



BANK OF JAPAN

ANNUAL REVIEW 2023





BANK OF JAPAN

ANNUAL REVIEW 2023

Year Ended March 31, 2023

OUR POLICY AND OPERATIONS





Foreword by the Governor	7
About the Bank of Japan	9
I. Core Purposes	10
II. Capital	11
III. The Bank's Officers	12
IV. Organization	16
The Bank's Business Operations	23
I. Monetary Policy	24
II. Financial System Policy	25
III. Enhancement of Payment and Settlement Systems and Market Infrastructures	27
IV. International Operations	28
V. Issuance, Circulation, and Maintenance of Banknotes	28
VI. Services Relating to the Government	29
VII. Communication with the Public	29
The Bank's Review of Fiscal 2022	31
I. Introduction	32
II. Review of Economic and Financial Developments and Monetary Policy Meetings	33
III. Performance Reviews of Measures Taken under the <i>Medium-Term Strategic Plan</i>	40
The Bank's Organizational Management in Fiscal 2022	53
I. Statement of Accounts and Budget for Expenses	54
II. IT Investment	54
III. Human Resources	54
IV. Organizational Management Measures	55
V. Internal Audits	56
Climate Change Initiatives: Disclosure Based on TCFD Recommendations	57
I. Governance	59
II. Strategy	59
III. Risk Management	61
IV. Metrics and Targets	65
The Bank's Accounts: Financial Statements and Other Documents for Fiscal 2022	67
I. Assets and Liabilities, Profits and Losses, and Capital Adequacy Ratio	68
II. Financial Statements	77
III. Schedule for the Financial Statements	86
IV. Expenses	92
Appendixes	95
■ Appendix 1: Overview of Audits of the Bank of Japan	96
■ Appendix 2: Medium-Term Strategic Plan (Fiscal 2019–2023)	98
Information	107
I. Bank of Japan Website	108
II. Visiting the Bank of Japan	111
III. Publications and Reports	112

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 on the Bank's website

(<https://www.boj.or.jp/en/about/activities/act/ar2023.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 2022 and the *Annual Review 2023* have been drawn up and released to explain to readers the implementation of the Bank's business operations during fiscal 2022. During the fiscal year, the Bank, in accordance with the *Medium-Term Strategic Plan (Fiscal 2019–2023)*, continued to address various issues and move 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 and with due regard for the impact 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, which appears to read 'Kazuo Ueda'. The signature is fluid and cursive, written on a white background.

UEDA Kazuo

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 2023, 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	40,580	40.6
Financial institutions	1,851	1.9
Public organizations	183	0.2
Securities companies	41	0.0
Other firms	2,333	2.3
Total	100,000	100.0

Note: 1. Rounded down to the nearest 1,000 yen. As of the end of March 2023.

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: TAKATA Hajime, NOGUCHI Asahi, ADACHI Seiji, NAKAMURA Toyoaki, NAKAGAWA Junko, and TAMURA Naoki
Seated from left to right: HIMINO Ryoza, UEDA Kazuo, and UCHIDA Shinichi

UEDA Kazuo, Governor

UCHIDA Shinichi, Deputy Governor

HIMINO Ryoza, Deputy Governor

ADACHI Seiji, Member of the Policy Board

NAKAMURA Toyoaki, Member of the Policy Board

NOGUCHI Asahi, Member of the Policy Board

NAKAGAWA Junko, Member of the Policy Board

TAKATA Hajime, Member of the Policy Board

TAMURA Naoki, Member of the Policy Board

Notes: 1. Members are as of August 1, 2023.

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

<p>UEDA Kazuo <i>Governor (the 32nd) and Chairman of the Policy Board</i></p> <p>Date of Birth September 20, 1951</p> <p>Education The University of Tokyo (1974, B.S. in Mathematics) Massachusetts Institute of Technology (1976, entered the Ph.D. program; and 1980, Ph.D. in Economics)</p>	<p>1980 Assistant Professor, University of British Columbia</p> <p>1982 Associate Professor, Osaka University</p> <p>1989 Associate Professor, The University of Tokyo</p> <p>1993 Professor, The University of Tokyo</p> <p>1998 Member of the Policy Board, Bank of Japan</p> <p>2005 Professor, The University of Tokyo</p> <p>2017 Professor, Kyoritsu Women's University</p> <p>2023 Present position</p>
<p>UCHIDA Shinichi <i>Deputy Governor</i></p> <p>Date of Birth August 22, 1962</p> <p>Education The University of Tokyo (1986, B.A. in Law) Harvard Law School (1991, LL.M.)</p>	<p>1986 Joined the Bank of Japan</p> <p>2007 Associate Director-General, Monetary Affairs Department</p> <p>2008 Associate Director-General, Personnel and Corporate Affairs Department</p> <p>2010 General Manager, Niigata Branch</p> <p>2012 Director-General, Monetary Affairs Department</p> <p>2017 General Manager, Nagoya Branch</p> <p>2018 Executive Director</p> <p>2023 Present position</p>
<p>HIMINO Ryozo <i>Deputy Governor</i></p> <p>Date of Birth April 25, 1960</p> <p>Education The University of Tokyo (1983, B.A. in Law) Harvard Business School (1987, MBA)</p>	<p>1983 Joined the Ministry of Finance</p> <p>2003 Secretary General, Basel Committee on Banking Supervision</p> <p>2006 Director, Securities Business Division, Supervisory Bureau, Financial Services Agency of Japan (JFSA)</p> <p>2007 Director, Banking Business Division I, Supervisory Bureau, JFSA</p> <p>2009 Director, Planning and Management Division, Supervisory Bureau, JFSA</p> <p>2010 Deputy Director-General, Planning and Coordination Bureau, JFSA</p> <p>2016 Vice Minister for International Affairs, JFSA</p> <p>2020 Commissioner, JFSA</p> <p>2021 Visiting Professor, Graduate School of Public Policy, The University of Tokyo</p> <p>2022 Executive Research Fellow, Policy Research Department, NLI Research Institute</p> <p>2023 Present position</p>

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

NOGUCHI Asahi

Date of Birth	Education
March 17, 1958	The University of Tokyo (1982, B.A. in Economics; and 1988, withdrew from doctoral program in Economics after completion of course requirements except for dissertation) Chuo University (2021, Ph.D. in Economics)

1988 Lecturer, Senshu University
1991 Assistant Professor, Senshu University
1997 Professor, Senshu University
2003 Visiting Fellow, Center for International and Area Studies, Yale University
2021 Present position

NAKAGAWA Junko

Date of Birth	Education
July 26, 1965	Kobe University (1988, B.A. in Literature)

1988 Joined Nomura Securities Co., Ltd.
2001 Director of Financial Planning Group, Finance Department, Nomura Securities Co., Ltd.
2004 Resigned Nomura Securities Co., Ltd.
2008 Representative Director and President, Nomura Healthcare Co., Ltd.
2010 Co-Deputy Chief Financial Officer, Nomura Holdings, Inc.
2011 Executive Managing Director and Chief Financial Officer, Nomura Holdings, Inc.
2013 Senior Managing Director of Group Internal Audit, Nomura Holdings, Inc.
2017 Chief Risk Officer, Executive Vice President and Executive Managing Director, Nomura Asset Management Co., Ltd.
2019 President and Chief Executive Officer, Nomura Asset Management Co., Ltd.
2021 Chairperson, Nomura Asset Management Co., Ltd.
Present position

TAKATA Hajime

Date of Birth	Education
August 2, 1958	The University of Tokyo (1982, B.A. in Economics) University of Oxford (1986, M.Sc. in Economics for Development)

1982 Joined The Industrial Bank of Japan, Ltd. (IBJ)
1999 General Manager of Fixed Income Research Department, Fixed Income Group, IBJ Securities Co., Ltd.
2000 General Manager of Fixed Income Research Department, Fixed Income Group, Mizuho Securities Co., Ltd. (MHSC)
2011 Executive Officer Joint Head of Global Research Division, MHSC
Managing Executive Officer and Chief Economist, Mizuho Research Institute Ltd. (MHRI)
2017 Senior Managing Executive Officer and Chief Economist, MHRI
2019 Vice-chairman and Executive Economist, MHRI
2020 Chairman of Global Research Center and Executive Economist, Okasan Securities Co., Ltd.
2022 Present position

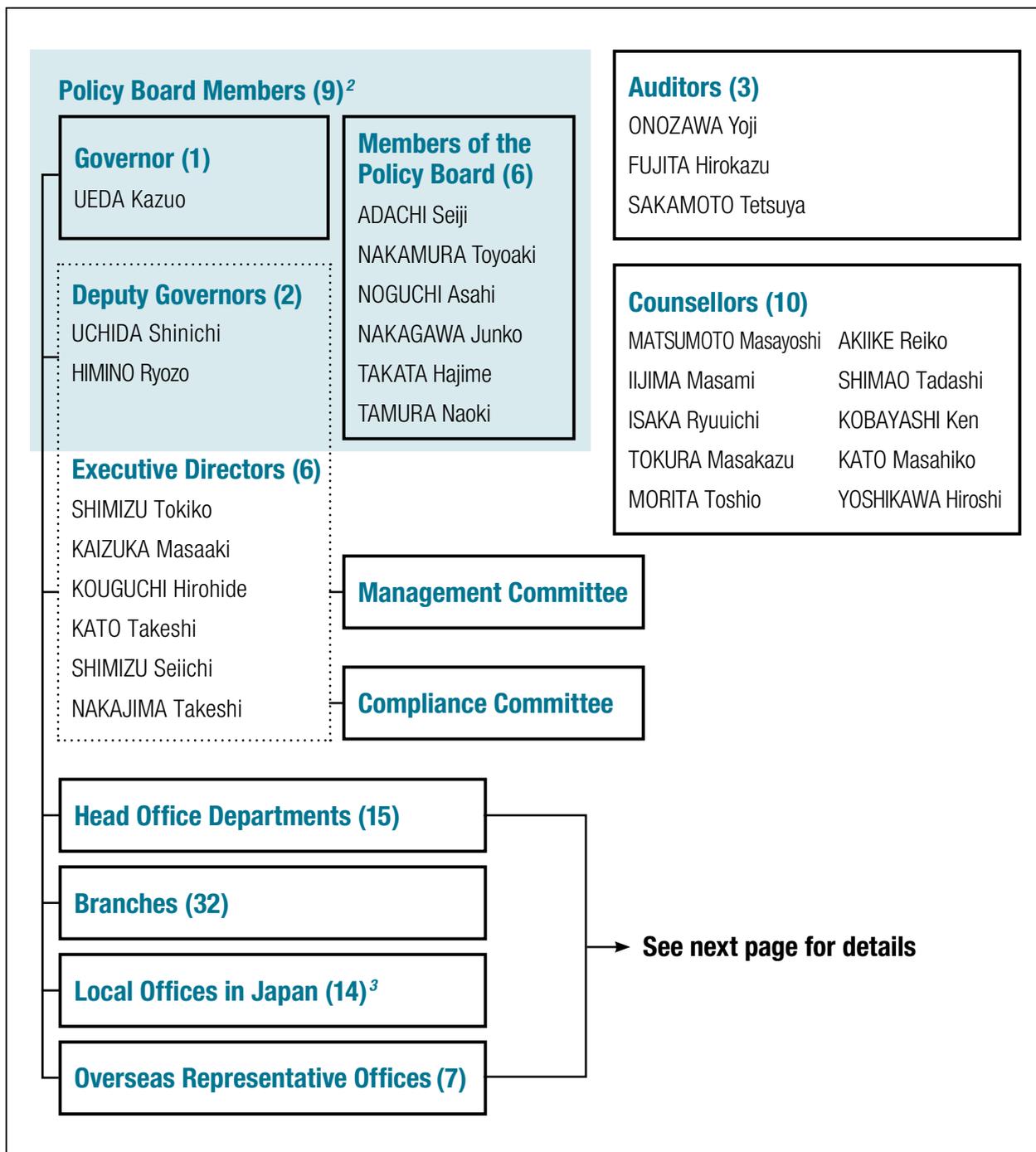
TAMURA Naoki

Date of Birth	Education
July 9, 1961	Kyoto University (1984, B.A. in Law)

1984 Joined The Sumitomo Bank, Ltd.
2012 Executive Officer and General Manager, Credit & Investment Planning Department, Sumitomo Mitsui Banking Corporation (SMBC), and General Manager, Corporate Risk Management Department, Sumitomo Mitsui Financial Group, Inc. (SMFG)
2015 Managing Executive Officer (Special Mission), SMBC
Managing Executive Officer, Public Relations Department, Corporate Planning Department, and Subsidiaries & Affiliates Department, SMBC
2017 Managing Executive Officer, Deputy Head of Retail Banking Unit, SMBC, and Managing Executive Officer, Deputy Head of Retail Business Unit, SMFG
2018 Senior Managing Executive Officer, Head of Retail Banking Unit, SMBC, and Senior Managing Executive Officer, Head of Retail Business Unit, SMFG
2021 Advisor, SMBC, and Advisor, SMFG
2022 Present position

IV. ORGANIZATION

Organization Chart of the Bank¹



Notes: 1. As of August 1, 2023.

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	KURAMOTO Katsuya (Director-General) HANAJIRI Tetsuro (Director-General, Senior Secretary to the Governor) DONO Atsushi (Director-General for Parliamentary Affairs and Business Associations Relations) KAMIJO Toshiaki (Director-General for Management Strategy, Budget and Accounting)
Internal Auditors' Office	NAKAMURA Tsuyoshi (Director-General)
Monetary Affairs Department	MASAKI Kazuhiro (Director-General)
Financial System and Bank Examination Department	NAKAMURA Koji (Director-General)
Payment and Settlement Systems Department	TAKEDA Naomi (Director-General) SUZUKI Koichiro (Director-General for Digital Currency)
Financial Markets Department	FUJITA Kenji (Director-General)
Research and Statistics Department	OTANI Akira (Director-General)
International Department	KAMIYAMA Kazushige (Director-General)
Currency Issue Department	KANAZAWA Toshio (Director-General)
Operations Department	KAMIGUCHI Hiroshi (Director-General)
Information System Services Department	FUKUDA Eiji (Director-General)
Public Relations Department	KOMAKI Yoshihiro (Director-General)
Personnel and Corporate Affairs Department	HARIMOTO Keiko (Director-General) OKUNO Akio (Director-General for Personnel Management)
Administration Department	CHIDA Hidetsugu (Director-General)
Institute for Monetary and Economic Studies	CHIKADA 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, 22nd Floor, New York, NY 10005, U.S.A.	+1-212-269-6566	KASAI Makoto (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	ISHIZAKA Shingo (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	WATANABE Shingo (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	ENOMOTO Hidetaka (Chief Representative in Paris)
Frankfurt	Bank of Japan Representative Office in Frankfurt Neue Mainzer Straße 66-68, 60311 Frankfurt am Main, Germany	+49-69-9714310	KATAOKA Masahiko (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	SHIMIZU Yuhei (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	KOIKE Kazunori (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

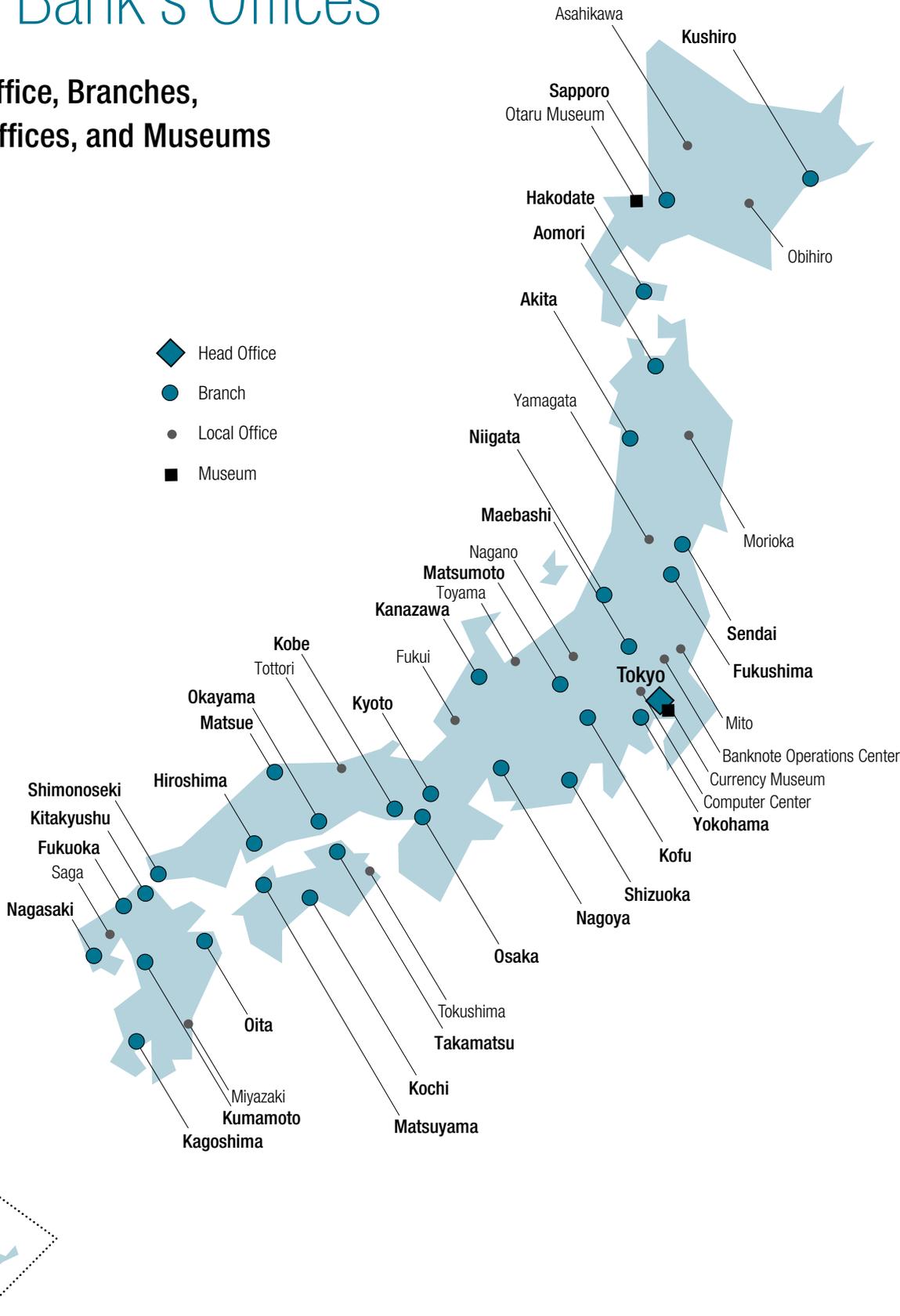
The Computer Center in Fuchu City, Tokyo, operates the Bank's systems. The Banknote Operations Center in Toda City, Saitama Prefecture, receives, pays, and stores banknotes. The other 12 local offices handle some of the operations of the Head Office or branches.

