person-month is the workload equivalent of one person working for one month.

Table 1

Number of Full-Time Employees as of the End of March 2020

number of people; figures in parentheses are as of the end of March 2019

| Total | 4,626 | (4,636) |
|---------------------------------|-------|---------|
| Head Office ¹ | 2,738 | (2,744) |
| Branches | 1,817 | (1,819) |
| Local offices ¹ | 47 | (49) |
| Overseas representative offices | 24 | (24) |

Note: 1. Full-time employees of the Computer Center and the Banknote Operations Center 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 Plan, the Bank implemented various organizational management measures in order to execute its business operations flexibly and secure the requisite staff for this purpose, to manage its operational risks appropriately, and to strengthen its business continuity arrangements.

Specifically, the Bank stepped up its efforts to take advantage of IT advances such as by introducing tablet devices and expanding the usage of its videoconferencing system. Moreover, the Bank worked to secure the requisite staff for executing its business operations and organizational management, to further promote diversity in the workplace, and to steadily realize varied and flexible working arrangements aimed at further improving the work-life balance and well-being of its employees via the following.

- (1) The Bank enhanced various staff education and training programs and continued to work to promote personnel exchanges with institutions inside and outside Japan.
- (2) The Bank, under an action plan compiled and released

in March 2016 pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace, undertook initiatives to ensure that its female employees could fully realize their potential at work, and strived to cultivate a workplace environment conducive to the well-being of all of its employees. In addition, the Bank continued to work to further improve terms of employment and working conditions based on the fourth phase of the action plans set out in "Measures to Support Raising Next-Generation Children" so that its employees can balance work and child-rearing.

- (3) With regard to staff recruitment for fiscal 2020, 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.²

In addition to the above, the Bank took business continuity-related actions in response to the novel coronavirus (COVID-19) (see "The Bank's Review of Fiscal 2019" on pages 29–55 for details). Meanwhile, in fiscal 2019, the Bank implemented measures to

2. 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.

strengthen business continuity arrangements that included the steady enhancement of the disaster countermeasures in place at its Head Office and branches based on the Bank's experience following the Great East Japan Earthquake, the Kumamoto

Earthquake, and large-scale storm and flood damage, as well as the government's reappraisal of potential damage scenarios for large-scale earthquakes directly hitting Tokyo or occurring in the Nankai Trough area.

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 2019, the Internal Auditors' Office audited 4 departments at the Bank's Head Office (the

Secretariat of the Policy Board, the Financial System and Bank Examination Department, the Public Relations Department, and the Administration Department), 2 overseas representative offices (New York and Washington, D.C.), 12 branches (Sendai, Fukushima, Maebashi, Yokohama, Kyoto, Hiroshima, Shimonoseki, Takamatsu, Matsuyama, Oita, Nagasaki, and Kumamoto), and 4 local offices (Mito, Morioka, Yamagata, and Tokushima).

The Bank's Accounts:

Financial Statements
and Other Documents
for Fiscal 2019

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

II. Financial Statements

III. Schedule for the Financial Statements

IV. Expenses

On May 27, 2020, the Bank of Japan released the "Financial Statements for the 135th Fiscal Year" (partially available in English), which contains the Bank's financial statements (the inventory of property, balance sheet, and statement of income) for the 135th fiscal year, i.e., fiscal 2019 (April 1, 2019–March 31, 2020), and the schedule for the financial statements for fiscal 2019.

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 2019 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 2019 shows that total assets increased by 8.5 percent (47,460.2 billion yen) from the previous fiscal year-end to 604,484.6 billion yen, mainly due to increases in foreign currency assets and holdings of Japanese government securities (JGSs).¹ Total liabilities increased by 8.4 percent (46,722.6 billion yen) from the previous fiscal year-end to 599,937.2 billion yen, mainly due to increases in deposits (excluding those of the government) and payables under repurchase agreements (Table 1).

Detailed developments in the Bank's balance sheet in fiscal 2019 are as follows.

Looking at assets at the fiscal year-end, foreign currency assets increased by 19,234.0 billion yen from the previous fiscal year-end to 25,966.2 billion yen, due to the Bank's U.S. Dollar Funds-Supplying Operations against Pooled Collateral. Holdings of JGSs increased by 15,964.2 billion yen from the previous fiscal year-end to 485,918.1 billion yen, with the Bank proceeding with its purchases of these assets. Loans and bills discounted increased by 6,892.4 billion yen from the previous fiscal year-end to 54,328.6 billion yen, mainly due to an increase in the amount of loans provided through the Loan Support Program and to implementation of the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19).² Pecuniary trusts (index-linked exchange-traded funds held as trust property) increased by 4,934.0 billion yen from the previous fiscal year-end to 29,718.9 billion yen, with the Bank

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

2. Through the Loan Support Program, the Bank aims 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. The Bank introduced the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19) as a temporary measure to ensure smooth corporate financing and maintain stability in financial markets, given the impact of the outbreak of COVID-19 on economic activity.

proceeding with its purchases of these assets.

Turning to liabilities, deposits (excluding those of the government) increased by 25,697.9 billion yen from the previous fiscal year-end to 447,076.2 billion yen, mainly due to an increase in other deposits reflecting, for example, the Bank's U.S. Dollar Funds-Supplying Operations against Pooled Collateral. Payables under repurchase agreements increased by 23,925.5 billion yen from the previous fiscal year-end to 24,116.3 billion yen, mainly due to securities lending by the Bank to provide JGSs as collateral for the U.S. dollar funds-supplying operations. Meanwhile, the amount outstanding of banknotes issued (banknotes in circulation) increased by 2,057.3 billion yen from the previous fiscal year-end to 109,616.5 billion yen.

With regard to the Bank's statement of income for fiscal 2019, operating profits decreased by 363.3 billion yen from the previous fiscal year to 1,637.5 billion yen, mainly due to net foreign exchange-related losses arising from the appreciation of the yen (Tables 2 and 3).

Meanwhile, net special losses amounted to 270.6 billion yen. This was mainly due to 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 Quantitative and Qualitative Monetary Easing with Yield Curve Control, although this was offset by 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—increased by 708.3 billion yen from the previous fiscal year to 1,295.2 billion yen. After transferring 64.7 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 (1,230.5 billion yen).

The capital adequacy ratio, after the appropriation of net income, rose from its previous fiscal year-end level of 8.71 percent to 8.79 percent at the end of fiscal 2019 (Table 4).

Table 1

Principal Assets and Liabilities¹

bil. yen

| Item | End of fiscal 2018 (Mar. 31, 2019) | End of fiscal 2019 (Mar. 31, 2020) |
|---|---------------------------------------|--|
| Total assets | 557,024.3 (+5.4) <+28,738.6> | 604,484.6 (+8.5) <+47,460.2> |
| Of which: | | |
| Japanese government securities | 469,953.8 (+4.8) <+21,627.7> | 485,918.1 (+3.4) <+15,964.2> |
| Commercial paper | 2,042.0 (-0.7) <-15.4> | 2,551.8 (+25.0) <+509.8> |
| Corporate bonds | 3,206.6 (+0.5) <+14.5> | 3,220.8 (+0.4) <+14.1> |
| Pecuniary trusts (stocks held as trust property) | 897.0 (-14.5) <-151.8> | 727.7 (-18.9) <-169.2> |
| Pecuniary trusts (index-linked exchange-traded funds held as trust property) | 24,784.8 (+30.9) <+5,850.0> | 29,718.9 (+19.9) <+4,934.0> |
| Pecuniary trusts (Japan real estate investment trusts held as trust property) | 517.8 (+8.8) <+41.7> | 575.3 (+11.1) <+57.4> |
| Loans and bills discounted | 47,436.1 (+2.2) <+1,024.2> | 54,328.6 (+14.5) <+6,892.4> |
| Foreign currency assets | 6,732.1 (+5.7) <+362.6> | 25,966.2 (3.9 times) <+19,234.0> |
| Total liabilities | 553,214.6 (+5.5) <+28,878.2> | 599,937.2 (+8.4) <+46,722.6> |
| Of which: | | |
| Banknotes | 107,559.2 (+3.4) <+3,558.7> | 109,616.5 (+1.9) <+2,057.3> |
| Deposits (excluding those of the government) | 421,378.2 (+5.4) <+21,739.9> | 447,076.2 (+6.1) <+25,697.9> |
| Deposits of the government | 17,522.8 (+15.9) <+2,398.0> | 12,633.8 (-27.9) <-4,888.9> |
| Payables under repurchase agreements | 190.8 (-38.7) <-120.4> | 24,116.3 (126.4 times) <+23,925.5> |

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

[Reference to Table 1]

Loans Provided through the Loan Support Program¹

bil. yen

| Item | End of fiscal 2017 (Mar. 31, 2018) | End of fiscal 2018 (Mar. 31, 2019) | End of fiscal 2019 (Mar. 31, 2020) |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Total amount outstanding | 48,018.3 | 48,645.2 | 51,741.4 |
| Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth | 9,354.7 | 8,922.6 | 8,927.6 |
| Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending | 38,663.6 | 39,722.6 | 42,813.8 |

Note: 1. Includes foreign currency-denominated loans that are not included in "loans and bills discounted."

