



BANK OF JAPAN

ANNUAL REVIEW 2024





BANK OF JAPAN

ANNUAL REVIEW 2024

Year Ended March 31, 2024

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 2023	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>	41
The Bank's Organizational Management in Fiscal 2023	55
I. Statement of Accounts and Budget for Expenses	56
II. IT Investment	56
III. Human Resources	56
IV. Organizational Management Measures	57
V. Internal Audits	58
Climate Change Initiatives: Disclosure Based on TCFD Recommendations	59
I. Governance	61
II. Strategy	61
III. Risk Management	63
IV. Metrics and Targets	67
The Bank's Accounts: Financial Statements and Other Documents for Fiscal 2023	69
I. Assets and Liabilities, Profits and Losses, and Capital Adequacy Ratio	70
II. Financial Statements	79
III. Schedule for the Financial Statements	88
IV. Expenses	94
Appendixes	97
■ Appendix 1: Overview of Audits of the Bank of Japan	98
■ Appendix 2: Medium-Term Strategic Plan (Fiscal 2019–2023)	100
■ Appendix 3: Performance Review of <i>Medium-Term Strategic Plan (Fiscal 2019–2023)</i>	106
■ Appendix 4: Medium-Term Strategic Plan (Fiscal 2024–2028)	107
Information	115
I. Bank of Japan Website	116
II. Information on Banknotes and Coins	119
III. Visiting the Bank of Japan	120
IV. Publications and Reports	121

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/ar2024.htm>.



FOREWORD BY THE GOVERNOR



The Bank of Japan has two missions, to achieve price stability and ensure the stability of the financial system. Regarding the former, the Bank will conduct monetary policy as appropriate from the perspective of sustainable and stable achievement of the price stability target, that is, a target of 2 percent in terms of the year-on-year rate of change in the consumer price index, in response to developments in economic activity and prices as well as financial conditions. 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 operations, banknotes, treasury funds and Japanese government securities services, and public communication. 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 *Gyomu Gaikyo Sho* (Outline of Business Operations), which is prepared pursuant to Article 55 of the Bank of Japan Act. The *Gyomu Gaikyo Sho* for fiscal 2023 and the *Annual Review 2024* have been drawn up and released to explain to readers the implementation of the Bank's business operations during fiscal 2023. 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 an apposite and timely manner in view of changes in its external environment, including those accompanying the 2024 Noto Peninsula Earthquake. In March 2024, the Bank released the *Medium-Term Strategic Plan (Fiscal 2024–2028)*, which set the basic direction for the Bank's business operations and organizational management during the coming five-year period.¹ 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 'Ueda Kazuo'.

UEDA Kazuo

Governor of the Bank of Japan

1. With the designated period for the *Medium-Term Strategic Plan (Fiscal 2019–2023)* ending in March 2024, the Bank formulated this plan for the five-year period starting April 2024.



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

The Bank of Japan conducts currency and monetary control, aiming 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 2024, 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	40,557	40.6
Financial institutions	1,842	1.8
Public organizations	183	0.2
Securities companies	123	0.1
Other firms	2,283	2.3
Total	100,000	100.0

Note: 1. Rounded down to the nearest 1,000 yen. As of the end of March 2024.

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 must not fall below 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 if the Governor is prevented from attending to their 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. If they find it necessary based on the audit results, they may 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 if 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	May state their opinions to the Policy Board on any important matters concerning the Bank's business operations, upon consultation by the Policy Board or if they find it necessary.

4. Stipulated by Article 21. The officers of the Bank consist of the Governor, two Deputy Governors, six Members of the Policy Board, three or fewer Auditors, six or fewer Executive Directors, and several 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, 2024.

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).

UEDA Kazuo
Governor (the 32nd) and Chairman of the Policy Board
Date of Birth

September 20, 1951

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)

 1980 Assistant Professor, University of British Columbia
 1982 Associate Professor, Osaka University
 1989 Associate Professor, The University of Tokyo
 1993 Professor, The University of Tokyo
 1998 Member of the Policy Board, Bank of Japan
 2005 Professor, The University of Tokyo
 2017 Professor, Kyoritsu Women's University
 2023 Present position

UCHIDA Shinichi
Deputy Governor
Date of Birth

August 22, 1962

Education

 The University of Tokyo
 (1986, B.A. in Law)
 Harvard Law School
 (1991, LL.M.)

 1986 Joined the Bank of Japan
 2007 Associate Director-General, Monetary Affairs Department
 2008 Associate Director-General, Personnel and Corporate Affairs Department
 2010 General Manager, Niigata Branch
 2012 Director-General, Monetary Affairs Department
 2017 General Manager, Nagoya Branch
 2018 Executive Director
 2023 Present position

HIMINO Ryozo
Deputy Governor
Date of Birth

April 25, 1960

Education

 The University of Tokyo
 (1983, B.A. in Law)
 Harvard Business School
 (1987, MBA)

 1983 Joined the Ministry of Finance
 2003 Secretary General, Basel Committee on Banking Supervision
 2006 Director, Securities Business Division, Supervisory Bureau, Financial Services Agency of Japan (JFSA)
 2007 Director, Banking Business Division I, Supervisory Bureau, JFSA
 2009 Director, Planning and Management Division, Supervisory Bureau, JFSA
 2010 Deputy Director-General, Planning and Coordination Bureau, JFSA
 2016 Vice Minister for International Affairs, JFSA
 2020 Commissioner, JFSA
 2021 Visiting Professor, Graduate School of Public Policy, The University of Tokyo
 2022 Executive Research Fellow, Policy Research Department, NLI Research Institute
 2023 Present position