Overseas Representative Offices

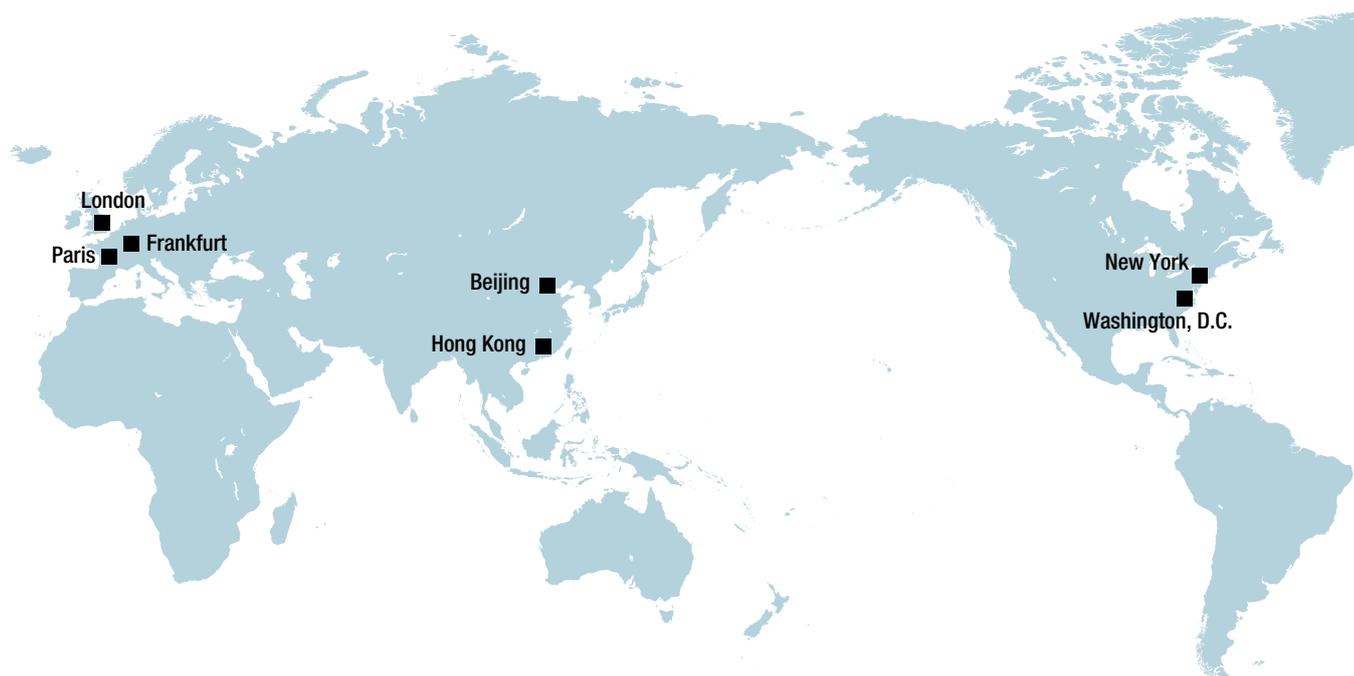
The seven overseas representative offices perform a liaison function, gather information, and conduct research.

The Bank's Offices

Head Office, Branches, Local Offices, and Museums



Overseas Representative Offices¹



Note: 1. For details, see page 17.

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 2022.

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 2022.²

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 112.

2. The summaries of these two issues are available in English on the Bank's website; for excerpts from these summaries, see pages 33–39. The full texts are available in Japanese on the website (<https://www.boj.or.jp/index.html>).

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 of their 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 these 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 2022¹

	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 (123)	123 (123)	123 (123)	123 (123)	123 (123)
Trust banks	11 (11)	11 (11)	8 (8)	8 (8)	11 (11)
Foreign banks	48 (49)	48 (49)	36 (37)	39 (40)	37 (38)
<i>Shinkin</i> banks	247 (247)	247 (247)	112 (112)	135 (135)	194 (194)
Financial instruments business operators	36 (36)	36 (36)	30 (30)	35 (35)	34 (34)
Bankers associations	1 (33)	0 (0)	0 (0)	0 (0)	0 (0)
Other institutions	18 (18)	9 (9)	9 (9)	9 (9)	11 (11)
Total	484 (517)	474 (475)	318 (319)	349 (350)	410 (411)

Note: 1. Figures in parentheses indicate the number of institutions as of the end of fiscal 2021.

Table 2

Number of Financial Institutions Examined/Interviewed

	Remote intensive interviews ¹	On-site examinations	
	Fiscal 2020	Fiscal 2021	Fiscal 2022
Domestically licensed banks ²	18	18	20
<i>Shinkin</i> banks	14	34	37
Other institutions ³	5	7	4
Total	37	59	61

Notes: 1. During fiscal 2020, the Bank conducted "remote intensive interviews" (in-depth interviews using remote methods), in place of on-site examinations.

2. Established and licensed under Japanese legislation, excluding the Bank and government-related organizations.

3. 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. With regard to Central Bank Digital Currency (CBDC), a new form of digital central bank money that is different from the deposits in current accounts that financial institutions hold at the Bank, although the Bank currently has no plan to issue a CBDC, it has been conducting the explorations necessary to be able to respond appropriately to changes in circumstances, from the viewpoint of ensuring the stability and efficiency of the overall payment and settlement systems.

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 (BOP) statistics and foreign exchange intervention.

In addition, the Bank takes part in international discussions on the state of the world economy, measures to ensure the stability and improve the structure of financial markets, and responses to climate change. 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, the Financial Stability Board (FSB), and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), 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 a 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 2022

I. Introduction

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

- A. First Half of Fiscal 2022 (April–September 2022)
- B. Second Half of Fiscal 2022 (October 2022–March 2023)

III. 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)* (hereafter the 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.

This section provides a brief review of economic and financial developments as well as decisions made

at Monetary Policy Meetings (MPMs) in fiscal 2022, followed by 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 2022 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 2022" (see pages 53–56).

1. For the text of the "*Medium-Term Strategic Plan (Fiscal 2019–2023)*," see Appendix 2 on pages 98–103.

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

A. First Half of Fiscal 2022 (April–September 2022)

1. Economic developments

a. During the period from April through September 2022, Japan's economy, despite being affected by factors such as a rise in commodity prices, had picked up as the resumption of economic activity had progressed while public health had been protected from the novel coronavirus (COVID-19).

Exports and industrial production had increased as a trend, with the effects of supply-side constraints intensifying in the first half of the April–September period but waning thereafter. Corporate profits had been at high levels on the whole, and business sentiment had been more or less unchanged. Business fixed investment had kept picking up, although weakness had been seen in some industries. The employment and income situation had improved moderately on the whole. Private consumption had increased moderately, despite being affected by the COVID-19 resurgence this summer. Housing investment had been relatively weak. Public investment had been more or less flat.

b. Regarding price developments, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) had accelerated due to rises in prices of such items as energy, food, and durable goods, registering around 3 percent at the end of the April–September period. Inflation expectations had risen.

2. Developments in financial markets and conditions

a. In global financial markets, amid concern over acceleration in the pace of policy interest rate

hikes by central banks, U.S. and European long-term interest rates had risen significantly. Risk asset prices had declined substantially with long-term interest rates following an increasing trend, and with concern over a possible economic slowdown. Meanwhile, international commodity prices had declined on the whole, reflecting deterioration in the outlook for global demand, although they had continued to be at high levels against the background of the remaining effects of geopolitical risks.

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, 10-year Japanese government bond (JGB) yields had been at the target level of around zero percent under Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control. Issuance rates for CP had been at extremely low levels. Those for corporate bonds had been at low levels, albeit rising somewhat.

The Nikkei 225 Stock Average had declined in line with stock prices in the United States and Europe and was in the range of 25,500–26,000 yen at the end of September. However, the degree of decline had been comparatively small in Japan, reflecting market attention on such factors as the undervaluation of Japanese stock prices relative to those in the United States and the yen's depreciation.

In the foreign exchange market, the yen had depreciated against the U.S. dollar, partly due to dollar purchasing by Japanese importers, with market attention on the differing direction of

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 2022 and June 2023. The full texts of both issues in Japanese and summaries in English are available on the Bank's website.

monetary policy between the two countries. The U.S. dollar was in the range of 144–145 yen at the end of September. In the meantime, foreign exchange intervention operations of buying yen and selling U.S. dollars were conducted. The yen had also depreciated against the euro, reflecting a rise in interest rates in European economies.

- c. With regard to corporate financing, demand for funds had risen moderately due to an increase in demand for working capital in reflection of the resumption of economic activity and raw material cost increases, while precautionary demand for liquidity due to the impact of COVID-19 had subsided on the whole. Although weakness had remained in some segments, firms' financial positions had continued on an improving trend, including for small and medium-sized firms, on the back of a pick-up in the economy. Meanwhile, in terms of supply of funds, financial institutions' lending attitudes as perceived by firms had remained accommodative.
- d. The year-on-year rate of change in the monetary base (currency in circulation plus current account balances at the Bank) had decelerated gradually, mainly due to a decline in the amount outstanding of funds provided through the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19). The rate turned negative in September. The year-on-year rate of change in the money stock (M2) had been in the range of 3.0–3.5 percent.

3. MPMs³

- a. Four MPMs were held in the first half of fiscal 2022.

Regarding economic and financial developments, the Policy Board judged at the April and June MPMs that "Japan's economy has picked up as

a trend, although some weakness has been seen in part, mainly due to the impact of COVID-19 and a rise in commodity prices." It then deemed at the July MPM that "Japan's economy has picked up with the impact of COVID-19 waning, despite being affected by factors such as a rise in commodity prices." The Policy Board judged at the September MPM that "Japan's economy has picked up as the resumption of economic activity has progressed while public health has been protected from COVID-19, despite being affected by factors such as a rise in commodity prices."

- b. In the conduct of monetary policy, the Policy Board decided at the April MPM upon the following guideline for market operations under QQE with Yield Curve Control.

Yield curve control

- (1) 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 a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

- (2) Conduct of fixed-rate purchase operations for consecutive days

In order to implement the above guideline for market operations, the Bank will offer to purchase 10-year JGBs at 0.25 percent every business day through fixed-rate purchase operations, unless it is highly

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

likely that no bids will be submitted.

At all the subsequent MPMs, the Policy Board maintained the above guideline for market operations.

With regard to asset purchases, the Policy Board decided to maintain the following guidelines at all the MPMs held in the first half of fiscal 2022.

Guidelines for asset purchases

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

- (1) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.
- (2) The Bank will purchase CP and corporate bonds at about the same pace as prior to the COVID-19 pandemic, so that their amounts outstanding will gradually return to pre-pandemic levels, namely, about 2 trillion yen for CP and about 3 trillion yen for corporate bonds.

At the September MPM, the Policy Board decided to phase out the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) and shift to fund-provisioning that would meet a wide range of financing needs.

(1) Treatment of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)

- (a) Regarding the fund-provisioning against loans that financial institutions make on their own ("non-government-supported loans") in response to COVID-19, mainly to small and medium-sized firms, the Bank

will extend the implementation period by six months and complete the fund-provisioning at the end of March 2023. During the extended implementation period, it will provide three-month funds once a month.

- (b) Regarding the fund-provisioning against loans that financial institutions make on the back of government support ("government-supported loans") in response to COVID-19, mainly to small and medium-sized firms, the Bank will extend the implementation period by three months and complete the fund-provisioning at the end of December 2022. During the extended implementation period, it will provide three-month funds once a month.

(2) Provision of an Unlimited Amount of Funds under the Funds-Supplying Operations against Pooled Collateral

In order to support financing, mainly of small and medium-sized firms, even after the expiration of the above special operations, and with a view to meeting a wider range of financing needs, the Bank will set no upper limit on the amount of fund-provisioning under the Funds-Supplying Operations against Pooled Collateral, for which various types of collateral are accepted. This change will be applied from the next fund-provisioning scheduled on September 27.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following at all the MPMs held in the first half of fiscal 2022: "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. For the time being, while closely monitoring the impact of COVID-19, the Bank will support financing, mainly of firms, and maintain stability in financial markets, and will not hesitate to take additional easing measures if necessary; it also expects short- and long-term policy interest rates to remain at their present or lower levels."

B. Second Half of Fiscal 2022 (October 2022–March 2023)

1. Economic developments

a. During the period from October 2022 through March 2023, Japan's economy, despite being affected by factors such as high commodity prices, had picked up as the resumption of economic activity had progressed while public health had been protected from COVID-19.

Although exports and industrial production had been affected by a slowdown in the pace of recovery in overseas economies, they had been more or less flat, supported by a waning of the effects of supply-side constraints. Corporate profits had been at high levels on the whole, and business sentiment had been more or less unchanged. In this situation, business fixed investment had increased moderately. The employment and income situation had improved moderately on the whole. Private consumption, despite being affected by price rises, had increased moderately, with the impact of COVID-19 waning. Housing investment had been relatively weak. Public investment had been more or less flat.

b. Regarding price developments, the year-on-year rate of increase in the CPI (all items less fresh food) had accelerated to around 4 percent through

January due to rises in prices of such items as energy, food, and durable goods. Thereafter, the rate of increase decelerated, mainly due to the effects of pushing down energy prices from the government's economic measures, registering around 3 percent for March. Inflation expectations had been more or less unchanged after rising.

2. Developments in financial markets and conditions

a. Regarding global financial markets, stock prices in many economies had risen, mainly reflecting a decline in U.S. long-term interest rates, the resumption of economic activity in China, and the fact that concern over a possible economic slowdown associated with energy shortages had eased somewhat in Europe. Through mid-March, however, there had been a phase when stock prices declined, with heightened concern over issues surrounding some financial institutions in the United States and Europe leading to a rise in investors' risk aversion. Thereafter, market tensions eased somewhat through the end of March, partly because public authorities around the world had taken swift measures.

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, 10-year JGB yields had been at the target level of around zero percent under QQE with Yield Curve Control. Issuance rates for CP had been at extremely low levels. Those for corporate bonds had risen, mainly against the background of an increase in their base rate and heightened volatility in financial markets at home and abroad, and then were more or less flat at the end of the October–March period.

The Nikkei 225 Stock Average had risen more or less in line with U.S. stock prices and was in the range of 28,000–29,000 yen at the end of March.

In the foreign exchange market, the yen had

appreciated against the U.S. dollar, with market attention on such factors as a narrowing of the yield differential between Japan and the United States. The U.S. dollar was in the range of 133–134 yen at the end of March. The yen had depreciated somewhat against the euro on the whole during the October–March period, albeit with fluctuations.