Table 2

Principal Profits and Losses¹

bil. yen

| Item | Fiscal 2018 (Apr. 1, 2018–Mar. 31, 2019) | Fiscal 2019 (Apr. 1, 2019–Mar. 31, 2020) |
|---|---|---|
| Operating profits/losses | 2,000.9 (+62.8) <+772.1> | 1,637.5 (–18.2) <–363.3> |
| Of which: "Core" operating income ² | 1,409.0 <+98.5> | 1,317.0 <–91.9> |
| Net government bond-related gains/losses ³ | … <…> | … <…> |
| Net foreign exchange-related gains/losses ⁴ | 225.7 <+437.6> | –214.4 <–440.1> |
| Net gains/losses on pecuniary trusts (stocks held as trust property) | 251.0 <–0.2> | 205.0 <–45.9> |
| Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property) | 441.6 <+162.7> | 604.7 <+163.0> |
| Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property) | 21.1 <+2.9> | 7.9 <–13.2> |
| Interest on excess reserve balances under the complementary deposit facility ⁵ | –186.5 <–2.9> | –188.2 <–1.6> |
| Special profits/losses⁶ | –926.1 <–587.2> | –270.6 <+655.4> |
| Of which: | | |
| Net transfer to/from provision for possible losses on bonds transactions | –815.4 <–370.3> | –383.7 <+431.7> |
| Net transfer to/from provision for possible losses on foreign exchange transactions | –112.8 <–218.8> | 107.2 <+220.0> |
| Net income before taxes | 1,074.8 (+20.8) <+184.8> | 1,366.9 (+27.2) <+292.1> |
| Provision for corporate income tax, inhabitants taxes, and enterprise taxes | 487.8 <+362.6> | 71.6 <–416.2> |
| Net income⁷ | 586.9 (–23.3) <–177.8> | 1,295.2 (2.2 times) <+708.3> |

Notes: 1. Figures in parentheses are the percentage changes from the previous fiscal year except where otherwise noted; figures in angle 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 (–208.7 billion yen) and interest income on the balances to which a negative interest rate is applied (20.4 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 Losses¹

bil. yen

| Item | Fiscal 2017 (Apr. 1, 2017– Mar. 31, 2018) | Fiscal 2018 (Apr. 1, 2018– Mar. 31, 2019) | Fiscal 2019 | First half of the fiscal year (Apr. 1, 2019– Sept. 30, 2019) | Second half of the fiscal year (Oct. 1, 2019– Mar. 31, 2020) |
|---|---|---|---------------|---|---|
| | | | | | |
| 1. Net government bond-related gains/losses | ... | ... | ... | ... | ... |
| Of which: | | | | | |
| Gains on sale of Japanese government bonds | ... | ... | ... | ... | ... |
| Losses on sale of Japanese government bonds | ... | ... | ... | ... | ... |
| 2. Net foreign exchange-related gains/losses² | -211.9 | 225.7 | -214.4 | -186.1 | -28.3 |
| 3. Net gains/losses on pecuniary trusts (stocks held as trust property) | 251.2 | 251.0 | 205.0 | 105.7 | 99.3 |
| Of which: | | | | | |
| Dividends and others | 55.4 | 58.0 | 45.1 | 22.9 | 22.2 |
| Losses on impairment | ... | -4.2 | -22.4 | -0.5 | -21.9 |
| Net gains/losses on sale | 195.8 | 197.2 | 182.3 | 83.3 | 99.0 |
| 4. Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property) | 278.9 | 441.6 | 604.7 | 559.6 | 45.0 |
| Of which: | | | | | |
| Distributions and others | 278.9 | 441.6 | 604.7 | 559.6 | 45.0 |
| Losses on impairment | ... | ... | ... | ... | ... |
| Net gains/losses on sale | ... | ... | ... | ... | ... |
| 5. Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property) | 18.1 | 21.1 | 7.9 | 11.6 | -3.6 |
| Of which: | | | | | |
| Distributions and others | 18.1 | 21.1 | 23.9 | 11.6 | 12.2 |
| Losses on impairment | ... | ... | -15.9 | ... | -15.9 |
| 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 2017 (Apr. 1, 2017– Mar. 31, 2018) | Fiscal 2018 (Apr. 1, 2018– Mar. 31, 2019) | Fiscal 2019 | First half of the fiscal year (Apr. 1, 2019– Sept. 30, 2019) | Second half of the fiscal year (Oct. 1, 2019– Mar. 31, 2020) |
|--|---|---|------------------|---|---|
| | | | | | |
| 6. "Core" operating income | 1,310.4 | 1,409.0 | 1,317.0 | 688.8 | 628.2 |
| Yen assets | 1,220.0 | 1,282.8 | 1,195.2 | 622.4 | 572.7 |
| Of which: | | | | | |
| Interest on loans and discounts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest on receivables under resale agreements | ... | 0.0 | –0.0 | ... | –0.0 |
| Interest and discounts on Japanese government securities | 1,221.1 | 1,283.9 | 1,196.0 | 623.1 | 572.9 |
| Treasury discount bills | –69.8 | –22.7 | –19.2 | –8.6 | –10.6 |
| Japanese government bonds | 1,290.9 | 1,306.6 | 1,215.3 | 631.7 | 583.5 |
| Interest on commercial paper | –0.1 | –0.0 | 0.0 | –0.0 | 0.0 |
| Interest and discounts on corporate bonds | –0.9 | –1.0 | –0.7 | –0.6 | –0.1 |
| Interest on foreign currency assets | 90.3 | 126.2 | 121.8 | 66.3 | 55.4 |
| 7. Interest-bearing assets (average amount outstanding) | 494,983.4 | 523,563.0 | 543,032.3 | 538,161.5 | 547,903.1 |
| Yen assets | 488,322.0 | 516,853.3 | 535,933.0 | 531,416.5 | 540,449.5 |
| Of which: | | | | | |
| Loans and bills discounted | 46,204.9 | 46,480.6 | 47,877.1 | 47,097.5 | 48,656.6 |
| Receivables under resale agreements | ... | 0.0 | 25.1 | ... | 50.2 |
| Japanese government securities | 436,665.2 | 464,907.5 | 482,632.6 | 478,919.0 | 486,346.1 |
| Treasury discount bills | 29,831.7 | 15,429.6 | 10,354.4 | 10,202.9 | 10,506.0 |
| Japanese government bonds | 406,833.5 | 449,477.8 | 472,278.1 | 468,716.1 | 475,840.1 |
| Commercial paper | 2,252.8 | 2,264.8 | 2,202.0 | 2,213.9 | 2,190.1 |
| Corporate bonds | 3,199.0 | 3,200.2 | 3,196.1 | 3,185.9 | 3,206.3 |
| Foreign currency assets | 6,661.4 | 6,709.7 | 7,099.2 | 6,744.9 | 7,453.6 |
| 8. Yield on interest-bearing assets (percent) | 0.264 | 0.269 | 0.242 | 0.255 | 0.229 |
| Yen assets | 0.249 | 0.248 | 0.223 | 0.234 | 0.211 |
| Of which: | | | | | |
| Loans and bills discounted | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Receivables under resale agreements | ... | 0.000 | –0.093 | ... | –0.093 |
| Japanese government securities | 0.279 | 0.276 | 0.247 | 0.260 | 0.235 |
| Treasury discount bills | –0.234 | –0.147 | –0.186 | –0.169 | –0.202 |
| Japanese government bonds | 0.317 | 0.290 | 0.257 | 0.269 | 0.245 |
| Commercial paper | –0.004 | –0.002 | 0.001 | –0.000 | 0.002 |
| Corporate bonds | –0.030 | –0.033 | –0.024 | –0.041 | –0.007 |
| Foreign currency assets | 1.356 | 1.881 | 1.716 | 1.967 | 1.488 |

Table 4

The Bank's Capital Base and Capital Adequacy Ratio¹

bil. yen, except where otherwise noted

| Item | End of fiscal 2017 (Mar. 31, 2018) | End of fiscal 2018 (Mar. 31, 2019) | End of fiscal 2019 (Mar. 31, 2020) | Changes from a year earlier | [Reference] |
|---|---------------------------------------|---------------------------------------|---------------------------------------|--------------------------------|---|
| | | | | | End of the first half of fiscal 2019 (Sept. 30, 2019) |
| Capital accounts (A) | 3,222.7 | 3,252.1 | 3,316.8 | +64.7 | 3,252.1 |
| Capital | 0.1 | 0.1 | 0.1 | ... | 0.1 |
| Legal reserve and others ² | 3,222.6 | 3,252.0 | 3,316.7 | +64.7 | 3,252.0 |
| Provisions (B) | 5,002.0 | 5,930.3 | 6,206.8 | +276.4 | 6,039.7 |
| Provision for possible loan losses (excluding special provision for possible loan losses) | ... | ... | ... | ... | ... |
| Provision for possible losses on bonds transactions | 3,600.1 | 4,415.5 | 4,799.2 | +383.7 | 4,618.0 |
| Provision for possible losses on foreign exchange transactions | 1,401.9 | 1,514.7 | 1,407.5 | -107.2 | 1,421.7 |
| Capital base³ (C) = (A) + (B) | 8,224.8 | 9,182.4 | 9,523.7 | +341.2 | 9,291.9 |
| Annual average of banknotes issued (D) | 101,588.7 | 105,391.6 | 108,275.2 | +2,883.6 | 107,738.4 |
| Capital adequacy ratio (C)/(D) × 100 (percent) | 8.09 | 8.71 | 8.79 | +0.08 | 8.62 |

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 Holdings¹

bil. yen

| Item | End of fiscal 2018 (Mar. 31, 2019) | | | End of fiscal 2019 (Mar. 31, 2020) | | |
|--|------------------------------------|---------------------------|------------|------------------------------------|---------------------------|------------|
| | Book value | Market value ² | Difference | Book value | Market value ² | Difference |
| Japanese government securities | 469,953.8 | 485,989.8 | 16,035.9 | 485,918.1 | 499,362.0 | 13,443.9 |
| Commercial paper | 2,042.0 | 2,042.0 | ... | 2,551.8 | 2,551.8 | ... |
| Corporate bonds | 3,206.6 | 3,201.6 | -5.0 | 3,220.8 | 3,210.2 | -10.5 |
| Pecuniary trusts ³ (stocks held as trust property) | 873.5 | 1,989.5 | 1,115.9 | 708.2 | 1,531.1 | 822.8 |
| Pecuniary trusts ³ (index-linked exchange-traded funds held as trust property) | 25,001.1 | 28,913.6 | 3,912.4 | 30,912.2 | 31,220.3 | 308.1 |
| Pecuniary trusts ³ (Japan real estate investment trusts held as trust property) | 512.1 | 625.6 | 113.4 | 575.5 | 622.2 | 46.7 |