- c. With regard to corporate financing, demand for funds had risen moderately, mainly due to an increase in demand for working capital in reflection of a pick-up in economic activity and of raw material cost increases. Although weakness had remained in some segments, firms' financial positions had been at improved levels on the whole, supported by the pick-up in economic activity. Meanwhile, in terms of supply of funds, financial institutions' lending attitudes as perceived by firms had remained accommodative.
- d. The year-on-year rate of decline in the monetary base (currency in circulation plus current account balances at the Bank) had accelerated, mainly due to a decline in the amount outstanding of funds provided through the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19). Thereafter, the rate of decline decelerated due to an increase in JGB purchases. The year-on-year rate of change in the M2 had been at around 2.5–3.0 percent.

3. MPMs⁴

- a. Four MPMs were held in the second half of fiscal 2022.

The Policy Board made the following judgement on economic and financial developments at all the MPMs held during the period: "Japan's economy, despite being affected by factors such as high commodity prices, has picked up as the resumption of economic activity has progressed

while public health has been protected from COVID-19."

- b. In the conduct of monetary policy, the Policy Board decided at the October MPM to maintain the following guideline for market operations under QQE with Yield Curve Control.

Yield curve control

- (1) 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 a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

- (2) Conduct of fixed-rate purchase operations for consecutive days

In order to implement the above guideline for market operations, the Bank will offer to purchase 10-year JGBs at 0.25 percent every business day through fixed-rate purchase operations, unless it is highly likely that no bids will be submitted.

At the December MPM, the Policy Board decided to modify the conduct of yield curve control in order to improve market functioning and encourage a smoother formation of the entire yield curve, while maintaining accommodative financial conditions. To this end, it decided upon the following guideline for market operations.

Yield curve control

- (1) The Bank decided to set the following

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

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 a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

(2) Conduct of yield curve control

While significantly increasing the amount of JGB purchases, the Bank will expand the range of 10-year JGB yield fluctuations from the target level: from between around plus and minus 0.25 percentage points to between around plus and minus 0.5 percentage points.

The Bank will offer to purchase 10-year JGBs at 0.5 percent every business day through fixed-rate purchase operations, unless it is highly likely that no bids will be submitted. In order to encourage the formation of a yield curve that is consistent with the above guideline for market operations, the Bank will make nimble responses for each maturity by increasing the amount of JGB purchases even more and conducting fixed-rate purchase operations.

At the January MPM, the Policy Board decided upon the following guideline for market operations.

Yield curve control

(1) 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 a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

(2) Conduct of yield curve control

The Bank will continue to allow 10-year JGB yields to fluctuate in the range of around plus and minus 0.5 percentage points from the target level, and will offer to purchase 10-year JGBs at 0.5 percent every business day through fixed-rate purchase operations, unless it is highly likely that no bids will be submitted. In order to encourage the formation of a yield curve that is consistent with the above guideline for market operations, the Bank will continue with large-scale JGB purchases and make nimble responses for each maturity by increasing the amount of JGB purchases and conducting fixed-rate purchase operations.

At the March MPM, the Policy Board maintained the above guideline for market operations.

With regard to asset purchases, the Policy Board decided at the October MPM to maintain the following guidelines.

Guidelines for asset purchases

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

(1) The Bank will purchase ETFs and J-REITs as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.

- (2) The Bank will purchase CP and corporate bonds at about the same pace as prior to the COVID-19 pandemic, so that their amounts outstanding will gradually return to pre-pandemic levels, namely, about 2 trillion yen for CP and about 3 trillion yen for corporate bonds.

At the December MPM, the Policy Board decided upon the following guidelines for asset purchases.

Guidelines for asset purchases

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

- (1) The Bank will purchase ETFs and J-REITs as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.
- (2) The Bank will purchase CP and corporate bonds at about the same pace as prior to the COVID-19 pandemic, so that their amounts outstanding will gradually return to pre-pandemic levels, namely, about 2 trillion yen for CP and about 3 trillion yen for corporate bonds. In adjusting the amount outstanding of corporate bonds, the Bank will give due consideration to their issuance conditions.

At the January MPM, the Policy Board maintained the above guidelines for asset purchases.

At the March MPM, the Policy Board decided upon the following guidelines for asset purchases.

Guidelines for asset purchases

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

following guidelines.

- (1) The Bank will purchase ETFs and J-REITs as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.
- (2) The Bank will maintain the amount outstanding of CP at about 2 trillion yen. It will purchase corporate bonds at about the same pace as prior to the COVID-19 pandemic, so that their amount outstanding will gradually return to the pre-pandemic level of about 3 trillion yen. In adjusting the amount outstanding of corporate bonds, the Bank will give due consideration to their issuance conditions.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following at all the MPMs held in the second half of fiscal 2022: "the Bank will continue with QE 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. For the time being, while closely monitoring the impact of COVID-19, the Bank will support financing, mainly of firms, and maintain stability in financial markets, and will not hesitate to take additional easing measures if necessary; it also expects short- and long-term policy interest rates to remain at their present or lower levels."

III. 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 impacts of COVID-19, globally increased inflationary pressure, and foreign interest rate rises. 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 *Bank of Japan Review Series*.
- (2) The Bank conducted multi-perspective analysis, particularly on the policy efficacy and impacts of QQE with Yield Curve Control. In light of its findings, it planned and formulated the following policy responses.
 - (a) Clarification of the conduct of fixed-rate purchase operations for consecutive days, whereby the Bank would offer to purchase 10-year JGBs at 0.25 percent every business day through fixed-rate purchase operations, unless it was highly likely that no bids would be submitted (April 2022).
 - (b) Modification of the conduct of the Securities Lending Facility (SLF), mainly to facilitate the Bank's market operations (June, August, and November, 2022; February and March, 2023).
 - (c) A phase-out of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) and a shift to fund-provisioning that would meet a wide range of financing needs (September 2022).
 - (d) Amendment to the purchasing method for ETFs, so that the holding cost of each ETF and other factors would be taken into account (October 2022).
 - (e) Modification of the conduct of yield curve control in order to improve market functioning and encourage a smoother formation of the entire yield curve, while maintaining accommodative financial conditions (December 2022).
 - (f) A one-year extension of the deadline for loan disbursement under the Fund-Provisioning Measure to Stimulate Bank Lending (January 2023).
 - (g) Expansion of the range of eligible counterparties for the Funds-Supplying Operations to Support Financing for Climate Change Responses to include member financial institutions of central organizations of financial cooperatives (January 2023).
 - (h) Enhancement of the Funds-Supplying Operations against Pooled Collateral (January 2023).
- (3) The Bank organized two workshops, in May and November 2022, on "Issues Surrounding Price Developments during the COVID-19 Pandemic," conducting wide-ranging discussions with representatives from academia to deepen understanding of topics such as the impact on prices of the increase in cost-push pressures and the link between wages and prices.
- (4) The Bank maintained 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 2022 mainly via telephone conferencing.
- (5) 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 findings, the Bank moved nimbly to plan and formulate policy measures. In addition, it maintained dialogue with market participants through, for example, the "Meeting on Market Operations" and the "Bond Market Group Meeting," 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 2022, it achieved its intended objectives in implementing measures and provided a firm underpinning for monetary policy conduct. In fiscal 2023, the Bank will continue to work to conduct research and analysis that appropriately reflect various changes in economic and financial conditions, including changes in price conditions at home and abroad, to move nimbly to plan policy measures, and to have the necessary operational arrangements in place to conduct market operations properly. In addition, the Bank will proceed with, for example, research and analysis as well as discussions with stakeholders that will contribute to a broad-perspective review of monetary policy.

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

1. Progress in implementing specific measures

(1) The Bank conducted on-site examinations of 61 financial institutions, combining remote methods with visits to premises to prevent the spread of COVID-19 and reduce the operational burden on the institutions involved. Examinations were conducted flexibly and efficiently, depending on the extent of an institution's systemic influence and risk profile.

The Bank thereby gained an appropriate grasp of, for example, business operations and asset quality, profitability, and resilience against risks at individual institutions, as well as the business conditions of financial groups as a whole.

- (2) With regard to off-site monitoring of financial institutions, the Bank closely followed developments in, for example, business operations, risk management, and profitability, while allowing for the impact of COVID-19. It also conducted in-depth research and analysis, particularly on the efficacy and effects of QQE with Yield Curve Control and of various policy responses to the pandemic, the impact of the rise in foreign interest rates, responses to climate change, and efforts toward digitalization. In addition, the Bank conducted off-site monitoring of systemically important financial institutions given developments such as changes in business models and risk profiles. With regard to regional financial institutions, the Bank encouraged initiatives to strengthen their business foundations and implemented the Special Deposit Facility to Enhance the Resilience of the Regional Financial System (hereafter the Special Deposit Facility).
- (3) In the two issues of the 2022 *Financial System Report*, released in April and October, the Bank assessed the stability of Japan's financial system amid the ongoing impact of COVID-19 and deepened its analysis particularly on risks posed by changes in the global environment affecting lending and securities investment. In addition, it released four issues of the *Financial System Report Annex Series* in fiscal 2022, providing more detailed analysis of and insight into selected topics. Meanwhile, on the communications side, the Bank made use of online communication tools on various occasions to provide explanations to a wide range of relevant parties, including financial institutions, analysts, the media, and academics, mainly through holding seminars

and giving presentations at various international meetings (there were a total of 82 such occasions in fiscal 2022).

- (4) The Bank executed business operations for the Special Deposit Facility in an appropriate manner.
- (5) The Financial Services Agency (FSA) and the Bank continued to work to increasingly share awareness of challenges and risks at all levels, for example, by holding meetings of the "Council for Cooperation on Financial Stability." In addition, with a view to implementing higher quality monitoring and reducing the operational burden on financial institutions, the FSA and the Bank intensified efforts to strengthen cooperation through the "Financial Monitoring Council." They consolidated work on joint surveys targeting major financial institutions, coordinated the planning of the FSA's inspections and the Bank's on-site examinations, shared the findings of inspections and examinations, and made progress in integrating and abolishing templates of various data and reports submitted by financial institutions as well as in unifying submission destinations. Furthermore, in June 2022, they jointly released the "Progress in Initiatives for Further Strengthening Coordination between the Financial Services Agency and the Bank of Japan," outlining the achievements mentioned above.
- (6) The Bank continued its stable execution of business operations for the Loan Support Program.
- (7) The Bank hosted, via livestream, workshops on topics such as the current situation and challenges related to provision for possible loan losses at financial institutions, finance for achieving the Sustainable Development Goals (SDGs), and finance integrating environment, social, and governance (ESG) criteria.

2. Evaluation of progress

The Bank thoroughly assessed and facilitated necessary improvements in, particularly, the business operations

and risk management at financial institutions through, for example, presenting its assessment in the *Financial System Report* of challenges and risks faced in maintaining and improving the stability and functioning of the financial system as well as through its conduct of on-site examinations and strengthening of off-site monitoring in light of that assessment. As part of this process, the Bank also worked to strengthen the integration of on-site examinations and off-site monitoring. In addition, it deepened dialogue with regional financial institutions through the conduct of the Special Deposit Facility and encouraged initiatives to strengthen their business foundations.

The Bank carried out, in an appropriate and efficient manner, the selection of financial institutions with which to conduct transactions as well as business operations relating to the provision of loans. It also steadily pushed forward with its cooperation with the FSA in various fields, thereby further strengthening coordination on the prudential front and enhancing effectiveness and efficiency in each field.

During fiscal 2022, 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 achieved its intended objectives in implementing measures toward ensuring the stability and improving the functioning of the financial system. In fiscal 2023, the Bank will thoroughly assess, particularly, the business operations and risk management at financial institutions by continuing to (1) conduct on-site examinations that combine remote methods with visits to premises, (2) strengthen the integration of on-site examinations and off-site monitoring, and (3) take initiatives to further strengthen coordination with the FSA. In addition, it will step up its efforts to deal with such challenges as responses to climate change and cybersecurity management. The Bank will also deepen dialogue with regional financial institutions on measures

to support regional economies and strengthen their business foundations.

C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures

1. Progress in implementing specific measures

- (1) With regard to Central Bank Digital Currency (CBDC), the Bank, in accordance with "The Bank of Japan's Approach to Central Bank Digital Currency," advanced steadily in coordinating with stakeholders at home and abroad, mainly by conducting experiments and exploring requisite institutional arrangements, as detailed below.
 - (a) As for experiments with CBDC, the Bank completed Proof of Concept (PoC) Phase 2 in fiscal 2022 and made necessary arrangements to launch a pilot program in fiscal 2023.
 - (b) As part of its exploration of requisite institutional arrangements, the Bank released "Liaison and Coordination Committee on Central Bank Digital Currency 'Interim Report'" in May 2022 and an issue of the *Payment and Settlement Systems Report Annex Series* in fiscal 2022.
 - (c) The Bank held meetings of the "Liaison and Coordination Committee on Central Bank Digital Currency" in April and November 2022 as well as in February 2023. It shared details and exchanged views with the private sector and the government regarding, for example, updates on and findings from the PoCs, institutional arrangements, and items to be examined in the pilot program.
 - (d) The Bank hosted meetings of the "Future of Payments Forum: Digital Currency Subcommittee" in June and December 2022. It exchanged views with a wide range of relevant parties on specific technologies and approaches that could be utilized for CBDC.
 - (e) The Bank, as a member of the group of major central banks assessing potential cases for CBDCs with the Bank for International Settlements (BIS), participated in deliberations and actively exchanged views with other major central banks on progress in initiatives taken in each jurisdiction as well as common issues.
- (2) The Bank contributed to discussions on standardization in financial services and worked to gain increasing recognition of the activities of the Japanese arm of the International Organization for Standardization (ISO) technical committee (ISO/TC 68), mainly through hosting the "ISO Panel" meetings in September 2022 and March 2023.
- (3) The Bank joined the "Task Force for the Next-Generation Payment Systems" and affiliated working groups set up by the Japanese Banks' Payment Clearing Network (Zengin-Net). It supported specific deliberations on the participation of funds transfer service providers in the Zengin Data Telecommunication System (Zengin System), the adoption of a new connection method to the Zengin System via an application programming interface (API), and the development of the 8th Generation Zengin System scheduled to begin operation in 2027.
- (4) The Bank announced in January 2023 the timeline for upgrading to the new version of the ISO 20022 standard for payment messages used by the Bank of Japan Financial Network System (BOJ-NET) and made steady progress with the preparations necessary for the upgrade.
- (5) The Bank hosted meetings of the "Cross-Industry Forum on Interest Rate Benchmarks" in April, September, and December 2022 as well as in March 2023, exchanged views with participants and shared information on trends in interest rate benchmarks at home and abroad. It supported market participants in Japan during the transition from U.S. dollar LIBOR, the publication of which was to be permanently ceased in June 2023, mainly

by providing information on the situation in each jurisdiction and related international initiatives.

- (6) The Bank compiled and released the results of the *Market Functioning Survey concerning Climate Change* in August 2022. The Bank identified progress made in the improvement of market functioning as well as future challenges in this regard, and disseminated the findings. It held a meeting on the survey findings for market participants in October 2022 and exchanged views on climate finance.
- (7) In line with the revised FX Global Code, the Bank pushed forward with initiatives to encourage adherence to the Code in Japan and to further extend compliance among market participants.

2. Evaluation of progress

With regard to CBDC, the Bank, in accordance with "The Bank of Japan's Approach to Central Bank Digital Currency," advanced steadily in coordinating with stakeholders at home and abroad, mainly by conducting experiments and exploring requisite institutional arrangements. In addition, it actively contributed to discussions at home and abroad regarding the new possibilities and challenges that advances in information technology (IT) present for payment and settlement services, while making steady progress in working toward the enhancement of such services in Japan.

As for the reinforcement of the infrastructures of financial and capital markets, the Bank contributed to market initiatives on climate finance by conducting the *Market Functioning Survey concerning Climate Change* and exchanging views with market participants on the survey findings. Moreover, the Bank continued to support market initiatives concerning interest rate benchmark reform and adherence to the FX Global Code.

Based on the above, the Bank considers that, in fiscal 2022, it achieved its intended objectives in implementing measures, and made notable contributions to enhancing payment and settlement services and reinforcing the

infrastructures of financial and capital markets in Japan. In fiscal 2023, with respect to payment and settlement services, the Bank will continue to work toward the enhancement of payment and settlement services in Japan by, for example, steadily promoting the CBDC pilot program, exploring requisite institutional arrangements, and contributing to related discussions at home and abroad. Furthermore, as for the reinforcement of the infrastructures of financial and capital markets in Japan, the Bank will contribute to the development of financial markets by assessing market functioning in relation to climate change and identifying related challenges, while supporting market participants' initiatives to facilitate smooth transactions referencing Japanese yen interest rate benchmarks.

D. Conduct Stable and Efficient Central Banking Operations

1. Progress in implementing specific measures

- (1) Taking account of the government's Basic Policies for Novel Coronavirus Disease Control, the Bank, while responding as necessary given the COVID-19 situation, implemented measures to ensure smooth conduct of central banking operations in sections engaged in, for example, (1) market operations, (2) settlement of funds and Japanese government securities (JGSs), (3) services relating to treasury funds, and (4) receipt and payment of banknotes, even when there were cases of staff infection.
- (2) 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.
- (3) The Bank conducted market operations appropriately in accordance with the guidelines decided at MPMs for market operations and asset purchases. It 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 and flexible manner, depending on market developments.

- (4) The Bank conducted foreign exchange interventions on behalf of the government in an appropriate manner.
- (5) In coordination with the Ministry of Finance (MOF) and the National Printing Bureau (NPB), the Bank proceeded with necessary preparations for the issuance of a new series of Bank of Japan notes scheduled for the first half of fiscal 2024; this included starting to build up stocks of the new banknotes as well as holding exhibitions of sample banknotes for banknote equipment manufacturers and supporting their preparations.
- (6) 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.
- (7) The Bank worked to gain an understanding of the current situation regarding the use of cash, mainly by gathering information from relevant parties. Based on the information gathered, it sought to raise the efficiency of cash handling at both the Bank and financial institutions.
- (8) The Bank, while responding positively to the needs of financial institutions looking to improve the efficiency of their business processes, 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 cashless payments of treasury funds through the provision of support to relevant parties. In addition, the Bank launched a system for online transmission of documents between financial institutions and the Bank.
- (9) During this period, there were incidents of BOJ-

NET-related computer system disruptions that also affected entities outside the Bank. In each case, the Bank worked to identify the cause of the disruption and implemented measures to prevent recurrence.

2. Evaluation of progress

Taking account of the government's policies, as a designated public institution under the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, the Bank implemented measures appropriately to ensure smooth conduct of central banking operations.

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 operations appropriately; these included market operations that were conducted in accordance with the guidelines decided at MPMs.

As for business operations relating to cash, the Bank carried out the receipt and payment of banknotes and coins in a stable and efficient manner. In coordination with the MOF and the NPB, the Bank proceeded steadily with necessary preparations for the issuance of a new series of Bank of Japan notes. In addition, the Bank worked to secure confidence in banknotes by, for example, maintaining the cleanliness of banknotes in circulation. It also sought to raise the efficiency of cash handling at both the Bank and financial institutions.

The Bank, on a daily basis, carried out treasury funds and JGS services in a stable manner; it also worked to digitize business operations and reviewed its business processes in response to changes in its operational environment.

Based on the above, the Bank considers that, in fiscal 2022, it conducted daily central banking operations in an overall stable manner, while ensuring that appropriate operational arrangements were in place as it responded to COVID-19; it also advanced steadily with the reviewing of its business processes

in response to changes in its operational environment. In fiscal 2023, the Bank will conduct central banking operations, including the operation of its computer systems, in a stable and efficient manner. It also will constantly 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) 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 BIS, the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), the Financial Stability Board (FSB), the Group of Seven (G7), the Group of Twenty (G20), the International Monetary Fund (IMF), the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and the Organisation for Economic Co-operation and Development (OECD). Given the ongoing impact of COVID-19, these meetings were held face to face and online. The following achievements were made.
 - (a) With regard to the G7, the Bank, as the central bank of the chair country, coordinated appropriately with relevant institutions at home and abroad in preparing for the Finance Ministers and Central Bank Governors Meeting to be held in Niigata in fiscal 2023, and successfully organized various related meetings.
 - (b) 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 overseas economic and financial developments, while also promoting an understanding of its conduct of monetary policy.
 - (c) 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, the enhancement of supervision, and responses to climate-related financial risks; it also contributed appropriately to policy-making processes for ensuring the stability of the international financial system.
 - (d) In relation to the NGFS, the Bank participated in and contributed to discussions on various topics, including climate scenario analysis.
 - (e) The Bank continued to participate in and contribute to, for example, discussions in the fields of global financial markets, financial market infrastructures, interest rate benchmark reform, the FX Global Code, and statistics.
 - (f) In relation to the EMEAP, the Bank played a key role in discussions on economic and financial conditions in the region as well as in the management of the Asian Bond Fund (ABF), in the course of which it also advanced initiatives to catalyze further deepening of green bond markets.
 - (g) At some BIS- and EMEAP-related committees, the Bank played a leadership role, for example, by moderating discussions as the chair.
 - (h) 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 on refining and improving financial and economic statistics.
- (2) The Bank actively exchanged information with overseas authorities on business conditions at financial institutions of globally systemic importance, mainly through its involvement in supervisory colleges.
- (3) The Bank obtained prompt access to a wide range of

information, for example, on economic and financial conditions, the financial system, and central banking operations, through individual exchanges of opinions with major central banks and other relevant parties as well as the continued strengthening of relations with monetary authorities in Asia.

- (4) Regarding international monetary cooperation, the Bank, with the aim of ensuring financial system stability, extended bilateral local currency swap agreements with the Monetary Authority of Singapore in November 2022 and with the Bank of Thailand in March 2023, allowing local currencies and yen to be exchanged between central banks. Moreover, the Bank, in a coordinated action with other central banks, enhanced U.S. Dollar Funds-Supplying Operations against Pooled Collateral from March 2023.
- (5) Under the framework of ASEAN Plus Three, the Bank, together with the MOF, played a key role in discussions regarding the establishment of operational arrangements to provide liquidity in local currencies under the Chiang Mai Initiative Multilateralisation (CMIM) and in various deliberations toward enhancing the practicability of such arrangements.
- (6) The Bank, utilizing both face-to-face and online settings, provided technical assistance, held seminars, and exchanged personnel, mainly with other central banks in Asia (there were a total of 55 such occasions in fiscal 2022). The Bank thus 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.

2. Evaluation of progress

The Bank, as the central bank of Japan, successfully organized G7 meetings in cooperation with relevant institutions at home and abroad, and participated in discussions at the global level on topics such as

responses to climate change, thereby playing a part in international cooperation. It also actively participated in meetings such as those at 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. Moreover, 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, obtained prompt access to a wide range of information, for example, on economic and financial conditions, the financial system, and central banking operations, and also took coordinated action with overseas authorities in responding to market conditions.

Based on the above, the Bank considers that it made steady progress in fiscal 2022 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 toward securing the stability and development of financial and capital markets in Asia. In fiscal 2023, the Bank will continue to work in cooperation with relevant parties to deepen and extend the initiatives taken to date, particularly in Asia, while also participating in discussions at the global level on topics including responses to climate change. Moreover, as the central bank of the chair country of the G7, the Bank, together with the MOF, will work to successfully organize and co-host related meetings.

F. Contribute to Regional Economic and Financial Environments

1. Progress in implementing specific measures

- (1) While ensuring that the system continued to provide essential services amid the ongoing impact of COVID-19, the Bank, at its Head Office

and branches, stably conducted central banking operations, including business operations relating to banknote issuance as well as services relating to treasury funds and JGSs, holding working-level meetings with financial institutions that hold current accounts at the Bank as well as ministries and government agencies through due use of online communication tools.

- (2) At each of the following branches, the Bank, in cooperation with the respective local finance bureaus, requested that financial institutions take special measures in response to disasters: Sapporo, Aomori, Sendai, Niigata, Kanazawa, Shizuoka, Matsue, Shimonoseki, Kochi, Kitakyushu, Fukuoka, Oita, Nagasaki, Kumamoto, and Kagoshima.
- (3) The Bank maintained a detailed grasp of regional economic and financial conditions via its Head Office, branches, and local offices by, for example, actively conducting interviews mainly with local businesses and financial institutions, as well as holding meetings with economic organizations to exchange opinions; communication was carried out using online tools or in face-to-face settings depending on the COVID-19 situation. 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 major earthquakes such as the Great East Japan Earthquake and the Kumamoto Earthquake, as well as large-scale storm and flood damage that occurred in Japan in recent years, 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, making due use of online and other communication tools. The Bank's findings from research and analysis on regional economic developments were compiled and released each quarter in the *Regional Economic Report*. The Bank also released two issues of the annex series to the report in fiscal 2022, providing more detailed analysis of and insight into selected topics (available only in Japanese). In addition, with a view to enhancing its external communications related to the meetings of general managers of its branches, in October 2022 the Bank started to compile and release a report on the regional economic conditions discussed at each meeting (available only in Japanese).

- (5) In fiscal 2022, the Bank's Center for Advanced Financial Technology (CAFT) hosted a livestreamed workshop, mainly targeting regional financial institutions, to support their consulting and advisory services on various challenges facing firms and regions.

2. Evaluation of progress

The Bank, at its Head Office and branches, conducted central banking operations in a stable manner amid the ongoing impact of COVID-19. It also maintained a detailed grasp of economic and financial conditions specific to each region through active 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, despite the impact of COVID-19, it made steady progress in fiscal 2022 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 2023, 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.

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 2022, 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 2021 in May 2022.
- (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 a 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 2022 as well as in January 2023; 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.
 - (b) In an effort to enhance the comprehensibility
- (3) While enhancing the digital contents of its communication platforms and making use of online communication tools amid the ongoing impact of COVID-19 on face-to-face activities, the Bank engaged in the following public relations activities, which it sought to make clear, intelligible, and accessible to a wide range of target audiences, thereby working to promote a better understanding among the public of its policies and business operations.
 - (a) The Bank renewed its website and enhanced its user interface across various devices.
 - (b) 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. The number of page views on the Bank's website was around 580 million, of which around 413 million were made to its English-language pages. The number of page views on its branches' websites was around 4.9 million in total. Followers of the Bank's Twitter and Facebook accounts totaled around 219,000 and 5,600, respectively. Subscribers to the Bank's YouTube channel totaled around 5,300.
 - (c) The Bank enhanced the content of *Nichigin*, its public relations magazine (available only in Japanese), for example, by including articles that provided accessible descriptions of its

5. Excerpts from the summaries of the two issues of the report dealing with developments in fiscal 2022, namely, the issues released in December 2022 and June 2023, can be found on pages 33–39.

policies and business operations.

- (d) The Bank conducted in-house tours of its Head Office and branches in accordance with the government's Basic Policies for Novel Coronavirus Disease Control, and taking into account the situation in each region including requests by local governments. At the Head Office, the tour size for in-house tours was gradually restored over the second half of fiscal 2022 and their frequency increased in light of the COVID-19 situation. The total number of Head Office tour participants was around 8,000, with preventive measures against the spread of COVID-19 being taken. The Bank also offered in-house tours of its branches with due caution, depending on the system in place at each branch for accepting participants, while working to enhance the tour content through, for example, the provision of additional public relations materials. The total number of participants in tours of branches was around 9,500.
 - (e) Through hosting various public relations events and giving lectures to young people on its functions and operations, the Bank provided opportunities for the public to deepen their understanding of its policies and business operations. For example, the Bank hosted at its Head Office special in-house tours for families visiting with primary and junior high school children during the spring school holiday season for the first time in four years. It also hosted the "BOJ Grand-Prix," an essay and presentation contest primarily for college students, for which there were 113 entries. In addition, the Bank gave a total of 14 lectures to college students making due use of online communication tools.
- (4) The Bank actively disseminated information on its policies 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 face-to-face or online 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 4,700 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 through, for example, taking necessary preventive measures against the spread of COVID-19 while considering circumstances such as the COVID-19 situation in each region and requests by national and local governments. Visitor numbers to each museum during fiscal 2022 were around 70,000 and 68,000, respectively. Meanwhile, the Bank's Currency Museum put on a feature exhibition commemorating the 140th anniversary of the Bank entitled "The Waterfront Landscape and the Bank of Japan." The exhibition showcased research findings on development along the banks of the Nihonbashi River and the history of the Bank's founding. The Bank also hosted a special exhibit featuring Shibusawa Eiichi at the Bank of Japan Otaru Museum.
 - (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 2,205 historical official documents were added to the Archives, and 193 requests for access were made.
 - (8) The Bank made public the findings of its research and

analysis on economic and financial developments, releasing 17 papers in the *Bank of Japan Review Series*, 17 in the *Bank of Japan Working Paper Series*, 21 in the *IMES Discussion Paper Series*, and 7 research papers.

- (9) The Bank held an online international conference in May 2022 entitled "New Dimensions and Frontiers in Central Banking."
- (10) The Bank revised, rebased, and made appropriate enhancements to its statistics so as to accommodate changes in the economic environment.
 - (a) The Bank enhanced the Principal Figures of Financial Institutions by, for example, adding a new item to its releases from May 2022: average amounts outstanding of deposits and CDs held by *shinkin* banks.
 - (b) In June 2022, the Bank updated the base year of the corporate goods price index (CGPI) to 2020; it also began publishing the Final Demand-Intermediate Demand price indexes (FD-ID price indexes).
- (11) The Bank promoted an in-depth understanding of its statistics through the following measures.
 - (a) In June 2022, the Bank released a research paper on the results of rebasing the CGPI to 2020.
 - (b) In January 2023, the Bank released a paper in the *Bank of Japan Review Series* explaining data trends and patterns in research and development (R&D) investment seen in the *Tankan (Short-Term Economic Survey of Enterprises in Japan)*.
- (12) 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 provided an

e-learning program on financial literacy for college students and younger employees, and made use of social networking sites. Furthermore, in response to the plan set out by the government to establish in 2024 a new public organization for promoting financial and economic education, and to have the functions of the CCFSI—of which the Bank serves as the secretariat—transferred to this successor organization, the Bank proceeded with necessary deliberations to ensure the provision of wide-ranging financial and economic education under the new organizational framework.

2. Evaluation of progress

The Bank employed a variety of channels to communicate its conduct of policies and business operations to various audiences at home and abroad, including the general public, and made efforts to promote a deeper understanding of its policy intentions. In disseminating information, it enhanced digital contents, while carrying out its communication using online tools or in face-to-face settings depending on the COVID-19 situation.

The Bank worked to gain a better grasp of public opinion and public needs by, for example, holding dialogues with financial institutions and firms, as well as 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 environment; it also implemented measures to improve their user-friendliness.

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 financial information-related activities, thereby contributing to the promotion of financial literacy among the public. It also proceeded with necessary deliberations on the establishment of a new organization to succeed the CCFSI.

Based on the above, the Bank considers that, in fiscal 2022, it made steady progress in terms of strengthening external communication while responding appropriately to the COVID-19 situation and enhancing the digital contents of its communication platforms. In fiscal 2023, the Bank will continue (1) to work to achieve multilateral and effective communication at home and abroad regarding its conduct of policies and business operations by making use of various communication platforms, and (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. It will also continue with necessary deliberations toward the establishment of the CCFSI's successor scheduled for 2024. Meanwhile, regarding implementation of certain public relations activities, the Bank will continue with its initiatives for communication by incorporating advances in digitalization and online technologies.

The Bank's Organizational Management in Fiscal 2022

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 2022, the Bank duly made, in line with the budget, the disbursements necessary to cover the *Medium-Term Strategic Plan (Fiscal 2019–2023)* (hereafter the Plan). With regard to the Bank's statement of accounts for fiscal 2022, the total amount of actual expenses

increased from the previous fiscal year by 3.7 percent (7.6 billion yen) to 213.4 billion yen. Regarding the Bank's budget for expenses for fiscal 2023, 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 2022 was 14,809 person-months¹ (including 11,531 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 2022, 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 4,609 at the end of March 2023, down 15 from the previous fiscal year (Table 1).

Regarding remuneration, in fiscal 2022, the Bank raised the annual remuneration for its officers by

0.4 percent from the previous fiscal year through an increase in their bonuses.

As for its employees, the Bank raised the annual remuneration for fiscal 2022 by 0.2 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 2.124 months of salary, on a basis excluding the base salary increase; for those in managerial positions, it paid 2.286 months of salary per semiannual bonus.

1. 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 2023

number of people; figures in parentheses are as of the end of March 2022

Total		4,609	(4,624)
	Head Office ¹	2,756	(2,768)
	Branches	1,780	(1,783)
	Local offices ¹	49	(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, as the Bank continued to respond to the novel coronavirus (COVID-19) over an extended period, it stepped up its efforts to take advantage of advances in information technology (IT), for example by actively using videoconferencing systems and other such technologies, as well as by making more procedures paperless. 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, including through the use of online communication tools, and continued to work to promote personnel exchanges with institutions inside and outside Japan.

(2) The Bank, under the second phase of its action plans compiled and released in March 2021 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.

(3) With regard to staff recruitment for fiscal 2023, the Bank proactively recruited women; they accounted for over 30 percent of the new recruits who will be 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 COVID-19. It also implemented measures to strengthen business continuity arrangements that included the steady enhancement of the disaster countermeasures in place at its Head Office and branches based on its 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.

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.

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 2022, 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), 3 overseas representative offices (London, Paris, and Frankfurt), 12 branches (Sendai, Niigata, Nagoya, Kyoto, Osaka, Hiroshima, Shimonoseki, Takamatsu, Matsuyama, Oita, Nagasaki, and Kumamoto), and 3 local offices (Morioka, Yamagata, and Tokushima).

Climate Change Initiatives:

Disclosure
Based on TCFD
Recommendations

I. Governance

II. Strategy

III. Risk Management

IV. Metrics and Targets

This document is a reprint of *Climate Change Initiatives: Disclosure Based on TCFD Recommendations* released on May 29, 2023.