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, 2020

| Item | Value in yen | Unit (except where otherwise noted) |
|---|----------------------------|---------------------------------------|
| ASSETS | | |
| Gold | 441,253,409,037 | |
| Cash | 205,061,074,044 | |
| Japanese government securities | 485,918,129,988,422 | Face value at 474,080,724,400,000 yen |
| Commercial paper | 2,551,889,033,716 | Face value at 2,551,900,000,000 yen |
| Corporate bonds | 3,220,825,190,968 | Face value at 3,208,800,000,000 yen |
| Pecuniary trusts (stocks held as trust property) | 727,714,519,973 | |
| Pecuniary trusts (index-linked exchange-traded funds held as trust property) | 29,718,938,645,617 | |
| Pecuniary trusts (Japan real estate investment trusts held as trust property) | 575,305,889,680 | |
| Loans and bills discounted | 54,328,648,000,000 | |
| Electronic loans | 54,328,648,000,000 | 1,397 |
| Foreign currency assets | 25,966,256,288,216 | |
| Foreign currency deposits | 1,732,262,396,986 | |
| Foreign currency securities | 2,355,224,668,143 | |
| Foreign currency mutual funds | 60,613,713,087 | |
| Foreign currency loans | 21,818,155,510,000 | |
| Deposits with agents | 23,994,220,003 | Deposits with 79 agents |
| Other assets | 590,051,545,382 | |
| Bills and checks in process of collection | 6,356,685 | 4 |
| 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 | 38,707,429,941 | 6 |
| Refund on accrued tax | 52,621,989,719 | |
| Accrued interest receivable | 470,183,576,216 | |
| Others | 13,028,818,457 | |
| Tangible fixed assets | 216,444,108,401 | |
| Buildings | 105,726,690,246 | 613,442.13 square meters |
| Land | 84,124,182,999 | 507,049.75 square meters |
| Lease assets | 7,598,665,055 | Number of lease property: 21,983 |
| Construction in progress | 7,458,248,538 | |
| Other tangible fixed assets | 11,536,321,563 | Number of movable property: 9,940 |
| Intangible fixed assets | 129,890,768 | |
| Utility rights | 129,890,768 | |
| Total assets | 604,484,641,804,227 | |
| LIABILITIES | | |
| Banknotes | 109,616,575,483,650 | |
| Deposits (excluding those of the government) | 447,076,239,363,367 | |
| Current deposits | 395,256,035,035,254 | 1,117 |
| Other deposits | 51,820,204,328,113 | 143 |
| Deposits of the government | 12,633,850,593,434 | |
| Treasury deposit | 150,001,026,112 | |
| Domestic designated deposit | 12,239,860,364,524 | |
| Other government deposits | 243,989,202,798 | |
| Payables under repurchase agreements | 24,116,347,566,200 | 27 |
| Other liabilities | 84,086,119,657 | |
| Remittances payable | 14,760,764,172 | |
| Taxes payable | 28,031,000,000 | |
| Lease liabilities | 7,988,759,130 | |
| Others | 33,305,596,355 | |
| Provision for retirement benefits | 203,316,793,791 | |
| Provision for possible losses on bonds transactions | 4,799,292,993,013 | |
| Provision for possible losses on foreign exchange transactions | 1,407,536,000,000 | |
| Total liabilities | 599,937,244,913,112 | |
| NET ASSETS | | |
| Capital | 100,000,000 | |
| Legal reserve | 3,252,007,626,093 | |
| Special reserve | 13,196,452 | |
| Net income | 1,295,276,068,570 | |
| Total net assets | 4,547,396,891,115 | |
| Total liabilities and net assets | 604,484,641,804,227 | |

2. Balance sheet as at March 31, 2020

yen

| ASSETS | |
|---|----------------------------|
| Gold | 441,253,409,037 |
| Cash | 205,061,074,044 |
| Japanese government securities | 485,918,129,988,422 |
| Commercial paper | 2,551,889,033,716 |
| Corporate bonds | 3,220,825,190,968 |
| Pecuniary trusts (stocks held as trust property) | 727,714,519,973 |
| Pecuniary trusts (index-linked exchange-traded funds held as trust property) | 29,718,938,645,617 |
| Pecuniary trusts (Japan real estate investment trusts held as trust property) | 575,305,889,680 |
| Loans and bills discounted | 54,328,648,000,000 |
| Electronic loans | 54,328,648,000,000 |
| Foreign currency assets | 25,966,256,288,216 |
| Foreign currency deposits | 1,732,262,396,986 |
| Foreign currency securities | 2,355,224,668,143 |
| Foreign currency mutual funds | 60,613,713,087 |
| Foreign currency loans | 21,818,155,510,000 |
| Deposits with agents | 23,994,220,003 |
| Other assets | 590,051,545,382 |
| Bills and checks in process of collection | 6,356,685 |
| 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 | 38,707,429,941 |
| Refund on accrued tax | 52,621,989,719 |
| Accrued interest receivable | 470,183,576,216 |
| Others | 13,028,818,457 |
| Tangible fixed assets | 216,444,108,401 |
| Buildings | 105,726,690,246 |
| Land | 84,124,182,999 |
| Lease assets | 7,598,665,055 |
| Construction in progress | 7,458,248,538 |
| Other tangible fixed assets | 11,536,321,563 |
| Intangible fixed assets | 129,890,768 |
| Utility rights | 129,890,768 |
| Total assets | 604,484,641,804,227 |
| LIABILITIES | |
| Banknotes | 109,616,575,483,650 |
| Deposits (excluding those of the government) | 447,076,239,363,367 |
| Current deposits | 395,256,035,035,254 |
| Other deposits | 51,820,204,328,113 |
| Deposits of the government | 12,633,850,593,434 |
| Treasury deposit | 150,001,026,112 |
| Domestic designated deposit | 12,239,860,364,524 |
| Other government deposits | 243,989,202,798 |
| Payables under repurchase agreements | 24,116,347,566,200 |
| Other liabilities | 84,086,119,657 |
| Remittances payable | 14,760,764,172 |
| Taxes payable | 28,031,000,000 |
| Lease liabilities | 7,988,759,130 |
| Others | 33,305,596,355 |
| Provision for retirement benefits | 203,316,793,791 |
| Provision for possible losses on bonds transactions | 4,799,292,993,013 |
| Provision for possible losses on foreign exchange transactions | 1,407,536,000,000 |
| Total liabilities | 599,937,244,913,112 |
| NET ASSETS | |
| Capital | 100,000,000 |
| Legal reserve | 3,252,007,626,093 |
| Special reserve | 13,196,452 |
| Net income | 1,295,276,068,570 |
| Total net assets | 4,547,396,891,115 |
| Total liabilities and net assets | 604,484,641,804,227 |

3. Statement of income for fiscal 2019 (April 1, 2019–March 31, 2020)

yen

| | |
|--|--------------------------|
| Operating income | 2,240,710,723,155 |
| Interest on loans and discounts | 200,834 |
| Interest on loans | 200,834 |
| Interest on receivables under resale agreements | -23,545,121 |
| Interest and discounts on Japanese government securities | 1,196,021,178,193 |
| Interest on commercial paper | 26,036,139 |
| Interest and discounts on corporate bonds | -787,181,357 |
| Gains on foreign currency assets | 203,647,057,203 |
| Gains on foreign currency securities | 118,529,810,819 |
| Gains on foreign currency mutual funds | 492,837,381 |
| Interest on foreign currency deposits and loans | 84,624,409,003 |
| Other operating income | 841,826,977,264 |
| Gains on pecuniary trusts (stocks held as trust property) | 205,093,505,197 |
| Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property) | 604,715,888,856 |
| Gains on pecuniary trusts (Japan real estate investment trusts held as trust property) | 7,950,388,411 |
| Dividends | 631,368,086 |
| Fees and commissions | 8,994,602,273 |
| Other income | 14,441,224,441 |
| Operating expenses | 603,123,270,002 |
| Interest on payables under repurchase agreements | -659,502,713 |
| Losses on foreign currency assets | 214,460,296,654 |
| Foreign exchange losses | 214,460,296,654 |
| General and administrative expenses and costs | 198,755,435,055 |
| Cost of production of banknotes | 48,132,167,214 |
| Administrative expenses for treasury business and Japanese government securities | 16,141,228,441 |
| Personnel expenses | 52,157,638,420 |
| Expenses for transportation and communications | 3,743,789,761 |
| Expenses for maintenance and repairs | 2,387,586,033 |
| Other general and administrative expenses and costs | 47,727,914,298 |
| Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes | 12,994,775,213 |
| Depreciation and amortization | 15,470,335,675 |
| Other general and administrative expenses | 190,567,041,006 |
| Interest on excess reserve balances under the complementary deposit facility | 188,253,620,749 |
| Fees and commissions paid | 109,550,745 |
| Other expenses | 2,203,869,512 |
| Operating profits | 1,637,587,453,153 |
| Special profits | 113,228,296,616 |
| Gains on disposal of fixed assets | 5,998,296,616 |
| Transfer from provision for possible losses on foreign exchange transactions | 107,230,000,000 |
| Special losses | 383,908,971,059 |
| Losses on disposal of fixed assets | 193,971,059 |
| Transfer to provision for possible losses on bonds transactions | 383,715,000,000 |
| Net income before taxes | 1,366,906,778,710 |
| Provision for corporate income tax, inhabitants taxes, and enterprise taxes | 71,630,710,140 |
| Net income | 1,295,276,068,570 |

4. Summary of significant accounting policies

a. Securities

Yen-denominated bonds and CP³ 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,⁴ 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 trusts⁵ 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. However, depreciation for accessory equipment acquired on or after April 1, 2016, is computed using the straight-line 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.