INTRODUCTION

The Bank of Japan, in its *Medium-Term Strategic Plan (Fiscal 2019–2023)*, describes the environment surrounding central banks: in the broader context of the global economy and society, various entities are expected to address the Sustainable Development Goals (SDGs). There is widespread acceptance both in Japan and overseas that climate change in particular is a global challenge that could have a broad impact on society and economic activity into the future, and that central banks are expected to address this issue from their particular standpoints.

In this context, the Bank outlined its basic stance on and comprehensive approach to climate change in *The Bank of Japan's Strategy on Climate Change*, released in July 2021, and is moving forward with various

measures on this basis. Among these measures, in terms of external communication, the Bank announced that it will make disclosures that take into account the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The TCFD recommends that each entity disclose climate change efforts in four thematic areas: governance, strategy, risk management, and metrics and targets (Table 1). The Bank's initiatives regarding climate change are summarized below in line with the recommendations, consistent with the nature of the Bank's policies and business operations aimed at achieving price stability and ensuring the stability of the financial system.

Table 1

TCFD Recommended Disclosures

Theme	Recommended disclosures
Governance	Disclose the organization's governance around climate-related risks and opportunities.
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.
Risk management	Disclose how the organization identifies, assesses, and manages climate-related risks.
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Source: Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures.

I. GOVERNANCE

The Bank of Japan's Strategy on Climate Change was decided at the Policy Board meeting held on July 16, 2021. At the meeting held on March 25, 2022, the Bank conducted an interim review of the *Medium-Term Strategic Plan (Fiscal 2019–2023)*. The Bank regarded developments in climate change as one of the main challenges it has faced in conducting business operations and organizational management since the formulation of the Plan. The Bank also decided that it will continue to address climate change in line with its Strategy for the remaining period of the Plan.

The Strategy outlines measures across a range of areas: monetary policy, the financial system, research, international finance, and business operations and external communication. Under these measures, the Bank will take important actions based on the decisions of the Policy Board, with various departments of the Bank and officers in charge promoting a specific

response in each area. To support this process, the Bank set up the Climate Coordination Hub (CCH), an internal network, and put in place a collaborative framework led by the Head of the CCH to promote information sharing and coordination on various measures and address issues related to climate change. At present, the CCH consists of members from the Secretariat of the Policy Board, the Monetary Affairs Department, the Financial System and Bank Examination Department, the Payment and Settlement Systems Department, the Financial Markets Department, the Research and Statistics Department, and the Institute for Monetary and Economic Studies. The International Department serves as the secretariat for the CCH, and meetings are held approximately once a month. Every fiscal year, the Bank conducts performance reviews of related initiatives taken by each department as part of measures under the Plan.

II. STRATEGY

A. The Bank's Mandate and the Impact and Risks of Climate Change

To address climate change, various entities within society and the economy need to actively play their roles, in tandem with governments and legislative bodies that formulate relevant policies. As various stakeholders across jurisdictions, including governments and firms, accelerate their efforts concerning climate change, the Bank, as the central bank of Japan, is furthering its efforts on climate change consistent with its mandate of achieving price stability and ensuring the stability of the financial system.

To this end, the Bank has categorized the impact and risks of climate change for economic activity, prices, and the financial system as follows.

When individual firms and households engage in

economic activity without due consideration of the impact of greenhouse gas emissions on climate change, this results in an excessive amount of greenhouse gas emissions in society and the economy as a whole. If this situation were to continue, it would result in significant negative social and economic costs. The impact of excessive greenhouse gas emissions is not limited to one country but spreads to other countries, and such emissions have far-reaching future effects. Climate change has already had a sizable impact on daily life and social activities in recent years, including the global rise in temperatures and the increasing severity and frequency of large-scale natural disasters.

In terms of the specific impact on economic activity, there has been an increase in constraints on it, such as supply chain disruptions caused by natural disasters

in recent years. In the medium to long run, energy price fluctuations and a decrease in investment and employment in industries with significant greenhouse gas emissions may also exert downward pressure on economic activity. On the other hand, new opportunities may arise, such as an increase in investment related to renewable energy. The future impact on economic activity is highly uncertain. Prices and wages could be affected by both natural disasters and the various measures introduced for the transition to a carbon-neutral society.

Climate change, through the channels of "physical risk" and "transition risk," can also impact the financial system. Physical risk refers to the risk that physical phenomena triggered by climate change, such as large-scale disasters and rising sea levels, will have a

negative impact on firms and households. Transition risk refers to the risk of an economic impact on firms and households due to changes in policies, technologies, or consumer preferences associated with the transition to a carbon-neutral society. Depending on the response, both risks could adversely affect the financial system by changing the investment or lending behavior of financial institutions, both qualitatively and quantitatively.

B. The Bank's Strategy on Climate Change

In light of the potential impact of climate change on economic activity, prices, and the financial system, the Bank in its Strategy on Climate Change is pursuing measures in five areas: monetary policy, the financial system, research, international finance, and business operations and external communication (Table 2).

Table 2

Key Points of the Bank's Strategy on Climate Change

Monetary policy

- Implement a new fund-provisioning measure to support various efforts in the private sector to address climate change.

Financial system

- Stability of the financial system: identify and manage climate-related financial risks.
- Smooth-functioning of financial intermediation: support financial institutions with respect to their customers' decarbonization.

Research

- Deepen the analysis on climate change impact. Improve data and analytical tools.
- Examine the functioning of financial markets and infrastructure, and consider issues relevant to payment systems and market infrastructures.

International finance

- Contribute to developing responses to climate change and climate-related financial risks.
- Promote investment in climate-related financial products as part of international financial cooperation in Asia.
- Purchase green bonds issued by foreign governments based on the Bank's management principles.

Business operations and external communication

- Undertake operations by paying due consideration to climate change (e.g., reduction in greenhouse gas emissions).
- Make TCFD-consistent disclosures and enhance the Bank's communication on climate-related conduct.

III. RISK MANAGEMENT

Various entities, including governments and firms, have been actively addressing climate change. In light of the risk that climate change will exert an extremely large impact on economic activity, prices, and the financial system from a medium- to long-term perspective, the Bank will further its efforts on climate change in respective areas from a central bank standpoint, consistent with its mandate of achieving price stability and ensuring the stability of the financial system. Specifically, it has made progress in the following five areas set out in its Strategy on Climate Change and will continue to pursue initiatives.

A. Monetary Policy

As part of efforts through its conduct of monetary policy, the Bank introduced the Funds-Supplying Operations to Support Financing for Climate Change Responses (Climate Response Financing Operations) so that financial institutions can receive funds from the Bank against their investment or loans that contribute to Japan's actions to address climate change. Through the operations, the Bank provided funds three times from December 2021 to January 2023, with the number of eligible counterparties being 73 and the outstanding balance of loans amounting to about 4.4 trillion yen. In January 2023, the Bank decided to expand the range of eligible counterparties for the operations to include member financial institutions of central organizations of financial cooperatives, with a view to supporting a wide range of private sector efforts on climate change. It plans to continue to offer loans biannually in principle while accepting additional counterparties for the operations.

With a view to ensuring the proper conduct of the Climate Response Financing Operations, the Bank designed them as follows.

The Bank requires counterparties to disclose a certain level of information, including that based on the TCFD recommendations. In this way, the Bank selects those that organizationally engage in investment or loans to address climate change under appropriate governance.

In order to avoid direct involvement in micro-level resource allocation as much as possible, the Bank, while indicating a list of broad types of investment and loans against which it will provide funds, leaves concrete decisions to counterparties. In doing so, the Bank requires them to disclose criteria with which they determine which investment or loans can be used for the operations so as to ensure that discipline will be exercised.

Moreover, since it will take a long time to address climate change, counterparties will be able to receive funds until the end of fiscal 2030 through the operations. Given that efforts to address climate change will advance over time, the counterparties can make rollovers while determining yearly which investment or loans can be used for the Bank's fund-provisioning.

B. Financial System

Climate change, through the aforementioned channels of physical risk and transition risk, could significantly affect the businesses of financial institutions, and consequently the stability of the financial system. In addition, the proper functioning of financial intermediation is vital for decarbonizing society and the economy. The Bank will actively support financial institutions in identifying and managing their climate-related financial risks, with a view to maintaining the stability of the financial system and the smooth functioning of financial intermediation.

Based on this thinking, through its on-site examinations and off-site monitoring, the Bank has been having in-depth discussions with financial institutions on their efforts to address climate-related financial risks and on their engagement with corporate customers in pursuit of decarbonization. These points have also been spelled out in the *On-Site Examination Policy*.

In doing so, quantitative assessment of climate-related financial risks is important. In recognition of the usefulness of a scenario analysis in measuring such risks, the Bank, in cooperation with the Financial Services Agency (FSA), has been carrying it out based on common scenarios, targeting some major financial institutions. The two entities released the results of pilot exercises in fiscal 2022. The Bank will encourage financial institutions to develop their climate scenario analyses in line with their size and characteristics, taking into account the pilot exercises as well as international discussions on regulations, supervision, and risk management relevant to climate-related financial risks.

Efforts to conduct a scenario analysis and quantify relevant risks require appropriate reflection of differences in climate change impact arising from the natural environment and industrial structure of each region. As part of its scenario analysis, the Bank has been making quantitative analysis on the impact of floods on the real economy and financial system, taking into account the risk characteristics of Japan, where floods are one of the most common natural disasters.

The Bank is also encouraging financial institutions to enhance their disclosures, both qualitatively and

quantitatively, based on the TCFD framework. In addition, the Bank is taking steps to support financial institutions' initiatives, such as by holding a workshop for them on their client firms' decarbonization efforts through its Center for Advanced Financial Technology (CAFT).

C. Research

The Bank has been deepening its analysis of how climate change would affect the macroeconomy—including economic activity and prices—financial markets, and the financial system, as well as working to collect climate-related data and refine its analytical tools to better conduct surveillance and identify risks. It also conducts the *Market Functioning Survey concerning Climate Change*, covering a broad set of market participants, in order to assess the functioning of Japanese financial markets in relation to climate change and to identify challenges for future developments.

In addition to releasing its findings through various research papers and reports on its website (Table 3), the Bank has been sharing and discussing such findings with stakeholders at home and abroad. Specifically, besides holding an international research workshop on climate-related financial risks in March 2021, the Bank held the Meeting on the Market Functioning Survey concerning Climate Change in October 2022. In addition, it is actively conducting interviews and hearings with individual stakeholders.

The Bank will continue to conduct research and analysis on climate change from multiple perspectives and release its findings.

Table 3

Research Papers and Reports related to Climate Change (Released in Fiscal 2022)

Title
Financial System Report Annex Series: Current Situation of Regional Financial Institutions' Efforts on Climate Change
Progress in Reflecting Climate-Related Factors in Japan's Stock Market: An Empirical Analysis Based on Individual Stock Prices
Analysis of the Transmission of Carbon Tax using a Multi-Sector Dynamic Stochastic General Equilibrium Model
Energy Efficiency in Japan: Developments in the Corporate and Household Sectors and Their Implications for Achieving Carbon Neutrality
Meeting on the Market Functioning Survey concerning Climate Change
Pilot Scenario Analysis Exercise on Climate-Related Risks Based on Common Scenarios
Results of the First Market Functioning Survey concerning Climate Change: Progress in the Improvement of Market Functioning and Challenges for the Future
Regional Economic Report Annex Series: Efforts Made by and Challenges Facing Firms in Different Regions concerning Climate Change
Central Bank Communication about Climate Change
How Do Floods Affect the Economy? An Empirical Analysis Using Japanese Flood Data
Flood Risk Perception and Its Impact on Land Prices in Japan
Challenges for Japan's Economy in the Decarbonization Process

D. International Finance

The Bank has been making contributions in terms of developing measures against climate change by learning from other jurisdictions' experiences at international forums, such as the Group of Seven (G7), the Group of Twenty (G20), and the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), sharing the experiences gained through its measures, and taking part in multilateral discussions. The Bank has contributed to international discussions on climate change responses, actively participating in deliberations on topics such as promoting sustainable finance and transition finance, with a view to taking into account circumstances unique to each region, such as Asia. By taking part in such discussions and other activities on climate change, the Bank will continue to make contributions in terms of developing measures to address climate change globally.

On the financial system front, the Bank, in close collaboration with the FSA, has explored the effective management of climate-related financial risks, as well as research that aims to develop a scenario

analysis at international forums such as the Basel Committee on Banking Supervision, the Financial Stability Board (FSB), and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). The Bank is contributing in terms of sharing best knowledge and practice in managing climate-related financial risks. In addition, regarding data gaps, the Bank is working with financial institutions and relevant authorities to contribute to international initiatives for improving the availability of data necessary for assessing climate-related financial risks.

Meanwhile, with the aim of helping to catalyze further deepening of the local currency-denominated green bond markets in Asia, the Bank, with other EMEAP member central banks and stakeholders, has been investing in green bonds through the Asian Bond Fund. Regarding the Bank's foreign currency assets, it continues to purchase foreign currency-denominated green bonds issued by governments and other foreign institutions based on the existing management principles.

E. The Bank's Business Operations and External Communication

The Bank has been undertaking its business operations by paying due consideration to climate change, in accordance with its existing principle of conducting proper and efficient central bank business operations. In this regard, the Bank to date has been making efforts to reduce greenhouse gas emissions and promote energy saving in its management of the Head Office and branch facilities, in order to achieve the targets set by central and local governments. At the same time, from the standpoint of the stable conduct of central banking operations, the Bank continues to steadily strengthen its business continuity plan to cope with an increasing flood risk.

As for external communication, a series of speeches have been delivered on climate change and the Bank is working to enhance the content of the "climate change" page on its website. Also, the Bank will update the disclosure based on the TCFD

recommendations yearly as part of its efforts to provide appropriate external communication.

The impacts of climate change on economic activity, prices, and the financial system are highly uncertain and could greatly vary over time. The risk management efforts outlined in sections A. to D. above constitute a process whereby the Bank, after having conducted sufficient research and analysis on the impact and risks of climate change on economic activity and the financial system, will pursue, from a long-term perspective, initiatives that contribute to stabilizing the macroeconomy and measures to maintain the stability of the financial system. Through its ongoing pursuit of these initiatives, the Bank will help to shape an appropriate response in society and the economy as a whole to the impact and risks of climate change. Additionally, through the efforts outlined in section E. above, the Bank will continue to address climate change in its business operations and adequately communicate its climate-related conduct to the public.

IV. METRICS AND TARGETS

With regard to business operations and external communication mentioned in Chapter III. E., in addition to direct (Scope 1) and indirect (Scope 2) carbon dioxide (CO₂) emissions arising from its own business operations every fiscal year, the Bank has resolved to measure and disclose CO₂ emissions for air business travel categorized under other indirect (Scope 3) CO₂ emissions (Table 4). Efforts so far have yielded a

decrease in CO₂ emissions in recent years compared to previous levels.

In addition, the Bank is required to reduce energy consumption intensity by an annual average of 1 percent or more over the medium to long term, under the Act on the Rational Use of Energy (Energy Saving Act) enacted by the Japanese government. The Bank continues to achieve this target (Table 5).

Table 4

CO₂ Emissions from the Bank's Business Operations^{1,2,3}

Item		FY2018	FY2019	FY2020	FY2021	FY2022
Scope 1 (Direct CO ₂ emissions)	City gas	2,642	2,661	2,973	3,123	3,215
	Heavy oil	331	309	341	344	306
	Kerosene	600	682	578	515	518
	Light oil	251	266	261	235	240
	Gasoline	169	144	111	116	107
	Subtotal	3,993	4,062	4,265	4,334	4,386
Scope 2 (Indirect CO ₂ emissions)	Electricity	35,604	29,841	22,732	26,683	30,307
	Hot water	400	404	445	440	361
	Cold water	500	472	546	452	442
	Subtotal	36,504	30,717	23,722	27,576	31,110
Scope 3 (Other indirect CO ₂ emissions)	Air business travel	—	—	204	238	771
Total CO ₂ emissions		40,497	34,779	28,191	32,148	36,267

t-CO₂

Notes: 1. Figures are those for the Head Office, branches, and local offices in Japan.

2. As for Scopes 1 and 2, CO₂ emissions are calculated according to the method based on the Act on Promotion of Global Warming Countermeasures. CO₂ emissions of electricity are calculated based on the basic emissions factors of individual electricity companies.

3. Scope 3 CO₂ emissions are calculated according to the method based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain formulated by the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MOE).

Table 5

The Bank's Energy Consumption^{1,2,3}

	FY2018	FY2019	FY2020	FY2021	FY2022
Energy consumption (kl)	19,506	18,995	18,718	18,528	19,131
Energy consumption intensity (kl/m ²)	0.0413	0.0402	0.0397	0.0393	0.0390
Annual average change over 5 years (%)	-3.2	-2.8	-1.3	-1.7	-1.4

Notes: 1. Figures are those for the Head Office, branches, and local offices in Japan.

2. Data for energy consumption cover city gas, heavy oil, kerosene, electricity, hot water, and cold water.

3. Figures for energy consumption are converted into crude oil equivalent by using the energy conversion factors based on the Energy Saving Act. Energy consumption intensity is energy consumption per unit of the floor area of the Bank's buildings.

The Bank's Accounts:

Financial Statements
and Other Documents
for Fiscal 2022

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

II. Financial Statements

III. Schedule for the Financial Statements

IV. Expenses

On May 29, 2023, the Bank of Japan released the "Financial Statements for the 138th 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 138th fiscal year, i.e., fiscal 2022 (April 1, 2022–March 31, 2023), and the schedule for the financial statements for fiscal 2022.

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 2022 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 2022 shows that total assets decreased by 0.2 percent (1,137.0 billion yen) from the previous fiscal year-end to 735,116.5 billion yen, mainly due to a decrease in loans and bills discounted, offsetting an increase in holdings of Japanese government securities (JGSs).¹ Total liabilities decreased by 0.3 percent (1,966.1 billion yen) from the previous fiscal year-end to 729,584.9 billion yen, mainly due to a decrease in current deposits (Table 1).

Detailed developments in the Bank's balance sheet in fiscal 2022 are as follows.

Looking at assets at the fiscal year-end, holdings of Japanese government bonds (JGBs) increased by 64,988.5 billion yen from the previous fiscal year-end to 576,219.7 billion yen, as the Bank proceeded with its asset purchases. In contrast, loans and bills discounted decreased by 57,093.1 billion yen from the previous fiscal year-end to 94,439.7 billion yen, due to a decrease in funds provision mainly through the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19).

Turning to liabilities, current deposits decreased by 14,100.3 billion yen from the previous fiscal year-end to 549,078.1 billion yen, reflecting the decrease in funds provision mainly through the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19). Meanwhile, the amount outstanding of banknotes issued (banknotes in circulation) increased by 2,084.2 billion yen from the previous fiscal year-end to 121,955.0 billion yen.

With regard to the Bank's statement of income for fiscal 2022, operating profits increased by 812.1 billion yen from the previous fiscal year to 3,230.7 billion yen, mainly due to rises in net gains on pecuniary trusts (index-linked exchange-traded funds held as trust property) and in interest income on JGSs (Tables 2 and 3).

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

Meanwhile, net special losses amounted to 819.0 billion yen. This was mainly due to (1) the transfer of funds to the provision for possible losses on bonds transactions to compensate for any fluctuation in net income arising from the implementation of Quantitative and Qualitative Monetary Easing with Yield Curve Control, and (2) the transfer of funds to the provision for possible losses on foreign exchange transactions following net foreign exchange-related gains.

Net income for the term, after subtracting corporate income tax and inhabitants and enterprise taxes, increased by 762.9 billion yen from the previous fiscal year to 2,087.5 billion yen. After transferring 104.3 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 (1,983.1 billion yen).

The capital adequacy ratio, after the appropriation of net income, rose from its previous fiscal year-end level of 9.29 percent to 9.81 percent at the end of fiscal 2022 (Table 4).

Table 1

Principal Assets and Liabilities¹

bil. yen

Item	End of fiscal 2021 (Mar. 31, 2022)	End of fiscal 2022 (Mar. 31, 2023)
Total assets	736,253.5 (+3.0) <+21,696.9>	735,116.5 (-0.2) <-1,137.0>
Of which:		
Japanese government securities	526,173.6 (-1.1) <-5,991.5>	581,720.6 (+10.6) <+55,546.9>
Commercial paper	2,514.3 (-12.6) <-362.1>	2,123.2 (-15.6) <-391.1>
Corporate bonds	8,583.0 (+14.5) <+1,084.5>	8,008.9 (-6.7) <-574.0>
Pecuniary trusts (stocks held as trust property)	457.5 (-21.3) <-123.4>	304.7 (-33.4) <-152.8>
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	36,565.7 (+1.9) <+686.1>	37,045.9 (+1.3) <+480.1>
Pecuniary trusts (Japan real estate investment trusts held as trust property)	666.1 (-0.1) <-0.7>	666.5 (+0.1) <+0.4>
Loans and bills discounted	151,532.8 (+20.4) <+25,692.6>	94,439.7 (-37.7) <-57,093.1>
Foreign currency assets	8,306.4 (+8.2) <+627.6>	9,110.5 (+9.7) <+804.1>
Total liabilities	731,551.1 (+3.0) <+21,530.4>	729,584.9 (-0.3) <-1,966.1>
Of which:		
Banknotes	119,870.7 (+3.3) <+3,859.0>	121,955.0 (+1.7) <+2,084.2>
Deposits (excluding those of the government)	589,747.3 (+7.3) <+40,374.6>	577,980.6 (-2.0) <-11,766.7>
Deposits of the government	13,032.5 (-64.7) <-23,885.3>	15,597.9 (+19.7) <+2,565.4>
Payables under repurchase agreements	919.9 (+54.7) <+325.1>	5,370.9 (5.8 times) <+4,450.9>

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 2020 (Mar. 31, 2021)	End of fiscal 2021 (Mar. 31, 2022)	End of fiscal 2022 (Mar. 31, 2023)
Total amount outstanding	62,412.2	63,934.1	72,243.2
Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth	8,157.9	8,065.1	7,148.9
Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending	54,254.3	55,869.0	65,094.3

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 2021 (Apr. 1, 2021–Mar. 31, 2022)	Fiscal 2022 (Apr. 1, 2022–Mar. 31, 2023)
Operating profits/losses²	2,418.5 (+22.4) <+442.1>	3,230.7 (+33.6) <+812.1>
Of which: "Core" operating income ³	1,159.8 <-4.8>	1,520.7 <+360.9>
Net government bond-related gains/losses ⁴	... <...>	-7.0 <-7.0>
Net foreign exchange-related gains/losses ⁵	722.0 <+474.2>	749.0 <+27.0>
Net gains/losses on pecuniary trusts (stocks held as trust property)	297.3 <+46.7>	354.1 <+56.7>
Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property)	842.6 <+115.0>	1,104.4 <+261.7>
Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property)	31.5 <+2.3>	30.6 <-0.9>
Interest on excess reserve balances under the complementary deposit facility ⁶	-180.2 <+37.6>	-176.6 <+3.5>
Interest on excess reserve balances under the interest scheme to promote lending	-80.6 <-80.6>	-37.2 <+43.3>
Special profits/losses⁷	-754.2 <-230.7>	-819.0 <-64.7>
Of which:		
Net transfer to/from provision for possible losses on bonds transactions	-402.9 <-4.2>	-461.2 <-58.2>
Net transfer to/from provision for possible losses on foreign exchange transactions	-361.0 <-237.1>	-374.5 <-13.5>
Net income before taxes	1,664.3 (+14.5) <+211.3>	2,411.6 (+44.9) <+747.3>
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	339.6 <+105.8>	324.1 <-15.5>
Net income⁸	1,324.6 (+8.7) <+105.4>	2,087.5 (+57.6) <+762.9>

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. Includes interest payment on excess reserve balances under the Special Deposit Facility to Enhance the Resilience of the Regional Financial System (hereafter the Special Deposit Facility) (-74.8 billion yen).

3. 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, and interest on foreign currency deposits and loans.

4. Net gains/losses on sales of JGBs.

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

6. Net difference between interest payment on excess reserve balances to which a positive interest rate is applied (-207.7 billion yen) and interest income on the balances to which a negative interest rate is applied (31.0 billion yen). Interest payment on the balances to which a positive interest rate is applied for fiscal 2021 includes that on the outstanding balances of current accounts held by financial institutions at the Bank corresponding to the amounts outstanding of loans provided through the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) before the Interest Scheme to Promote Lending was applied (-0.3 billion yen).

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

8. 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 2020 (Apr. 1, 2020– Mar. 31, 2021)	Fiscal 2021 (Apr. 1, 2021– Mar. 31, 2022)	Fiscal 2022	First half of the fiscal year (Apr. 1, 2022– Sept. 30, 2022)	Second half of the fiscal year (Oct. 1, 2022– Mar. 31, 2023)
1. Net government bond-related gains/losses	...	...	-7.0	-2.4	-4.5
Of which:					
Gains on sale of Japanese government bonds	...	...	15.8	...	15.8
Losses on sale of Japanese government bonds	...	...	-22.8	-2.4	-20.4
2. Net foreign exchange-related gains/losses²	247.8	722.0	749.0	1,506.3	-757.2
3. Net gains/losses on pecuniary trusts (stocks held as trust property)	250.5	297.3	354.1	157.8	196.3
Of which:					
Dividends and others	33.3	38.4	29.5	16.1	13.4
Losses on impairment	-0.3	-1.3	-1.2	-1.5	0.2
Net gains/losses on sale	217.6	260.2	325.8	143.2	182.6
4. Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property)	727.5	842.6	1,104.4	1,015.3	89.1
Of which:					
Distributions and others	727.5	842.6	1,104.4	1,015.3	89.1
Losses on impairment	...	...	...	...	...
Net gains/losses on sale	...	...	...	...	...
5. Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property)	29.2	31.5	30.6	15.4	15.1
Of which:					
Distributions and others	29.2	30.1	30.6	15.4	15.1
Losses on impairment	...	...	...	...	...
Net gains/losses on sale	...	1.3	...	...	...

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 2020 (Apr. 1, 2020– Mar. 31, 2021)	Fiscal 2021 (Apr. 1, 2021– Mar. 31, 2022)	Fiscal 2022	First half of the fiscal year (Apr. 1, 2022– Sept. 30, 2022)	Second half of the fiscal year (Oct. 1, 2022– Mar. 31, 2023)
6. "Core" operating income	1,164.6	1,159.8	1,520.7	660.5	860.2
Yen assets	1,087.2	1,124.9	1,336.4	601.8	734.5
Of which:					
Interest on loans and discounts	0.0	0.0	0.7	0.0	0.7
Interest on receivables under resale agreements	...	–0.1	...	...	...
Interest and discounts on Japanese government securities	1,086.6	1,123.3	1,331.9	600.3	731.5
Treasury discount bills	–52.9	–28.2	–9.1	–5.5	–3.5
Japanese government bonds	1,139.6	1,151.5	1,341.1	605.9	735.1
Interest on commercial paper	–0.3	–0.4	0.2	–0.0	0.2
Interest and discounts on corporate bonds	0.8	2.1	3.4	1.4	1.9
Interest on foreign currency assets	77.4	34.8	184.3	58.6	125.6
7. Interest-bearing assets (average amount outstanding)	639,936.3	685,373.8	682,638.1	690,842.5	674,388.7
Yen assets	625,568.7	677,823.4	674,000.2	682,487.8	665,465.9
Of which:					
Loans and bills discounted	91,386.6	136,213.5	108,258.3	130,816.8	85,575.9
Receivables under resale agreements	...	147.3	0.0	0.0	...
Japanese government securities	524,609.9	530,429.3	554,676.6	540,356.3	569,075.6
Treasury discount bills	34,852.7	23,473.5	10,684.3	13,655.8	7,696.4
Japanese government bonds	489,757.2	506,955.7	543,992.3	526,700.5	561,379.1
Commercial paper	4,223.9	3,002.5	2,726.4	2,829.3	2,622.9
Corporate bonds	5,348.2	8,030.7	8,338.6	8,485.1	8,191.3
Foreign currency assets	14,367.5	7,550.3	8,637.9	8,354.6	8,922.7
8. Yield on interest-bearing assets (percent)	0.181	0.169	0.222	0.190	0.255
Yen assets	0.173	0.165	0.198	0.175	0.221
Of which:					
Loans and bills discounted	0.000	0.000	0.000	0.000	0.001
Receivables under resale agreements	...	–0.094	...	...	...
Japanese government securities	0.207	0.211	0.240	0.221	0.257
Treasury discount bills	–0.152	–0.120	–0.085	–0.081	–0.092
Japanese government bonds	0.232	0.227	0.246	0.229	0.262
Commercial paper	–0.007	–0.014	0.009	–0.000	0.019
Corporate bonds	0.016	0.027	0.041	0.034	0.047
Foreign currency assets	0.538	0.462	2.134	1.400	2.825

Table 4

The Bank's Capital Base and Capital Adequacy Ratio¹

bil. yen, except where otherwise noted

Item	End of fiscal 2020 (Mar. 31, 2021)	End of fiscal 2021 (Mar. 31, 2022)	End of fiscal 2022 (Mar. 31, 2023)	Changes from a year earlier	[Reference]
					End of the first half of fiscal 2022 (Sept. 30, 2022)
Capital accounts (A)	3,377.8	3,444.0	3,548.4	+104.3	3,444.0
Capital	0.1	0.1	0.1	...	0.1
Legal reserve and others ²	3,377.7	3,443.9	3,548.3	+104.3	3,443.9
Provisions (B)	6,729.4	7,493.4	8,329.2	+835.7	8,458.2
Provision for possible loan losses (excluding special provision for possible loan losses)	...	...	...	...	...
Provision for possible losses on bonds transactions	5,198.0	5,601.0	6,062.2	+461.2	5,812.5
Provision for possible losses on foreign exchange transactions	1,531.4	1,892.4	2,266.9	+374.5	2,645.6
Capital base³ (C) = (A) + (B)	10,107.3	10,937.5	11,877.6	+940.1	11,902.2
Annual average of banknotes issued (D)	113,821.4	117,609.4	120,992.1	+3,382.7	120,117.9
Capital adequacy ratio (C)/(D) × 100 (percent)	8.87	9.29	9.81	+0.52	9.90

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 2021 (Mar. 31, 2022)			End of fiscal 2022 (Mar. 31, 2023)		
	Book value	Market value ²	Difference	Book value	Market value ²	Difference
Japanese government securities	526,173.6	530,547.1	4,373.4	581,720.6	581,563.5	-157.1
Commercial paper	2,514.3	2,514.3	...	2,123.2	2,123.2	...
Corporate bonds	8,583.0	8,553.2	-29.8	8,008.9	7,981.1	-27.8
Pecuniary trusts ³ (stocks held as trust property)	440.6	1,410.9	970.2	293.5	961.6	668.0
Pecuniary trusts ³ (index-linked exchange-traded funds held as trust property)	36,625.5	51,310.9	14,685.4	37,116.0	53,151.7	16,035.6
Pecuniary trusts ³ (Japan real estate investment trusts held as trust property)	656.6	837.6	180.9	656.9	735.0	78.0

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

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

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

II. FINANCIAL STATEMENTS

1. Inventory of property as at March 31, 2023

Item	Value in yen	Unit (except where otherwise noted)
ASSETS		
Gold	441,253,409,037	
Cash	416,631,788,235	
Japanese government securities	581,720,689,525,616	Face value at 571,941,181,750,000 yen
Commercial paper	2,123,282,356,777	Face value at 2,123,500,000,000 yen
Corporate bonds	8,008,960,156,155	Face value at 7,990,800,000,000 yen
Pecuniary trusts (stocks held as trust property)	304,738,094,204	
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	37,045,978,537,204	
Pecuniary trusts (Japan real estate investment trusts held as trust property)	666,572,082,973	
Loans and bills discounted	94,439,741,000,000	
Electronic loans	94,439,741,000,000	1,587
Foreign currency assets	9,110,544,877,877	
Foreign currency deposits	3,043,209,323,726	
Foreign currency securities	3,638,585,424,643	
Foreign currency mutual funds	76,906,384,508	
Foreign currency loans	2,351,843,745,000	
Deposits with agents	9,784,392,139	Deposits with 72 agents
Other assets	586,883,835,471	
Bills and checks in process of collection	70,111,153	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	15,766,074,551	6
Refund on accrued tax	14,967,102,600	
Accrued interest receivable	513,387,547,786	
Others	27,189,625,017	
Tangible fixed assets	241,074,250,424	
Buildings	136,645,333,716	617,977.56 square meters
Land	84,118,243,965	479,717.70 square meters
Lease assets	8,079,820,747	Number of lease property: 23,679
Construction in progress	1,614,968,400	
Other tangible fixed assets	10,615,883,596	Number of movable property: 9,785
Intangible fixed assets	457,712,496	
Utility rights	457,712,496	
Total assets	735,116,592,018,608	
LIABILITIES		
Banknotes	121,955,039,041,548	
Deposits (excluding those of the government)	577,980,612,349,088	
Current deposits	549,078,126,627,386	1,098
Other deposits	28,902,485,721,702	145
Deposits of the government	15,597,952,210,527	
Treasury deposit	150,000,000,000	
Domestic designated deposit	15,015,269,894,460	
Other government deposits	432,682,316,067	
Payables under repurchase agreements	5,370,902,523,136	19
Other liabilities	142,065,967,260	
Remittances payable	28,178,843,812	
Taxes payable	59,394,000,000	
Lease liabilities	8,466,293,252	
Others	46,026,830,196	
Provision for retirement benefits	209,175,770,863	
Provision for possible losses on bonds transactions	6,062,229,993,013	
Provision for possible losses on foreign exchange transactions	2,266,995,000,000	
Total liabilities	729,584,972,855,435	
NET ASSETS		
Capital	100,000,000	
Legal reserve	3,443,958,187,733	
Special reserve	13,196,452	
Net income	2,087,547,778,988	
Total net assets	5,531,619,163,173	
Total liabilities and net assets	735,116,592,018,608	