3. 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.

4. Includes bonds issued by real estate investment corporations.

5. 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.

(5) Others

Depreciation is computed in accordance with the Corporation Tax Act.

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 10 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.

Notes to Accounting Policies

From fiscal 2019, national and local consumption taxes are accounted for based on the tax exclusion method.

Explanatory Notes to Lease Transactions

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 | 216 |
| More than one year | 461 |
| Total | |
| | 677 |

b. Lessor

| | |
|--------------------|----------|
| | mil. yen |
| Within one year | 1 |
| More than one year | 28 |
| Total | |
| | 30 |

Explanatory Notes to Accounting for Retirement Benefits¹

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

| | |
|--|-----------------|
| | yen |
| Projected benefit obligation at the beginning of fiscal 2019 | 233,461,950,000 |
| Service cost | 5,848,375,000 |
| Interest cost | 933,601,000 |
| Actuarial differences | 1,988,915,973 |
| Retirement benefits paid | -10,186,165,973 |
| Prior service cost | ... |
| <hr/> | |
| Projected benefit obligation at the end of fiscal 2019 | 232,046,676,000 |

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

| | |
|--|-----------------|
| | yen |
| Projected benefit obligation | 232,046,676,000 |
| Fair value of plan assets | ... |
| <hr/> | |
| Unfunded projected benefit obligation | 232,046,676,000 |
| Unrecognized actuarial differences | -36,822,555,934 |
| Unrecognized prior service cost | 8,092,673,725 |
| <hr/> | |
| Net amount recorded on the balance sheet | 203,316,793,791 |
| Prepaid pension cost | ... |
| <hr/> | |
| Provision for retirement benefits | 203,316,793,791 |

3. Retirement benefit cost

| | |
|---------------------------------------|----------------|
| | yen |
| Service cost | 5,848,375,000 |
| Interest cost | 933,601,000 |
| Expected return on plan assets | ... |
| Amortization of actuarial differences | 6,349,347,413 |
| Amortization of prior service cost | -1,487,408,600 |
| <hr/> | |
| Retirement benefit cost | 11,643,914,813 |

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' opinion⁶

May 13, 2020

Auditors' Opinion on the Bank of Japan's Financial Statements for Fiscal 2019

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 2019 indicated below. In our opinion, the financial statements present fairly the state of property and the results of operations for fiscal 2019.

The financial statements comprise the following:
Inventory of property as at March 31, 2020;
Balance sheet as at March 31, 2020; and
Statement of income for fiscal 2019.

YANAGIHARA Ryota
ONOZAWA Yoji
FUJITA Hirokazu

Auditors, Bank of Japan

6. Appropriation of net income for fiscal 2019

yen

| | |
|--|--------------------------|
| Net income | 1,295,276,068,570 |
| Appropriations: | |
| Transfer to legal reserve | 64,763,803,429 |
| Dividends, 5 percent of share face value | 5,000,000 |
| Payment to the government | 1,230,507,265,141 |
| Total | 1,295,276,068,570 |

⁶ 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 2019 | Balance at the end of fiscal 2019 | Changes during fiscal 2019 |
|---|---|-----------------------------------|----------------------------|
| 1. Gold | 441,253,409,037 | 441,253,409,037 | 0 |
| 2. Cash¹ | 250,063,536,128 | 205,061,074,044 | -45,002,462,084 |
| 3. Japanese government securities | 469,953,880,200,679 | 485,918,129,988,422 | 15,964,249,787,743 |
| Treasury discount bills | 10,367,582,107,230 | 12,376,748,753,584 | 2,009,166,646,354 |
| Japanese government bonds | 459,586,298,093,449 | 473,541,381,234,838 | 13,955,083,141,389 |
| 2-year bonds | 26,878,929,114,918 | 24,652,914,488,787 | -2,226,014,626,131 |
| 5-year bonds | 108,217,728,922,239 | 103,090,204,751,684 | -5,127,524,170,555 |
| 10-year bonds | 184,399,876,132,912 | 195,783,509,606,789 | 11,383,633,473,877 |
| 20-year bonds | 93,246,910,678,444 | 100,693,959,571,233 | 7,447,048,892,789 |
| 30-year bonds | 33,530,742,477,809 | 35,650,417,776,620 | 2,119,675,298,811 |
| 40-year bonds | 7,244,552,088,144 | 7,736,061,284,948 | 491,509,196,804 |
| Floating-rate bonds | 4,019,832,866,412 | 3,190,677,058,322 | -829,155,808,090 |
| Inflation-indexed bonds | 2,047,725,812,571 | 2,743,636,696,455 | 695,910,883,884 |
| 4. Commercial paper² | 2,042,002,809,933 | 2,551,889,033,716 | 509,886,223,783 |
| Dematerialized commercial paper | 2,042,002,809,933 | 2,551,889,033,716 | 509,886,223,783 |
| 5. Corporate bonds³ | 3,206,693,501,619 | 3,220,825,190,968 | 14,131,689,349 |
| 6. Pecuniary trusts (stocks held as trust property)⁴ | 897,012,559,903 | 727,714,519,973 | -169,298,039,930 |
| Stocks | 873,575,065,453 | 708,268,080,053 | -165,306,985,400 |
| Dividends receivable and others | 23,437,494,450 | 19,446,439,920 | -3,991,054,530 |
| 7. Pecuniary trusts (index-linked exchange-traded funds held as trust property)⁵ | 24,784,899,771,164 | 29,718,938,645,617 | 4,934,038,874,453 |
| Index-linked exchange-traded funds | 24,784,899,771,164 | 29,718,938,645,617 | 4,934,038,874,453 |
| 8. Pecuniary trusts (Japan real estate investment trusts held as trust property)⁶ | 517,885,796,932 | 575,305,889,680 | 57,420,092,748 |
| Japan real estate investment trusts | 511,016,088,965 | 567,476,100,601 | 56,460,011,636 |
| Distributions receivable | 6,869,707,967 | 7,829,789,079 | 960,081,112 |
| 9. Loans and bills discounted | 47,436,189,000,000 | 54,328,648,000,000 | 6,892,459,000,000 |
| Electronic loans | 47,436,189,000,000 | 54,328,648,000,000 | 6,892,459,000,000 |
| Loans by Funds-Supplying Operations against Pooled Collateral ⁷ | 47,436,189,000,000 | 54,328,648,000,000 | 6,892,459,000,000 |
| 10. Foreign currency assets | 6,732,159,607,734 | 25,966,256,288,216 | 19,234,096,680,482 |
| Foreign currency deposits ⁸ | 1,922,441,830,375 | 1,732,262,396,986 | -190,179,433,389 |
| Foreign currency securities ⁹ | 2,177,907,682,695 | 2,355,224,668,143 | 177,316,985,448 |
| Foreign currency mutual funds | 61,415,209,664 | 60,613,713,087 | -801,496,577 |
| Foreign currency loans ¹⁰ | 2,570,394,885,000 | 21,818,155,510,000 | 19,247,760,625,000 |
| 11. Deposits with agents¹¹ | 21,987,164,750 | 23,994,220,003 | 2,007,055,253 |

- 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; (4) loans made through the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas; and (5) loans made through the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas of the 2016 Kumamoto Earthquake. The balance at the fiscal year-end also includes the amount outstanding of loans made through the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding the Novel Coronavirus (COVID-19).
 8. Deposits held at foreign central banks and the Bank for International Settlements (BIS).
 9. Includes securities issued by foreign governments.
 10. The amount outstanding at the beginning of the fiscal year 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. The amount outstanding at the fiscal year-end 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.
 11. 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 2019 | Balance at the end of fiscal 2019 | Changes during fiscal 2019 |
|---|---|-----------------------------------|----------------------------|
| 12. Other assets | 531,588,955,702 | 590,051,545,382 | 58,462,589,680 |
| Bills and checks in process of collection ¹² | 1,341,621,828 | 6,356,685 | -1,335,265,143 |
| 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 ¹³ | 15,278,374,364 | 15,278,374,364 | 0 |
| Withdrawn cash to be returned to the government ¹⁴ | 36,433,723,639 | 38,707,429,941 | 2,273,706,302 |
| Refund on accrued tax | 0 | 52,621,989,719 | 52,621,989,719 |
| Accrued interest receivable | 467,793,273,194 | 470,183,576,216 | 2,390,303,022 |
| Others | 10,516,962,677 | 13,028,818,457 | 2,511,855,780 |

Notes: 12. Checks and bills received as cash and in process of collection.

13. A subscription to the BIS.

14. 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 2019 | Increase during fiscal 2019 | Decrease during fiscal 2019 | Of which: | Balance at the end of fiscal 2019 | Cumulative total of depreciation |
|---|---|-------------------------------|-----------------------------|------------------------|-----------------------------------|----------------------------------|
| | | | | Depreciation | | |
| 13. Tangible fixed assets¹⁵ | 208,622,157,154 | 39,957,463,082 | 32,135,511,835 | 14,362,440,809 | 216,444,108,401 | 371,922,434,681 |
| Buildings ^{16,17} | 97,256,758,274 (609,974.05) | 16,206,577,427 (11,002.69) | 7,736,645,455 (7,534.61) | 7,536,453,958 (...) | 105,726,690,246 (613,442.13) | 342,104,833,719 (...) |
| Land ¹⁶ | 82,741,715,280 (509,113.35) | 1,383,768,680 (14,884.57) | 1,300,961 (16,948.17) | ... | 84,124,182,999 (507,049.75) | ... |
| Lease assets ^{18,19} | 7,582,942,520 (19,299) | 3,491,760,454 (9,500) | 3,476,037,919 (6,816) | 3,439,526,933 (...) | 7,598,665,055 (21,983) | 7,994,347,901 (...) |
| Construction in progress ²⁰ | 9,042,036,220 | 15,930,563,128 | 17,514,350,810 | ... | 7,458,248,538 | ... |
| Other tangible fixed assets ^{21,22} | 11,998,704,860 (9,977) | 2,944,793,393 (258) | 3,407,176,690 (295) | 3,386,459,918 (...) | 11,536,321,563 (9,940) | 21,823,253,061 (...) |

Notes: 15. "..." indicates that figures are not applicable.

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

17. The increase in "buildings" was mainly due to the renovation of and repairs to buildings for the Bank's business operations.

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

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

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

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

22. 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 2019 | Increase during fiscal 2019 | Decrease during fiscal 2019 | Of which: | Balance at the end of fiscal 2019 | Cumulative total of depreciation |
|------------------------------------|---|-----------------------------|-----------------------------|------------------|-----------------------------------|----------------------------------|
| | | | | Depreciation | | |
| 14. Intangible fixed assets | 124,266,331 | 13,445,198 | 7,820,761 | 7,820,761 | 129,890,768 | 875,008,579 |
| Utility rights | 124,266,331 | 13,445,198 | 7,820,761 | 7,820,761 | 129,890,768 | 875,008,579 |

Appendix: Details of loans provided through the Loan Support Program

yen

| Item | Balance at the beginning of fiscal 2019 | Balance at the end of fiscal 2019 | Changes during fiscal 2019 |
|--|---|-----------------------------------|----------------------------|
| Total amount outstanding | 48,645,283,885,000 | 51,741,428,000,000 | 3,096,144,115,000 |
| Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth ¹ | 8,922,683,885,000 | 8,927,628,000,000 | 4,944,115,000 |
| Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending | 39,722,600,000,000 | 42,813,800,000,000 | 3,091,200,000,000 |

Note: 1. The amount outstanding of loans made under the Growth-Supporting Funding Facility conducted through the Loan Support Program (including loans disbursed pursuant to the special rules for the U.S. dollar lending arrangement).

2. Details of liabilities and net assets

yen

| Item | Balance at the beginning of fiscal 2019 | Balance at the end of fiscal 2019 | Changes during fiscal 2019 |
|---|---|-----------------------------------|----------------------------|
| 1. Banknotes | 107,559,268,874,054 | 109,616,575,483,650 | 2,057,306,609,596 |
| 10,000 yen notes | 99,696,944,615,000 | 101,595,164,260,000 | 1,898,219,645,000 |
| 5,000 yen notes | 3,317,638,460,000 | 3,396,965,820,000 | 79,327,360,000 |
| 2,000 yen notes | 196,261,745,000 | 195,340,610,000 | -921,135,000 |
| 1,000 yen notes | 4,203,718,526,500 | 4,285,752,109,500 | 82,033,583,000 |
| Other banknotes ⁷ | 144,705,527,554 | 143,352,684,150 | -1,352,843,404 |
| 2. Deposits (excluding those of the government) | 421,378,299,007,776 | 447,076,239,363,367 | 25,697,940,355,591 |
| Current deposits | 393,883,659,070,999 | 395,256,035,035,254 | 1,372,375,964,255 |
| Other deposits ² | 27,494,639,936,777 | 51,820,204,328,113 | 24,325,564,391,336 |
| 3. Deposits of the government | 17,522,811,115,194 | 12,633,850,593,434 | -4,888,960,521,760 |
| Treasury deposit | 150,001,205,418 | 150,001,026,112 | -179,306 |
| Domestic designated deposit ³ | 17,084,756,686,053 | 12,239,860,364,524 | -4,844,896,321,529 |
| Other government deposits ⁴ | 288,053,223,723 | 243,989,202,798 | -44,064,020,925 |
| 4. Payables under repurchase agreements⁵ | 190,837,226,720 | 24,116,347,566,200 | 23,925,510,339,480 |
| Other sales of Japanese government securities under repurchase agreements ⁶ | 190,837,226,720 | 24,116,347,566,200 | 23,925,510,339,480 |
| Of which: | | | |
| Under the Securities Lending Facility | 190,837,226,720 | 860,938,924,202 | 670,101,697,482 |
| Under the securities lending to provide Japanese government securities as collateral for the U.S. dollar funds-supplying operations | 0 | 19,244,709,959,998 | 19,244,709,959,998 |
| 5. Other liabilities | 431,210,162,105 | 84,086,119,657 | -347,124,042,448 |
| Remittances payable | 14,665,492,128 | 14,760,764,172 | 95,272,044 |
| Taxes payable | 376,703,000,000 | 28,031,000,000 | -348,672,000,000 |
| Lease liabilities | 7,917,799,589 | 7,988,759,130 | 70,959,541 |
| Others ⁷ | 31,923,870,388 | 33,305,596,355 | 1,381,725,967 |

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. Deposits held by foreign central banks and others.

3. A deposit to which the surplus funds from management of the treasury are transferred from the "treasury deposit."

4. 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.

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

6. Monetary obligations other than those arising from sales under repurchase agreements of JGBs to the government.

7. 28,323,079,309 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 2019 | Increase during fiscal 2019 | Decrease during fiscal 2019 | Balance at the end of fiscal 2019 |
|--|---|-----------------------------|-----------------------------|-----------------------------------|
| 6. Provisions⁸ | 6,132,203,037,964 | 395,358,914,813 | 117,416,165,973 | 6,410,145,786,804 |
| Provision for retirement benefits | 201,859,044,951 | 11,643,914,813 | 10,186,165,973 | 203,316,793,791 |
| Provision for possible losses on bonds transactions | 4,415,577,993,013 | 383,715,000,000 | 0 | 4,799,292,993,013 |
| Provision for possible losses on foreign exchange transactions | 1,514,766,000,000 | 0 | 107,230,000,000 | 1,407,536,000,000 |
| 7. Net assets | 3,222,772,796,718 | 29,348,025,827 | 0 | 3,252,120,822,545 |
| Capital | 100,000,000 | 0 | 0 | 100,000,000 |
| Legal reserve ⁹ | 3,222,659,600,266 | 29,348,025,827 | 0 | 3,252,007,626,093 |
| Special reserve ¹⁰ | 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 Bank of Japan 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 2019

a. Operating income

| | |
|--|---|
| Interest on loans and discounts | |
| Interest on loans | 200,834 yen from electronic loans. |
| Interest on receivables under resale agreements | 23,545,121 yen from interest income on purchases of Japanese government securities under resale agreements. |
| Interest and discounts on Japanese government securities | 1,196,021,178,193 yen from interest income on Japanese government securities after adjustment. |
| Interest on commercial paper | 26,036,139 yen from interest income on commercial paper after adjustment. |
| Interest and discounts on corporate bonds | -787,181,357 yen from interest income on corporate bonds after adjustment. |
| Gains on foreign currency assets | |
| Gains on foreign currency securities | Total of 37,217,828,552 yen from interest and discounts on foreign currency securities and 13,071,468 yen from lending fees on them; and 81,298,910,799 yen of gains arising from sale, redemption, and revaluation at end-March 2020 of foreign currency securities. |
| Gains on foreign currency mutual funds | 492,837,381 yen |
| Interest on foreign currency deposits and loans | 84,624,409,003 yen |
| Other operating income | |
| Gains on pecuniary trusts (stocks held as trust property) | 205,093,505,197 yen mainly from gains on sales. |
| Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property) | 604,715,888,856 yen mainly from distributions. |
| Gains on pecuniary trusts (Japan real estate investment trusts held as trust property) | 7,950,388,411 yen mainly from distributions. |
| Dividends | 631,368,086 yen for dividends from shares of the Bank for International Settlements held by the Bank. |
| Fees and commissions | 8,994,602,273 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 | 14,441,224,441 yen from transfer from provision for retirement benefits and other miscellaneous income. |

b. Operating expenses

| | |
|--|---|
| Interest on payables under repurchase agreements | 659,502,713 yen from interest income on sales of Japanese government securities under repurchase agreements. |
| Losses on foreign currency assets | |
| Foreign exchange losses | 214,460,296,654 yen from losses on foreign currency assets resulting from revaluation following fluctuations in foreign exchange rates. |
| General and administrative expenses and costs | |
| Cost of production of banknotes | 48,132,167,214 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 | 16,141,228,441 yen from fees and commissions paid to agents of the Bank for administration of treasury business and Japanese government securities. |
| Personnel expenses | 432,741,100 yen for remuneration of the officers; 41,514,522,347 yen for remuneration of the employees; and 10,210,374,973 yen for retirement allowances. |
| Expenses for transportation and communications | 1,858,618,734 yen for expenses for transportation and 1,885,171,027 yen for expenses for communications. |
| Expenses for maintenance and repairs | 2,387,586,033 yen on offices and other premises. |
| Other general and administrative expenses and costs | 1,058,109,404 yen for the cost of expendable supplies; 1,526,225,219 yen for expenses for electricity and water supply; 6,211,316,119 yen for leasing fees for buildings and equipment; 9,353,242,553 yen for expenses for maintenance of buildings and equipment; and 29,579,021,003 yen for miscellaneous expenses. |
| Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes | 12,994,775,213 yen for taxes and public charges (including fixed-asset tax and urban development tax). |
| Depreciation and amortization | 15,470,335,675 yen on buildings and lease assets. |
| Other general and administrative expenses | |
| Interest on excess reserve balances under the complementary deposit facility | 188,253,620,749 yen (net difference between interest payment of 208,705,120,067 yen on excess reserve balances to which a positive interest rate is applied and interest income of 20,451,499,318 yen on the balances to which a negative interest rate is applied). |
| Fees and commissions paid | 109,550,745 yen |
| Other expenses | 2,203,869,512 yen for transfer to provision for retirement benefits and other expenses. |

c. Special profits

| | |
|---|---|
| Gains on disposal of fixed assets | 5,998,296,616 yen for gains on sales of land for the Bank's premises and other gains. |
| Transfer from provision for possible losses on foreign exchange transactions | 107,230,000,000 yen |

d. Special losses

| | |
|--|--|
| Losses on disposal of fixed assets | 193,971,059 yen for losses on disposals of the Bank's premises and other losses. |
| Transfer to provision for possible losses on bonds transactions | 383,715,000,000 yen |

e. Net income

| | |
|--|-----------------------|
| Net income before taxes | 1,366,906,778,710 yen |
| Provision for corporate income tax, inhabitants taxes, and enterprise taxes | 71,630,710,140 yen |
| Net income | 1,295,276,068,570 yen |

IV. EXPENSES

With regard to the Bank's statement of accounts for fiscal 2019 (the 135th fiscal year), the total amount of actual expenses increased by 3.8 percent (7.4 billion yen) to 199.9 billion yen compared to the previous fiscal year. This was mainly due to an increase in the "cost of fixed-asset purchases," reflecting a rise in expenses related to improvements to the Bank's premises.