2. Balance sheet as at March 31, 2023

yen

ASSETS	
Gold	441,253,409,037
Cash	416,631,788,235
Japanese government securities	581,720,689,525,616
Commercial paper	2,123,282,356,777
Corporate bonds	8,008,960,156,155
Pecuniary trusts (stocks held as trust property)	304,738,094,204
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	37,045,978,537,204
Pecuniary trusts (Japan real estate investment trusts held as trust property)	666,572,082,973
Loans and bills discounted	94,439,741,000,000
Electronic loans	94,439,741,000,000
Foreign currency assets	9,110,544,877,877
Foreign currency deposits	3,043,209,323,726
Foreign currency securities	3,638,585,424,643
Foreign currency mutual funds	76,906,384,508
Foreign currency loans	2,351,843,745,000
Deposits with agents	9,784,392,139
Other assets	586,883,835,471
Bills and checks in process of collection	70,111,153
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	15,766,074,551
Refund on accrued tax	14,967,102,600
Accrued interest receivable	513,387,547,786
Others	27,189,625,017
Tangible fixed assets	241,074,250,424
Buildings	136,645,333,716
Land	84,118,243,965
Lease assets	8,079,820,747
Construction in progress	1,614,968,400
Other tangible fixed assets	10,615,883,596
Intangible fixed assets	457,712,496
Utility rights	457,712,496
Total assets	735,116,592,018,608
LIABILITIES	
Banknotes	121,955,039,041,548
Deposits (excluding those of the government)	577,980,612,349,088
Current deposits	549,078,126,627,386
Other deposits	28,902,485,721,702
Deposits of the government	15,597,952,210,527
Treasury deposit	150,000,000,000
Domestic designated deposit	15,015,269,894,460
Other government deposits	432,682,316,067
Payables under repurchase agreements	5,370,902,523,136
Other liabilities	142,065,967,260
Remittances payable	28,178,843,812
Taxes payable	59,394,000,000
Lease liabilities	8,466,293,252
Others	46,026,830,196
Provision for retirement benefits	209,175,770,863
Provision for possible losses on bonds transactions	6,062,229,993,013
Provision for possible losses on foreign exchange transactions	2,266,995,000,000
Total liabilities	729,584,972,855,435
NET ASSETS	
Capital	100,000,000
Legal reserve	3,443,958,187,733
Special reserve	13,196,452
Net income	2,087,547,778,988
Total net assets	5,531,619,163,173
Total liabilities and net assets	735,116,592,018,608

3. Statement of income for fiscal 2022 (April 1, 2022–March 31, 2023)

yen

Operating income	3,760,266,227,030
Interest on loans and discounts	744,373,928
Interest on loans	744,373,928
Interest and discounts on Japanese government securities	1,331,997,618,724
Interest on commercial paper	257,878,898
Interest and discounts on corporate bonds	3,422,758,241
Gains on sale of Japanese government securities	15,878,973,476
Gains on foreign currency assets	889,796,590,113
Foreign exchange gains	749,090,864,812
Gains on foreign currency mutual funds	446,573,923
Interest on foreign currency deposits and loans	140,259,151,378
Other operating income	1,518,168,033,650
Gains on pecuniary trusts (stocks held as trust property)	354,166,961,655
Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property)	1,104,426,402,198
Gains on pecuniary trusts (Japan real estate investment trusts held as trust property)	30,618,039,650
Dividends	859,143,803
Fees and commissions	14,390,241,935
Other income	13,707,244,409
Operating expenses	529,530,623,546
Interest on payables under repurchase agreements	-12,689,203,637
Losses on sale of Japanese government securities	22,884,418,106
Losses on sale of corporate bonds	45,556,938
Losses on foreign currency assets	30,910,830,802
Losses on foreign currency securities	30,910,830,802
General and administrative expenses and costs	210,683,589,139
Cost of production of banknotes	49,892,995,468
Administrative expenses for treasury business and Japanese government securities	19,352,740,931
Personnel expenses	51,393,688,235
Expenses for transportation and communications	3,283,446,989
Expenses for maintenance and repairs	1,914,797,290
Other general and administrative expenses and costs	52,651,702,889
Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes	15,302,988,037
Depreciation and amortization	16,891,229,300
Other general and administrative expenses	277,695,432,198
Interest on excess reserve balances under the complementary deposit facility	176,691,772,293
Interest on excess reserve balances under the interest scheme to promote lending	37,226,478,018
Fees and commissions paid	258,373,728
Other expenses	63,518,808,159
Operating profits	3,230,735,603,484
Special profits	17,052,793,398
Gains on disposal of fixed assets	10,128,955,731
Other special profits	6,923,837,667
Special losses	836,097,373,607
Losses on disposal of fixed assets	171,905,163
Transfer to provision for possible losses on bonds transactions	461,206,000,000
Transfer to provision for possible losses on foreign exchange transactions	374,545,000,000
Other special losses	174,468,444
Net income before taxes	2,411,691,023,275
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	324,143,244,287
Net income	2,087,547,778,988

4. Summary of significant accounting policies

a. Securities

Yen-denominated bonds and CP² 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,³ 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 trusts⁴ 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.

(5) Others

Depreciation is computed in accordance with the Corporation Tax Act.

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 bonds issued by real estate investment corporations.

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

c. Foreign currency transactions

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

d. Transfers to/from provisions

(1) Provision for possible loan losses

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

(2) Provision for retirement benefits

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

The method of attributing projected benefits to periods up to the fiscal year-end is based on the straight-line method. Prior service cost is amortized using the straight-line method, which fixes the amount of the amortization and applies it over a certain number of years, within the average remaining service period of employees at the time (the amortization is applied over 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.

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	248
More than one year	560

Total	809
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b. Lessor

	mil. yen
Within one year	1
More than one year	23

Total	25
-------	----

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 2022	229,698,561,000
Service cost	5,747,576,000
Interest cost	918,539,000
Actuarial differences	1,076,702,509
Retirement benefits paid	-9,835,336,509
Prior service cost	...
<hr/>	
Projected benefit obligation at the end of fiscal 2022	227,606,042,000

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

	yen
Projected benefit obligation	227,606,042,000
Fair value of plan assets	...
<hr/>	
Unfunded projected benefit obligation	227,606,042,000
Unrecognized actuarial differences	-22,060,719,062
Unrecognized prior service cost	3,630,447,925
<hr/>	
Net amount recorded on the balance sheet	209,175,770,863
Prepaid pension cost	...
<hr/>	
Provision for retirement benefits	209,175,770,863

3. Retirement benefit cost

	yen
Service cost	5,747,576,000
Interest cost	918,539,000
Expected return on plan assets	...
Amortization of actuarial differences	6,733,228,050
Amortization of prior service cost	-1,487,408,600
<hr/>	
Retirement benefit cost	11,911,934,450

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' opinion⁵

May 9, 2023

Auditors' Opinion on the Bank of Japan's Financial Statements for Fiscal 2022

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 2022 indicated below. In our opinion, the financial statements present fairly the state of property and the results of operations for fiscal 2022.

The financial statements comprise the following:
Inventory of property as at March 31, 2023;
Balance sheet as at March 31, 2023; and
Statement of income for fiscal 2022.

ONOZAWA Yoji
FUJITA Hirokazu
SAKAMOTO Tetsuya

Auditors, Bank of Japan

6. Appropriation of net income for fiscal 2022

yen

Net income	2,087,547,778,988
Appropriations:	
Transfer to legal reserve	104,377,388,950
Dividends, 5 percent of share face value	5,000,000
Payment to the government	1,983,165,390,038
Total	2,087,547,778,988

5. 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 2022	Balance at the end of fiscal 2022	Changes during fiscal 2022
1. Gold	441,253,409,037	441,253,409,037	0
2. Cash¹	298,375,400,551	416,631,788,235	118,256,387,684
3. Japanese government securities	526,173,698,752,394	581,720,689,525,616	55,546,990,773,222
Treasury discount bills	14,942,486,513,429	5,500,941,838,030	-9,441,544,675,399
Japanese government bonds	511,231,212,238,965	576,219,747,687,586	64,988,535,448,621
2-year bonds	38,867,644,637,943	34,234,454,571,473	-4,633,190,066,470
5-year bonds	97,169,833,352,710	96,627,944,242,046	-541,889,110,664
10-year bonds	216,305,253,371,209	269,361,616,115,766	53,056,362,744,557
20-year bonds	107,665,107,087,640	119,423,001,560,233	11,757,894,472,593
30-year bonds	38,228,001,149,821	42,731,531,123,954	4,503,529,974,133
40-year bonds	7,896,639,829,042	8,631,904,392,536	735,264,563,494
Floating-rate bonds	886,200,610,784	172,914,959,387	-713,285,651,397
Inflation-indexed bonds	4,212,532,199,816	5,036,380,722,191	823,848,522,375
4. Commercial paper²	2,514,385,047,260	2,123,282,356,777	-391,102,690,483
Dematerialized commercial paper	2,514,385,047,260	2,123,282,356,777	-391,102,690,483
5. Corporate bonds³	8,583,033,503,685	8,008,960,156,155	-574,073,347,530
6. Pecuniary trusts (stocks held as trust property)⁴	457,566,711,411	304,738,094,204	-152,828,617,207
Stocks	440,638,678,581	293,559,712,004	-147,078,966,577
Dividends receivable and others	16,928,032,830	11,178,382,200	-5,749,650,630
7. Pecuniary trusts (index-linked exchange-traded funds held as trust property)⁵	36,565,788,694,932	37,045,978,537,204	480,189,842,272
Index-linked exchange-traded funds	36,565,787,154,917	37,045,978,278,571	480,191,123,654
Money trust received as collateral	2,088,633,341	1,004,069,088	-1,084,564,253
Accrued income receivable from lending transactions	1,540,015	258,633	-1,281,382
Payables under lending transactions	2,088,633,341	1,004,069,088	-1,084,564,253
8. Pecuniary trusts (Japan real estate investment trusts held as trust property)⁶	666,135,965,460	666,572,082,973	436,117,513
Japan real estate investment trusts	656,694,721,538	656,964,659,128	269,937,590
Distributions receivable	9,441,243,922	9,607,423,845	166,179,923
9. Loans and bills discounted	151,532,888,000,000	94,439,741,000,000	-57,093,147,000,000
Electronic loans	151,532,888,000,000	94,439,741,000,000	-57,093,147,000,000
Loans by Funds-Supplying Operations against Pooled Collateral ⁷	151,532,888,000,000	94,439,741,000,000	-57,093,147,000,000
10. Foreign currency assets	8,306,408,621,708	9,110,544,877,877	804,136,256,169
Foreign currency deposits ⁸	3,150,196,421,866	3,043,209,323,726	-106,987,098,140
Foreign currency securities ⁹	2,754,880,111,072	3,638,585,424,643	883,705,313,571
Foreign currency mutual funds	72,107,563,770	76,906,384,508	4,798,820,738
Foreign currency loans ¹⁰	2,329,224,525,000	2,351,843,745,000	22,619,220,000
11. Deposits with agents¹¹	4,723,922,571	9,784,392,139	5,060,469,568

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 (1) beneficiary interests in index-linked exchange-traded funds purchased through a trust bank, (2) distributions receivable, (3) money trust received as collateral in transactions involving the lending of beneficiary interests in index-linked exchange-traded funds, (4) accrued income receivable from lending transactions, and (5) payables under lending transactions (liabilities) for money trust received as collateral.

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 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); (2) loans made under the Fund-Provisioning Measure to Stimulate Bank Lending conducted through the Loan Support Program; (3) loans made through the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19); (4) loans made through the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas; and (5) loans made through the Funds-Supplying Operations to Support Financing for Climate Change Responses.

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 is 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.

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 2022	Balance at the end of fiscal 2022	Changes during fiscal 2022
12. Other assets	476,795,000,622	586,883,835,471	110,088,834,849
Bills and checks in process of collection ¹²	35,125,663	70,111,153	34,985,490
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	19,599,380,675	15,766,074,551	-3,833,306,124
Refund on accrued tax	0	14,967,102,600	14,967,102,600
Accrued interest receivable	432,957,061,105	513,387,547,786	80,430,486,681
Others	8,700,058,815	27,189,625,017	18,489,566,202

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 2022	Increase during fiscal 2022	Decrease during fiscal 2022	Of which:	Balance at the end of fiscal 2022	Cumulative total of depreciation
				Depreciation		
13. Tangible fixed assets¹⁵	232,059,808,131	63,581,093,480	54,566,651,187	15,186,707,872	241,074,250,424	385,381,035,321
Buildings ^{16,17}	110,296,783,611 (604,724.99)	35,681,272,451 (18,980.39)	9,332,722,346 (5,727.82)	9,234,569,409 (...)	136,645,333,716 (617,977.56)	356,673,380,815 (...)
Land ¹⁶	84,121,962,141 (495,104.85)	484,129 (2,205.54)	4,202,305 (17,592.69)	... (...)	84,118,243,965 (479,717.70)	... (...)
Lease assets ^{18,19}	6,341,767,215 (19,472)	4,831,990,653 (8,274)	3,093,937,121 (4,067)	3,050,271,119 (...)	8,079,820,747 (23,679)	6,441,999,534 (...)
Construction in progress ²⁰	20,229,647,574	20,581,417,742	39,196,096,916	...	1,614,968,400	...
Other tangible fixed assets ^{21,22}	11,069,647,590 (9,896)	2,485,928,505 (167)	2,939,692,499 (278)	2,901,867,344 (...)	10,615,883,596 (9,785)	22,265,654,972 (...)

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 2022	Increase during fiscal 2022	Decrease during fiscal 2022	Of which:	Balance at the end of fiscal 2022	Cumulative total of depreciation
				Depreciation		
14. Intangible fixed assets	484,026,408	435,000	26,748,912	25,098,055	457,712,496	586,187,467
Utility rights	484,026,408	435,000	26,748,912	25,098,055	457,712,496	586,187,467

Appendix: Details of loans provided through the Loan Support Program

yen

Item	Balance at the beginning of fiscal 2022	Balance at the end of fiscal 2022	Changes during fiscal 2022
Total amount outstanding	63,934,112,525,000	72,243,284,745,000	8,309,172,220,000
Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth ⁷	8,065,112,525,000	7,148,984,745,000	-916,127,780,000
Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending	55,869,000,000,000	65,094,300,000,000	9,225,300,000,000

Note: 7. 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 2022	Balance at the end of fiscal 2022	Changes during fiscal 2022
1. Banknotes	119,870,775,898,807	121,955,039,041,548	2,084,263,142,741
10,000 yen notes	111,441,150,310,000	113,576,808,750,000	2,135,658,440,000
5,000 yen notes	3,674,588,502,500	3,637,161,867,500	-37,426,635,000
2,000 yen notes	191,537,690,000	194,018,476,000	2,480,786,000
1,000 yen notes	4,422,591,964,500	4,407,498,242,000	-15,093,722,500
Other banknotes ¹	140,907,431,807	139,551,706,048	-1,355,725,759
2. Deposits (excluding those of the government)	589,747,362,365,186	577,980,612,349,088	-11,766,750,016,098
Current deposits	563,178,486,879,201	549,078,126,627,386	-14,100,360,251,815
Other deposits ²	26,568,875,485,985	28,902,485,721,702	2,333,610,235,717
3. Deposits of the government	13,032,518,059,515	15,597,952,210,527	2,565,434,151,012
Treasury deposit	150,000,000,000	150,000,000,000	0
Domestic designated deposit ³	12,564,293,810,498	15,015,269,894,460	2,450,976,083,962
Other government deposits ⁴	318,224,249,017	432,682,316,067	114,458,067,050
4. Payables under repurchase agreements⁵	919,971,215,714	5,370,902,523,136	4,450,931,307,422
Securities lending as a secondary source of Japanese government securities	919,971,215,714	5,370,902,523,136	4,450,931,307,422
5. Other liabilities	279,941,212,158	142,065,967,260	-137,875,244,898
Remittances payable	22,369,026,365	28,178,843,812	5,809,817,447
Taxes payable	189,620,000,000	59,394,000,000	-130,226,000,000
Lease liabilities	6,672,038,168	8,466,293,252	1,794,255,084
Others ⁶	61,280,147,625	46,026,830,196	-15,253,317,429

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. The amount outstanding at the fiscal-year end includes interest accrued on excess reserve balances of 30,195,018,979 yen under the complementary deposit facility, 1,866,297,156 yen under the interest scheme to promote lending, and 9,299,911,411 yen under the Special Deposit Facility.

yen

Item	Balance at the beginning of fiscal 2022	Increase during fiscal 2022	Decrease during fiscal 2022	Balance at the end of fiscal 2022
6. Provisions⁷	7,700,573,165,935	847,662,934,450	9,835,336,509	8,538,400,763,876
Provision for retirement benefits	207,099,172,922	11,911,934,450	9,835,336,509	209,175,770,863
Provision for possible losses on bonds transactions	5,601,023,993,013	461,206,000,000	0	6,062,229,993,013
Provision for possible losses on foreign exchange transactions	1,892,450,000,000	374,545,000,000	0	2,266,995,000,000
7. Net assets	3,377,840,670,360	66,230,713,825	0	3,444,071,384,185
Capital	100,000,000	0	0	100,000,000
Legal reserve ⁸	3,377,727,473,908	66,230,713,825	0	3,443,958,187,733
Special reserve ⁹	13,196,452	0	0	13,196,452

Notes: 7. Appropriated in accordance with the Bank's significant accounting policies.