1. Statement of accounts for fiscal 2019

yen

| Item | Initial budget | Adjusted budget ¹ | Actual | Surpluses | Changes from the previous year (actual) |
|---|------------------------|------------------------------|------------------------|----------------------|---|
| Cost of production of banknotes | 52,431,340,000 | 52,431,340,000 | 52,427,192,000 | 4,148,000 | 441,430,000 |
| Administrative expenses for treasury business and Japanese government securities | 17,378,928,000 | 17,378,928,000 | 16,900,867,189 | 478,060,811 | -53,547,613 |
| Personnel expenses | 53,063,843,000 | 53,063,843,000 | 52,218,795,681 | 845,047,319 | 603,531,205 |
| Remuneration of the officers | 432,941,000 | 432,941,000 | 432,741,100 | 199,900 | 2,734,100 |
| Remuneration of the employees | 42,084,931,000 | 42,084,931,000 | 41,575,679,608 | 509,251,392 | 473,832,610 |
| Retirement allowances | 10,545,971,000 | 10,545,971,000 | 10,210,374,973 | 335,596,027 | 126,964,495 |
| Expenses for transportation and communications | 4,399,581,000 | 4,399,581,000 | 3,990,208,305 | 409,372,695 | -103,045,439 |
| Expenses for transportation | 2,218,433,000 | 2,218,433,000 | 1,966,204,931 | 252,228,069 | -20,324,957 |
| Expenses for communications | 2,181,148,000 | 2,181,148,000 | 2,024,003,374 | 157,144,626 | -82,720,482 |
| Expenses for maintenance and repairs | 2,686,132,000 | 2,686,132,000 | 2,615,188,203 | 70,943,797 | -215,926,606 |
| Other general and administrative expenses and costs | 54,157,673,000 | 54,157,673,000 | 51,257,652,522 | 2,900,020,478 | -55,710,594 |
| Cost of expendable supplies | 1,298,446,000 | 1,298,446,000 | 1,152,748,354 | 145,697,646 | 33,394,065 |
| Expenses for electricity and water supply | 1,924,561,000 | 1,924,561,000 | 1,662,846,983 | 261,714,017 | -76,654,550 |
| Leasing fees for buildings and equipment | 7,068,033,000 | 7,068,033,000 | 6,713,079,486 | 354,953,514 | -1,278,771,227 |
| Expenses for maintenance of buildings and equipment | 10,579,027,000 | 10,579,027,000 | 10,192,783,319 | 386,243,681 | 471,591,391 |
| Miscellaneous expenses | 33,287,606,000 | 33,287,606,000 | 31,536,194,380 | 1,751,411,620 | 794,729,727 |
| Subtotal | 184,117,497,000 | 184,117,497,000 | 179,409,903,900 | 4,707,593,100 | 616,730,953 |
| Cost of fixed-asset purchases | 21,265,871,000 | 21,265,871,000 | 20,514,726,915 | 751,144,085 | 6,746,822,667 |
| Of which: Subject to the approval of the Minister of Finance ² | 4,993,890,000 | 4,993,890,000 | 4,836,453,448 | 157,436,552 | 582,410,439 |
| Contingency funds | 1,000,000,000 | 1,000,000,000 | 0 | 1,000,000,000 | 0 |
| Total | 206,383,368,000 | 206,383,368,000 | 199,924,630,815 | 6,458,737,185 | 7,363,553,620 |
| Of which: Subject to the approval of the Minister of Finance ² | 190,111,387,000 | 190,111,387,000 | 184,246,357,348 | 5,865,029,652 | 1,199,141,392 |

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 2019¹

mil. yen

| Area of business operation | Expenses | Changes from a year earlier | |
|--|----------------|-----------------------------|--------------------------|
| | | Changes from a year earlier | Share of total (percent) |
| Issuance of banknotes | 84,386 | +275 | 42.5 |
| Monetary policy | 22,612 | -1,122 | 11.4 |
| Financial system policy | 18,442 | +172 | 9.3 |
| Payment and settlement systems | 29,776 | -739 | 15.0 |
| Services relating to the government ² | 43,539 | +2,104 | 21.9 |
| Total | 198,755 | +691 | 100.0 |

Notes: 1. Calculated based on "general and administrative expenses and costs" (198.8 billion yen) in the statement of income for fiscal 2019 (the 135th 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

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

■ **Appendix 2: Medium-Term Strategic Plan
(Fiscal 2019–2023)**

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 2019 and at the beginning of fiscal 2020.

I. Audits of the Bank's Financial Statements and Other Documents⁷**A. Financial Statements and Other Documents for Fiscal 2018**

In May 2019, 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 2018 (the 134th fiscal year) as well as the statement of income for the second half of fiscal 2018.

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 2018 as well as the results of operations for the second half of fiscal 2018.

B. Financial Statements and Other Documents for the First Half of Fiscal 2019

From October through to early November 2019, 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 2019 (the 135th 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 2019.

C. Financial Statements and Other Documents for Fiscal 2019

In May 2020, 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 2019 as well as the statement of income for the second half of fiscal 2019.

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 2019 as well as the results of operations for the second half of fiscal 2019.

II. Audits of Cash, Securities, and Books

In fiscal 2019, the Auditors conducted a total of 55 on-site audits on 7 Head Office departments and 29 branches of the Bank, examining cash and securities in their custody as well as their books.

7. 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 2019, the Auditors conducted on-site audits on 29 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 169 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 350 examinations of key documents and 6 special on-site visits to the Bank's premises.

APPENDIX 2: MEDIUM-TERM STRATEGIC PLAN (FISCAL 2019–2023)^{1,2}**I. Introduction**

The Bank's *Medium-Term Strategic Plan (Fiscal 2019–2023)* (Plan) sets the basic direction for the Bank's business operations and organizational management during the five-year period.

The Plan's content will remain, in principle, fixed during fiscal 2019–2023, with a view to clarifying the Bank's objectives over the medium term and to ensuring proper assessment of its performance.

The Bank will conduct an interim review of the Plan in or around fiscal 2021, in order to enable the Bank to address any changes in the environment. It will flexibly revise the Plan as appropriate in response to any significant changes.

II. The Bank's Organizational Principles

The Bank's organizational principles constitute the set of fundamental values to be respected by the Bank, as the central bank of Japan. The officers and employees of the Bank must respect these principles at all times in the conduct of business operations. The Bank will secure 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.³

Transparency

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

Excellence

The Bank shall pursue excellence in the provision of central banking services, responding appropriately to changes in the environment.

Integrity

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

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

Turning to the environment surrounding central banks, economic and financial globalization has continued. Meanwhile, innovation and application of information technology (IT) such as digitalization have accelerated, and this has started to produce wide-ranging and diverse effects on economic and financial activities. In Japan, the economic and financial impact of structural social changes such as the declining and aging of the population has been increasing. In the wider context of the global economy and society, Japan is expected to address the Sustainable Development Goals (SDGs) adopted in 2015 at the United Nations General Assembly. These conditions

1. Decided by the Policy Board on March 22, 2019.

2. Following *The Bank of Japan's Strategic Priorities for Fiscal 2014–2018* ending in March 2019, the Bank formulated this statement for the five-year period starting April 2019.

3. 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.

present central banks with an increasingly wide range of challenges, and it has become ever more important for them to respond appropriately to changes in the environment.

Based on the above understanding, in order to properly perform its role as the central bank of Japan, the Bank has set the following three management guidelines for the Plan.

A. Work Cohesively to Fulfill Its Missions

The Bank's missions are to achieve price stability and to 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 continue to work cohesively to fulfill these missions, with its officers and employees sharing the understanding that doing so promotes the public interest. In this regard, it is important for the Bank to communicate to the public its policies and business operations in a readily understandable way and to listen carefully to outside opinion. Recognizing this, the Bank will further enhance its communication while expanding its relationships both inside and outside Japan.

B. Enhance Flexibility in Responding to a Changing Environment

The environment surrounding central banks has been subject to significant change, and thus it has become important for them to enhance their flexibility in responding to these changes. To this end, the Bank will reinforce its operational arrangements for responding to such changes through initiatives including continuously reviewing and revising its business operations, raising operational efficiency, and making effective use of management resources. It will also secure the staff needed to effectively execute its business operations and organizational management by fostering human

resources with a high degree of central banking expertise while also promoting diversity in the workplace. With this in mind, the Bank will cultivate a workplace environment favorable to improving the productivity of business operations and conducive to varied and flexible working arrangements, so that each employee can realize their full potential.

C. Execute Business Operations with Stability and Integrity

The Bank's missions are fulfilled through the execution of a wide range of central banking operations; the stability and integrity with which it executes these operations are what underpin public confidence in the Bank. Meanwhile, central banks have been facing, and are expected to continue to face, an increasingly wide range of challenges. Given these considerations, the Bank will ensure the stable execution of business operations by managing its operational risks properly while maintaining and further enhancing the operational reliability and individual expertise of its employees, which have been cultivated through long years of workplace experience. It will also continue to secure the complete integrity with which its officers and employees execute their duties.

IV. Challenges Accompanying IT Advances

The Bank will pursue its strategic objectives for business operations and organizational management, in accordance with the organizational principles that constitute the Bank's fundamental values, and the management guidelines that indicate the priorities of the Plan. In a situation where advances in IT have started to produce wide-ranging and diverse effects on economic and financial activities, it is highly important for the Bank to address the accompanying challenges in conducting both business operations and organizational management.

While considering from a medium- to long-term perspective how the growing impact of advances in IT will affect the Bank's business operations and the conditions at counterparties such as financial institutions, the Bank will proactively address any new challenges that arise and make all necessary operational adjustments. With regard to organizational management, the Bank, putting an emphasis on further use of IT, will tackle a wide range of tasks to improve operational efficiency, reduce operational risks, and use management resources effectively throughout the five-year period of the Plan. The Bank will also coordinate its efforts with the initiatives of the government and private sector in utilizing IT.

V. Strategic Objectives for Business Operations

The Bank will focus on the following strategic objectives for its business operations.

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

On its way to achieving sustainable growth with price stability, Japan's economy is expected to experience various changes in economic and financial conditions, including the impact of advances in IT.

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

Based on such multi-perspective analysis of the efficacy and impacts of monetary policy, the Bank will plan and formulate monetary policy measures flexibly. In addition, it will work to have the necessary operational arrangements in place so that market operations are conducted properly, in line with monetary policy decisions.

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

It is essential to ensure the 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, formulate, and execute business operations such as the selection of financial institutions that can hold current accounts at the Bank and the provision of loans.

The Bank, through on-site examinations and off-site monitoring, will also thoroughly assess business conditions at individual financial institutions in terms of their business environments, business strategies and operations, risk management, profitability, and capital bases, while considering the impacts of demographic changes and advances in IT. In particular, due attention will be paid to structural issues affecting their profits and to changes in their risk profiles accompanying developments in their business operations at home and abroad. Based on its assessments, the Bank, while utilizing IT, will identify and share issues of managerial concern with financial institutions and provide support as they make necessary improvements.

In planning and formulating financial system policy measures, the Bank will continue to place importance 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, taking into consideration, for example, the diversification of financial service providers.

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

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

C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures

The Bank will enhance Japan's payment and settlement services in response to the diversification of payment and settlement needs and financial globalization while maintaining an accurate grasp of environmental changes such as the spread of new financial and settlement services and operational changes at financial institutions. From this perspective, the Bank, as a central bank, will actively contribute to discussions and initiatives regarding new possibilities and challenges accompanying IT advances through close communication with a wide range of relevant service providers at home and abroad.

Regarding its payment and settlement services, the Bank will promote initiatives to realize payment and settlement for cross-border transactions in yen or Japanese government bonds by making effective use of the Bank of Japan Financial Network System (BOJ-NET). It will also proceed with wide-ranging deliberations on the applicability of newly developed IT to its payment and settlement infrastructure.

Meanwhile, the Bank will conduct appropriate oversight of financial market infrastructures, while considering changes in the environment.

The Bank will also work actively to reinforce financial market infrastructures 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

The Bank will work to secure confidence in the use of banknotes and coins while employing new technology. In this regard, it will conduct business operations such as the receipt and payment of cash and the examination of banknotes and coins in a precise and stable manner.

In addition, the Bank will, in cooperation with relevant institutions, strengthen the monitoring of the cleanliness of banknotes in circulation and enhance its efforts to address counterfeiting.

The Bank will also maintain an accurate grasp of trends in cash circulation and improve the stability and efficiency of operational frameworks based on the information gathered.

With regard to banking operations, the Bank will, on a daily basis, continue to settle financial transactions involving current account deposits that financial institutions hold at the Bank and conduct market operations, implementing all of these in an accurate and stable manner. As for treasury funds and Japanese government securities (JGSs), the Bank will carry out a wide range of services with precision.

For both banking operations and services relating to treasury funds and JGSs, the Bank will continuously assess the stability and efficiency of its operational and other frameworks, while taking due account of, for example, trend changes in workloads and developments in the environment surrounding counterparties.

E. Contribute to International Finance amid Globalization

Amid further globalization and continuing growth in business and financial transactions between Japanese institutions and counterparties located in Asia, economic and financial stability around the globe, particularly in Asia, has become ever more 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 relevant authorities at home and abroad. It will also play a leadership role at many different international meetings, while paying appropriate attention to Japan's stance. Furthermore, in support of efforts to ensure economic

and financial stability in Asia, the Bank will, among other initiatives, further strengthen monetary cooperation and technical assistance work in the region.

F. Contribute to Regional Economic and Financial Environments

Making due use of the functions available at its head office, branches, and local offices in activities such as providing appropriate central banking services in each region of the country, the Bank will contribute to regional economic and financial environments, with a view to supporting sustainable development.

Regarding central banking services, the Bank will aim to ensure that it can conduct its business operations in a stable manner even at times of natural disasters. It will maintain an accurate grasp of regional economic and financial conditions and of region-specific challenges through close communication with local financial institutions, firms, and economic organizations. At the same time, the Bank will provide careful explanations of (1) its view of Japanese and overseas economic and financial conditions and (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 clearly and accessibly communicate its conduct of monetary policy and business operations not only to financial professionals but also to the general public at home and abroad.

Aiming to better grasp 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 relationships with people, firms, and economic organizations across a wide range of fields.

Taking the above matters into consideration, the Bank will work to achieve multilateral and effective communication by making use of various communication platforms, including its website. It will also aim to enhance the content of in-house tours of its head office and branches.

The Bank will publish the findings from its research and analysis in effective ways. It will also appropriately compile and release statistics, mainly with a view to improving their user-friendliness and responding to changes in Japan's economic and industrial structure.

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 and associated committees to promote financial literacy among the public.

VI. Strategic Objectives for Organizational Management

A. Organizational Management

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. Execute Business Operations Flexibly and Secure Requisite Staff

In view of the increasingly wide range of challenges facing central banks and the need to be able to respond flexibly to changes in the environment, the Bank will enhance its capability in planning business operations by accumulating a high degree of central banking expertise as well as maintaining and further enhancing the individual staff expertise cultivated through long years of workplace experience. It will revise and restructure its business processes to make full use of IT and work actively to enhance efficiency and stability in its

business operations via computerization. Through these efforts, the Bank will further increase its effective use of management resources.

The Bank will secure the staff—that is, individuals possessing a high degree of central banking expertise—that it requires for executing its business operations and organizational management. At the same time, it will continue to foster employees' ability to tackle new tasks and to excel in international arenas, while taking into consideration changes in working arrangements. In addition, the Bank will further promote diversity in the workplace by, for example, improving the inclusion of women and senior employees and expanding the opportunities available to them. It will also steadily realize varied and flexible working arrangements to further improve the work-life balance and well-being of its employees. Through these efforts, the Bank will continue to foster a workplace environment in which diverse employees can realize their full potential.

2. Manage Operational Risks Appropriately

In order to maintain public confidence, it is important for the Bank to continue to execute all business operations with precision and deliberation. To this end, it will work cohesively to manage operational risks effectively, giving due consideration to changes in the composition of its workforce and in working arrangements. In doing so, the Bank will promote the reduction of operational risks and efficiency of risk management by making active use of IT.

In managing operational risks, it is essential for the Bank to ensure that its officers and employees execute their duties with integrity. To this end, the Bank will continue to work to ensure strict compliance with accepted social and ethical standards and to promote the appropriate management of information security.

3. Strengthen Business Continuity Arrangements

Based on its experience following the Great East Japan Earthquake, the Kumamoto Earthquake, and a succession of other natural disasters, as well as the government's reappraisal of potential damage scenarios for large-scale earthquakes such as those directly hitting Tokyo or occurring in the Nankai Trough area, the Bank will further reinforce its business continuity arrangements through the effective use of its management resources.

B. Management Resources

1. Number of Employees

In order to carry out the strategic objectives stated in the Plan, the Bank will work to secure the necessary employee numbers and to increase the efficiency of its overall business operations. The ceiling on the number of full-time employees for each fiscal year will be decided and made public based on this basic understanding.⁴

2. Expense Budget

In order to carry out the strategic objectives stated in the Plan, the Bank will secure the necessary budget and achieve more streamlined overall spending. The budget for each fiscal year will be decided and made public based on this basic understanding.⁵

VII. Performance Reviews of the Plan

With a view to (1) steadily carrying out the strategic objectives for business operations and organizational management stated in the Plan 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 Plan every fiscal year. In addition, it will conduct a comprehensive review of its performance over the entire period of the Plan.

4. See Attachment 2 for Appendix 2 on page 99 for the ceiling on the number of full-time employees for fiscal 2020.

5. See Attachment 1 for Appendix 2 on page 98 for the budget for expenses for fiscal 2020.

THE BANK OF JAPAN'S BUDGET FOR EXPENSES FOR FISCAL 2020¹

The Bank of Japan's budget for expenses for fiscal 2020 (the 136th fiscal year) is as follows (Table 1).² 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 2020 was more or less unchanged from the previous year, an increase of 0.7 percent, of which the amount subject to the approval of the Minister of Finance increased by 1.6 percent. This was due to changes in the following items: administrative expenses for treasury business and Japanese government securities increased by 18.2 percent, mainly owing to a revision of fees and commissions paid to agents of the Bank for administration of treasury business and the start of the provision of welfare benefits for pensioners, and the cost of production of banknotes increased by 2.8 percent, mainly due to expenses to be incurred in preparation for the introduction of a new series of banknotes, while expenses related to many other items decreased. Year-on-year percentage changes include the effects of the October 2019 consumption tax hike.