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

9. To ease the reconstruction of financial institutions after World War II, the Bank, along with private financial institutions, suspended the 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 2022

a. Operating income

Interest on loans and discounts	
Interest on loans	744,373,928 yen from electronic loans.
Interest and discounts on Japanese government securities	1,331,997,618,724 yen from interest income on Japanese government securities after adjustment.
Interest on commercial paper	257,878,898 yen from interest income on commercial paper after adjustment.
Interest and discounts on corporate bonds	3,422,758,241 yen from interest income on corporate bonds after adjustment.
Gains on sale of Japanese government securities	15,878,973,476 yen from gains on sales of Japanese government bonds.
Gains on foreign currency assets	
Foreign exchange gains	749,090,864,812 yen from gains on foreign currency assets resulting from revaluation following fluctuations in foreign exchange rates.
Gains on foreign currency mutual funds	446,573,923 yen
Interest on foreign currency deposits and loans	140,259,151,378 yen
Other operating income	
Gains on pecuniary trusts (stocks held as trust property)	354,166,961,655 yen mainly from gains on sales.
Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property)	1,104,426,402,198 yen mainly from distributions.
Gains on pecuniary trusts (Japan real estate investment trusts held as trust property)	30,618,039,650 yen mainly from distributions.
Dividends	859,143,803 yen for dividends from shares of the Bank for International Settlements held by the Bank.
Fees and commissions	14,390,241,935 yen for fees and commissions for operations regarding Japanese government securities, securities lending as a secondary source of Japanese government securities, the Bank of Japan Financial Network System (BOJ-NET), and other operations.
Other income	13,707,244,409 yen from transfer from provision for retirement benefits and other income.

b. Operating expenses

Interest on payables under repurchase agreements	12,689,203,637 yen from interest income on sales of Japanese government securities under repurchase agreements.
Losses on sale of Japanese government securities	22,884,418,106 yen from losses on sales of Japanese government bonds.
Losses on sale of corporate bonds	45,556,938 yen
Losses on foreign currency assets	
Losses on foreign currency securities	Total of 44,110,537,446 yen from interest and discounts on foreign currency securities and 75,021,368,248 yen of losses arising from the sale, redemption, and revaluation at end-March 2023 of foreign currency securities.
General and administrative expenses and costs	
Cost of production of banknotes	49,892,995,468 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	19,352,740,931 yen from fees and commissions paid to agents of the Bank for administration of treasury business and Japanese government securities.
Personnel expenses	428,545,300 yen for remuneration of the officers; 41,090,075,426 yen for remuneration of the employees; and 9,875,067,509 yen for retirement allowances.
Expenses for transportation and communications	1,400,940,810 yen for expenses for transportation and 1,882,506,179 yen for expenses for communications.
Expenses for maintenance and repairs	1,914,797,290 yen on offices and other premises.
Other general and administrative expenses and costs	1,022,440,386 yen for the cost of expendable supplies; 2,239,598,905 yen for expenses for electricity and water supply; 5,290,636,631 yen for leasing fees for buildings and equipment; 10,811,419,810 yen for expenses for maintenance of buildings and equipment; and 33,287,607,157 yen for miscellaneous expenses.
Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes	15,302,988,037 yen for taxes and public charges (including fixed-asset tax and urban development tax).
Depreciation and amortization	16,891,229,300 yen on buildings and lease assets.
Other general and administrative expenses	
Interest on excess reserve balances under the complementary deposit facility	176,691,772,293 yen (net difference between interest payment of 207,755,704,152 yen on excess reserve balances to which a positive interest rate is applied and interest income of 31,063,931,859 yen on the balances to which a negative interest rate is applied).
Interest on excess reserve balances under the interest scheme to promote lending	37,226,478,018 yen
Fees and commissions paid	258,373,728 yen
Other expenses	63,518,808,159 yen, including 74,848,430,195 yen of interest payment on excess reserve balances under the Special Deposit Facility to Enhance the Resilience of the Regional Financial System.

c. Special profits

Gains on disposal of fixed assets	10,128,955,731 yen for gains on sales of land for the Bank's premises and other gains.
Other special profits	6,923,837,667 yen for gains from additional interest payments (received) on excess reserve balances under the complementary deposit facility.

d. Special losses

Losses on disposal of fixed assets	171,905,163 yen for losses on disposals of offices and other losses.
Transfer to provision for possible losses on bonds transactions	461,206,000,000 yen
Transfer to provision for possible losses on foreign exchange transactions	374,545,000,000 yen
Other special losses	174,468,444 yen for losses arising from adjustment to interest on foreign currency deposits and loans.

e. Net income

Net income before taxes	2,411,691,023,275 yen
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	324,143,244,287 yen
Net income	2,087,547,778,988 yen

IV. EXPENSES

With regard to the Bank's statement of accounts for fiscal 2022 (the 138th fiscal year), the total amount of actual expenses increased by 3.7 percent (7.6 billion yen) to 213.4 billion yen compared to the previous fiscal year. This was chiefly due to an increase in "other general and administrative expenses and costs," mainly owing to rises in expenses for gas and electricity as well as for computerization.

1. Statement of accounts for fiscal 2022

yen

Item	Initial budget	Adjusted budget ¹	Actual	Surpluses	Changes from the previous year (actual)
Cost of production of banknotes	54,882,297,000	54,882,297,000	54,882,295,000	2,000	590,605,000
Administrative expenses for treasury business and Japanese government securities	21,332,440,000	21,332,440,000	21,128,182,526	204,257,474	-79,892,324
Personnel expenses	52,364,356,000	52,364,356,000	51,462,924,841	901,431,159	136,590,117
Remuneration of the officers	428,725,000	428,725,000	428,545,300	179,700	4,151,800
Remuneration of the employees	41,579,314,000	41,579,314,000	41,159,312,032	420,001,968	162,459,450
Retirement allowances	10,356,317,000	10,356,317,000	9,875,067,509	481,249,491	-30,021,133
Expenses for transportation and communications	4,217,693,000	4,217,693,000	3,520,057,266	697,635,734	510,815,276
Expenses for transportation	1,978,040,000	1,978,040,000	1,487,059,177	490,980,823	527,453,997
Expenses for communications	2,239,653,000	2,239,653,000	2,032,998,089	206,654,911	-16,638,721
Expenses for maintenance and repairs	2,276,551,000	2,276,551,000	2,106,276,989	170,274,011	-267,045,311
Other general and administrative expenses and costs	57,744,989,000	57,884,989,000	57,014,430,999	870,558,001	5,544,091,331
Cost of expendable supplies	1,170,258,000	1,170,258,000	1,123,823,351	46,434,649	-102,155,509
Expenses for electricity and water supply	2,020,248,000	2,551,248,000	2,463,260,877	87,987,123	877,162,084
Leasing fees for buildings and equipment	5,736,750,000	5,800,750,000	5,778,239,635	22,510,365	-42,173,101
Expenses for maintenance of buildings and equipment	11,669,232,000	11,986,232,000	11,890,122,103	96,109,897	1,814,648,757
Miscellaneous expenses	37,148,501,000	36,376,501,000	35,758,985,033	617,515,967	2,996,609,100
Subtotal	192,818,326,000	192,958,326,000	190,114,167,621	2,844,158,379	6,435,164,089
Cost of fixed-asset purchases	23,851,490,000	23,851,490,000	23,321,116,013	530,373,987	1,152,546,213
Of which: Subject to the approval of the Minister of Finance ²	2,870,754,000	2,870,754,000	2,804,743,037	66,010,963	-2,178,500,705
Contingency funds	1,000,000,000	860,000,000	0	860,000,000	0
Total	217,669,816,000	217,669,816,000	213,435,283,634	4,234,532,366	7,587,710,302
Of which: Subject to the approval of the Minister of Finance ²	196,689,080,000	196,689,080,000	192,918,910,658	3,770,169,342	4,256,663,384

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 2022¹

mil. yen

Area of business operation	Expenses	Changes from a year earlier	Share of total (percent)
Issuance of banknotes	87,711	+1,732	41.6
Monetary policy	23,084	-41	11.0
Financial system policy	19,012	-866	9.0
Payment and settlement systems	33,744	+8,200	16.0
Services relating to the government ²	47,132	-177	22.4
Total	210,684	+8,849	100.0

Notes: 1. Calculated based on "general and administrative expenses and costs" (210.7 billion yen) in the statement of income for fiscal 2022 (the 138th 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 2022 and at the beginning of fiscal 2023.

I. Audits of the Bank's Financial Statements and Other Documents¹**A. Financial Statements and Other Documents for Fiscal 2021**

From April through to early May 2022, 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 2021 (the 137th fiscal year) as well as the statement of income for the second half of fiscal 2021.

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 2021 as well as the results of operations for the second half of fiscal 2021.

B. Financial Statements and Other Documents for the First Half of Fiscal 2022

From October through to early November 2022, 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 2022 (the 138th 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 2022.

C. Financial Statements and Other Documents for Fiscal 2022

From April through to early May 2023, 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 2022 as well as the statement of income for the second half of fiscal 2022.

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 2022 as well as the results of operations for the second half of fiscal 2022.

II. Audits of Cash, Securities, and Books

In fiscal 2022, the Auditors conducted a total of 54 audits on 7 Head Office departments and 32 branches of the Bank, examining cash and securities in their custody as well as their books.

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

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

In fiscal 2022, the Auditors conducted audits on 4 Head Office departments, 32 branches, and 12 of the Bank's local offices in Japan to assess business operations and expenses. They also conducted a total of 195 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 265 examinations of key documents and 8 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 105 for the ceiling on the number of full-time employees for fiscal 2023.

5. See Attachment 1 for Appendix 2 on page 104 for the budget for expenses for fiscal 2023.

THE BANK OF JAPAN'S BUDGET FOR EXPENSES FOR FISCAL 2023¹

The Bank of Japan's budget for expenses for fiscal 2023 (the 139th 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 2023 marked an increase of 1.9 percent from the previous year, of which the amount subject to the approval of the Minister of Finance increased by 6.2 percent. This overall increase was mainly due to changes in the following items: the cost of production of banknotes increased by 12.8 percent, mainly owing to expenses to be incurred in preparation for the introduction of a new series of banknotes, and other general and administrative expenses and costs increased by 4.0 percent, mainly due to a rise in expenses for electricity and water supply. On the other hand, the cost of fixed-asset purchases decreased by 30.0 percent, mainly owing to a decline in expenses related to improvements to the Bank's premises.

1. Decided by the Policy Board on March 17, 2023.

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 2023 (The 139th Fiscal Year)

Item	Initial budget (thous. yen)	Change from the previous year (percent)
Cost of production of banknotes	61,925,111	12.8
Administrative expenses for treasury business and Japanese government securities	21,326,048	-0.0
Personnel expenses	53,968,268	3.1
Remuneration of the officers	431,716	0.7
Remuneration of the employees	42,989,124	3.4
Retirement allowances	10,547,428	1.8
Expenses for transportation and communications	4,590,037	8.8
Expenses for transportation	2,524,106	27.6
Expenses for communications	2,065,931	-7.8
Expenses for maintenance and repairs	2,187,105	-3.9
Other general and administrative expenses and costs	60,064,166	4.0
Cost of expendable supplies	1,309,062	11.9
Expenses for electricity and water supply	4,039,016	99.9
Leasing fees for buildings and equipment	6,839,129	19.2
Expenses for maintenance of buildings and equipment	11,700,977	0.3
Miscellaneous expenses	36,175,982	-2.6
Subtotal	204,060,735	5.8
Cost of fixed-asset purchases	16,685,192	-30.0
Of which: Subject to the approval of the Minister of Finance ¹	3,753,435	30.7
Contingency funds	1,000,000	0.0
Total²	221,745,927	1.9
Of which: Subject to the approval of the Minister of Finance ¹	208,814,170	6.2

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 33,095,829 thousand yen, a 0.4 percent increase 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 12,018 person-months (one person-month is the workload equivalent of one person working for one month in system development), and a total of approximately 15,252 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 2023¹**

The Bank has set the ceiling on the number of full-time employees for fiscal 2023 at 4,900.

1. Decided by the Policy Board on March 31, 2023.

Information

I. Bank of Japan Website

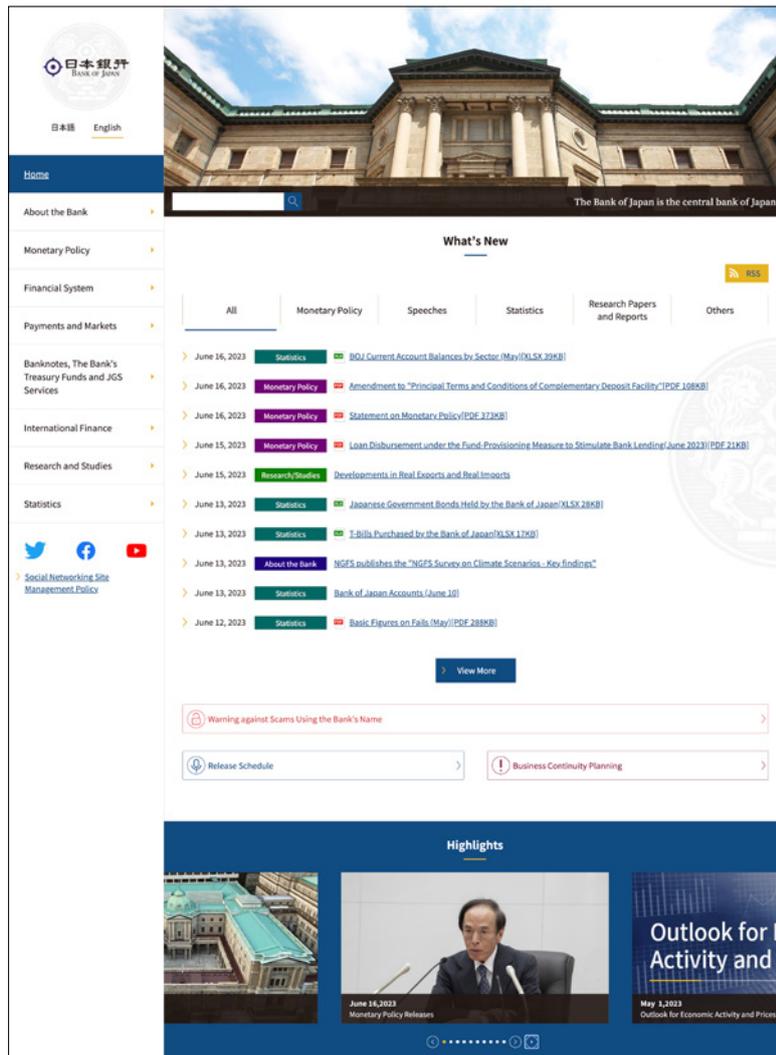
II. Visiting the Bank of Japan

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 facts about the Bank.



■ Bank of Japan FAQs

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

Offers online opportunities to explore the tour route of the Main Building at the Bank's Head Office—the oldest of its buildings and designated an Important Cultural Property—through contents including a video showing the tour's "must-sees" and an interactive 3-D/virtual reality (VR) map.



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.



Introductory Video "The Bank of Japan in Our Daily Lives"

<https://www.boj.or.jp/en/about/education/thisisboj.htm>

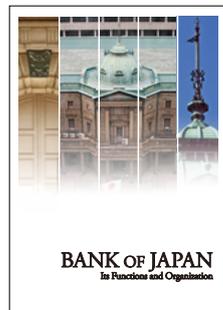
Explains the importance of maintaining people's confidence in the currency, as well as the Bank's policies and operations toward this end.



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

https://www.boj.or.jp/en/about/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 for searching, downloading, and the drawing of graphs.

Time-series data for the Bank'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 guided tours to help visitors learn more about the Bank's role and business operations.

For details, visit the Bank's website:

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

■ Bank of Japan Currency Museum

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

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

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



■ Bank of Japan Otaru Museum

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

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

Opened in May 2003, in what was previously the Otaru Branch building. 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 (Summary)	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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