1. Decided by the Policy Board on March 17, 2020.

2. The Bank prepares a budget for expenses every fiscal year. Its budget, 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. After obtaining authorization from the Minister of Finance, the Bank implements the budget from the start of the fiscal year. All figures, including those in Table 1, are rounded off.

Table 1

Budget for Expenses for Fiscal 2020 (The 136th Fiscal Year)

| Item | Initial budget (thous. yen) | Change from the previous year (percent) |
|---|--------------------------------|--|
| Cost of production of banknotes | 53,923,404 | 2.8 |
| Administrative expenses for treasury business and Japanese government securities | 20,549,844 | 18.2 |
| Personnel expenses | 53,134,130 | 0.1 |
| Remuneration of the officers | 432,821 | -0.0 |
| Remuneration of the employees | 42,155,660 | 0.2 |
| Retirement allowances | 10,545,649 | -0.0 |
| Expenses for transportation and communications | 4,347,283 | -1.2 |
| Expenses for transportation | 2,187,263 | -1.4 |
| Expenses for communications | 2,160,020 | -1.0 |
| Expenses for maintenance and repairs | 2,338,222 | -13.0 |
| Other general and administrative expenses and costs | 53,435,000 | -1.3 |
| Cost of expendable supplies | 1,136,148 | -12.5 |
| Expenses for electricity and water supply | 1,892,815 | -1.6 |
| Leasing fees for buildings and equipment | 6,914,564 | -2.2 |
| Expenses for maintenance of buildings and equipment | 11,664,554 | 10.3 |
| Miscellaneous expenses | 31,826,919 | -4.4 |
| Subtotal | 187,727,883 | 2.0 |
| Cost of fixed-asset purchases | 19,091,405 | -10.2 |
| Of which: Subject to the approval of the Minister of Finance ¹ | 4,456,878 | -10.8 |
| Contingency funds | 1,000,000 | 0.0 |
| Total² | 207,819,288 | 0.7 |
| Of which: Subject to the approval of the Minister of Finance ¹ | 193,184,761 | 1.6 |

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 30,445,300 thousand yen, a 0.1 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 10,519 person-months (one person-month is the workload equivalent of one person working for one month in system development), and a total of approximately 13,660 person-months when 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 2020¹**

The Bank has set the ceiling on the number of full-time employees for fiscal 2020 at 4,900.

1. Decided by the Policy Board on March 27, 2020.

Information

I. Bank of Japan Website

II. Visiting the Bank of Japan

III. Publications and Reports

I. BANK OF JAPAN WEBSITE

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

Provides various kinds of information, including monetary policy releases, speeches and statements, reports and research papers, financial and economic statistics, as well as general information about the Bank.

The screenshot displays the Bank of Japan's English website homepage. At the top, it features the Bank's logo and name in both Japanese and English, along with social media icons and language options (日本語 and English). A navigation menu includes links for 'About the Bank', 'Monetary Policy', 'Financial Services', 'Payments and Markets', 'Banknotes, Treasury Funds, XFS Services', 'International Finance', 'Research and Studies', 'Statistics', and 'Announcements'. A search bar is located on the right side of the navigation bar.

The main content area is divided into several sections:

- Video Player:** A video titled 'Remarks by Governor of BOJ at the Virtual Event Co-chaired by Harold Loh (Chairman of International Financial Markets) and the Chairman of BOJ on the Japanese Economy and the Bank of Japan's Operations' dated Jun. 26, 2020.
- The Bank's Market Operations:** A summary of key metrics:
 - Monetary Base: 564,490 trillion yen (as of July 16, 2020)
 - Bank Loans: 0.3% (as of December 16, 2019)
 - Overnight Call Rate: -0.050% (effective from July 16, 2020)
 - Current Account Balance: 446,020 billion yen (as of July 16, 2020)
 - Policy Rate: minus 0.1% (as of January 16, 2020)
 - Next Monetary Policy Meeting Date: Scheduled for August 13, 2020.
- What's New:** A list of recent news items with dates and categories (e.g., Statistics, Monetary Policy, Research).
- Services:** Links for 'Search by Topic' and 'Services'.
- For Financial Institutions:** Links for 'FAQs', 'Release Schedule', and 'Annual Review'.
- Key Messages:** Alerts regarding the 'Price Stability Target' of 2 Percent and 'QQE with Yield Curve Control', a 'Warning against Scams Using the Bank's Name', and 'Releases Related to Natural Disasters on Business Continuity Planning page'.
- Highlights:** A section featuring 'Outlook for Economic Activity and Prices' (July 10, 2020), 'Speech by Governor Karada, co-chaired by the Deputy Governor, at the Research Institute of Japan's Tokyo' (May 14, 2020), 'Opinion Survey' (July 7, 2020), and 'Guidelines for Conducting On-Site Examinations in Response to COVID-19' (June 30, 2020).

Bank of Japan FAQs: ←

<https://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. Continually updated to reflect changes.

■ **BOJ from Home:**

<https://www.boj.or.jp/en/announcements/education/ouchi.htm>

Offers a 3-D/virtual reality (VR) tour of the Main Building of the Bank's Head Office, which is designated an Important Cultural Property.



■ **Virtual Tour:**

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

Introduces the Bank's business operations and history with photographs and explanatory notes.



New Building



Old Building



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

<https://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":

https://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 of its history and organizational structure.



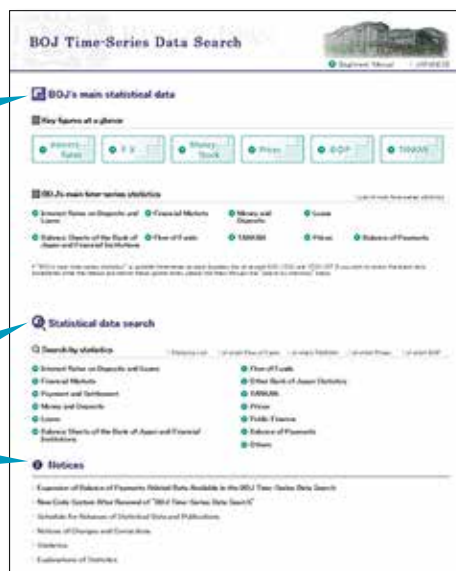
■ BOJ Time-Series Data Search:

https://www.stat-search.boj.or.jp/index_en.html

Provides time-series statistical data released by the Bank, which are available for viewing, searching, downloading, and graph creation.

Time-series data for
BOJ's main statistics

Detailed explanations
on statistics and data
search



Find Us on Social Media

The Bank maintains an active presence on the social networking sites, Twitter and Facebook. The Bank's accounts below provide updates concerning releases on the Bank's website. They may also be used by the Bank as extra channels for communication, for example, in cases of emergency.

▶ **Twitter Account:** [@Bank_of_Japan_e](https://twitter.com/Bank_of_Japan_e)

▶ **Facebook Account:** [@BankofJapan.en](https://www.facebook.com/BankofJapan.en)

For the Bank's social networking site management policy, see: <https://www.boj.or.jp/en/snspolicy.htm>

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:

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



Tours of the Bank's Head Office

The Bank offers two kinds of tours to help visitors learn more about the Bank's role and business operations: (1) in-house tours (reservation required) and (2) short tours on the day (no reservation required).

For details, visit the Bank's website:

<https://www.boj.or.jp/en/about/services/kengaku.htm>

Online Tour Reservation:

<https://www5.revn.jp/bojtour>

■ Bank of Japan Currency Museum

1-3-1 Nihonbashi-Hongokucho, Chuo-ku, Tokyo 103-0021, Japan
Tel: +81-3-3277-3037

<https://www.imes.boj.or.jp/cm/english/index.html>

The Museum looks to provide visitors with opportunities to think about the history and role of currency and its relation to culture and society through viewing the Museum's collection of coins and notes, as well as related materials and research.



■ Bank of Japan Otaru Museum

1-11-16 Ironai, Otaru, Hokkaido 047-0031, Japan

<https://www3.boj.or.jp/otaru-m/en/index.html>

The Bank of Japan Otaru Museum opened in May 2003, in what was previously the 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 |
|---|---|-----------|
| Annual Review | https://www.boj.or.jp/en/about/activities/act/index.htm | Annual |
| Functions and Operations of the Bank of Japan | https://www.boj.or.jp/en/about/outline/fobj.htm | — |

About Monetary Policy

| Title | URL | Frequency |
|--|---|------------|
| Outlook for Economic Activity and Prices | https://www.boj.or.jp/en/mopo/outlook/index.htm | Quarterly |
| Semiannual Report on Currency and Monetary Control | https://www.boj.or.jp/en/mopo/diet/d_report/index.htm | Semiannual |

Reports & Research Papers

| Title | URL | Frequency |
|---------------------------------------|---|--------------|
| Financial System Report | https://www.boj.or.jp/en/research/brp/fsr/index.htm | Semiannual |
| Payment and Settlement Systems Report | https://www.boj.or.jp/en/research/brp/psr/index.htm | Ad hoc basis |
| Regional Economic Report | https://www.boj.or.jp/en/research/brp/rer/index.htm | Quarterly |
| Monetary and Economic Studies | https://www.boj.or.jp/en/research/imes/mes/index.htm | Annual |

Data Compiled in Statistical Publications

| Title | URL | Frequency |
|--|---|-----------|
| Financial and Economic Statistics Monthly | https://www.boj.or.jp/en/statistics/pub/sk/index.htm | Monthly |
| <i>Tankan</i> (Short-Term Economic Survey of Enterprises in Japan) | https://www.boj.or.jp/en/statistics/tk/index.htm | Quarterly |

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