ADACHI Seiji

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

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

NAKAMURA Toyoaki

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

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

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)

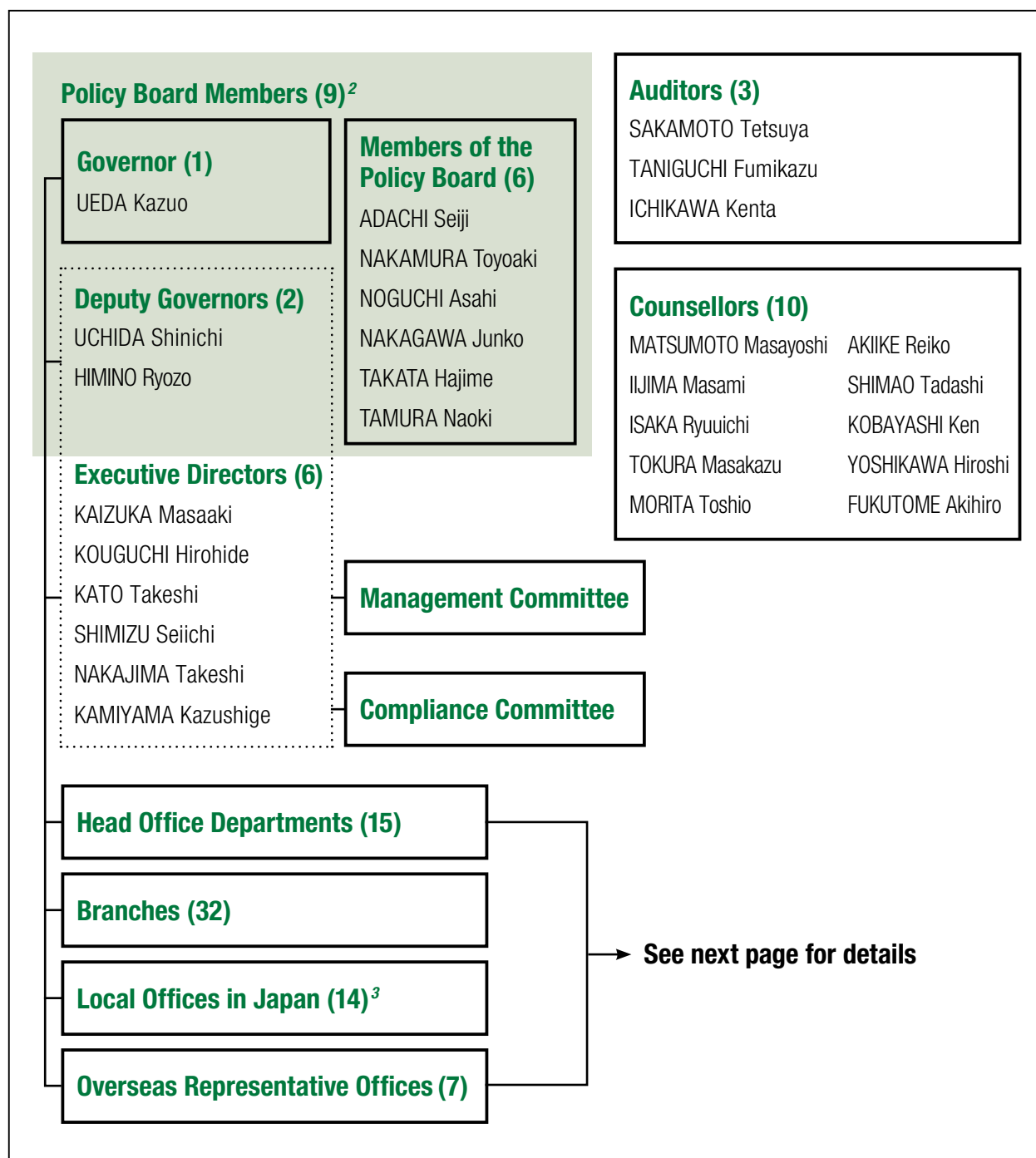
1982	Joined The Industrial Bank of Japan, Ltd. (IBJ)
1999	General Manager of Fixed Income Research Department, Fixed Income Group, IBJ Securities Co., Ltd.
2000	General Manager of Fixed Income Research Department, Fixed Income Group, Mizuho Securities Co., Ltd. (MHSC)
2011	Executive Officer Joint Head 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, 2024.

2. As stipulated by Article 16, paragraph 2 of the Act, the Policy Board consists 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	HARIMOTO Keiko (Director-General) MINEGISHI Makoto (Director-General, Senior Secretary to the Governor) UEDA Risa (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	SUZUKI Koichiro (Director-General)
Payment and Settlement Systems Department	TAKEDA Naomi (Director-General)
Financial Markets Department	FUJITA Kenji (Director-General)
Research and Statistics Department	NAKAMURA Koji (Director-General)
International Department	CHIKADA Ken (Director-General)
Currency Issue Department	AZUMA Yoshiaki (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	OKUNO Akio (Director-General) IIJIMA Kota (Director-General for Personnel Management)
Administration Department	HANAJIRI Tetsuro (Director-General)
Institute for Monetary and Economic Studies	WATANABE Shingo (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	YAMADA Takeshi (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	SHIGEMOTO Hiroshi (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	WATANABE Akihiko (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	YAMADA Keishi (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) provides support for the promotion of financial and economic education, and (3) administers the Bank's library.

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

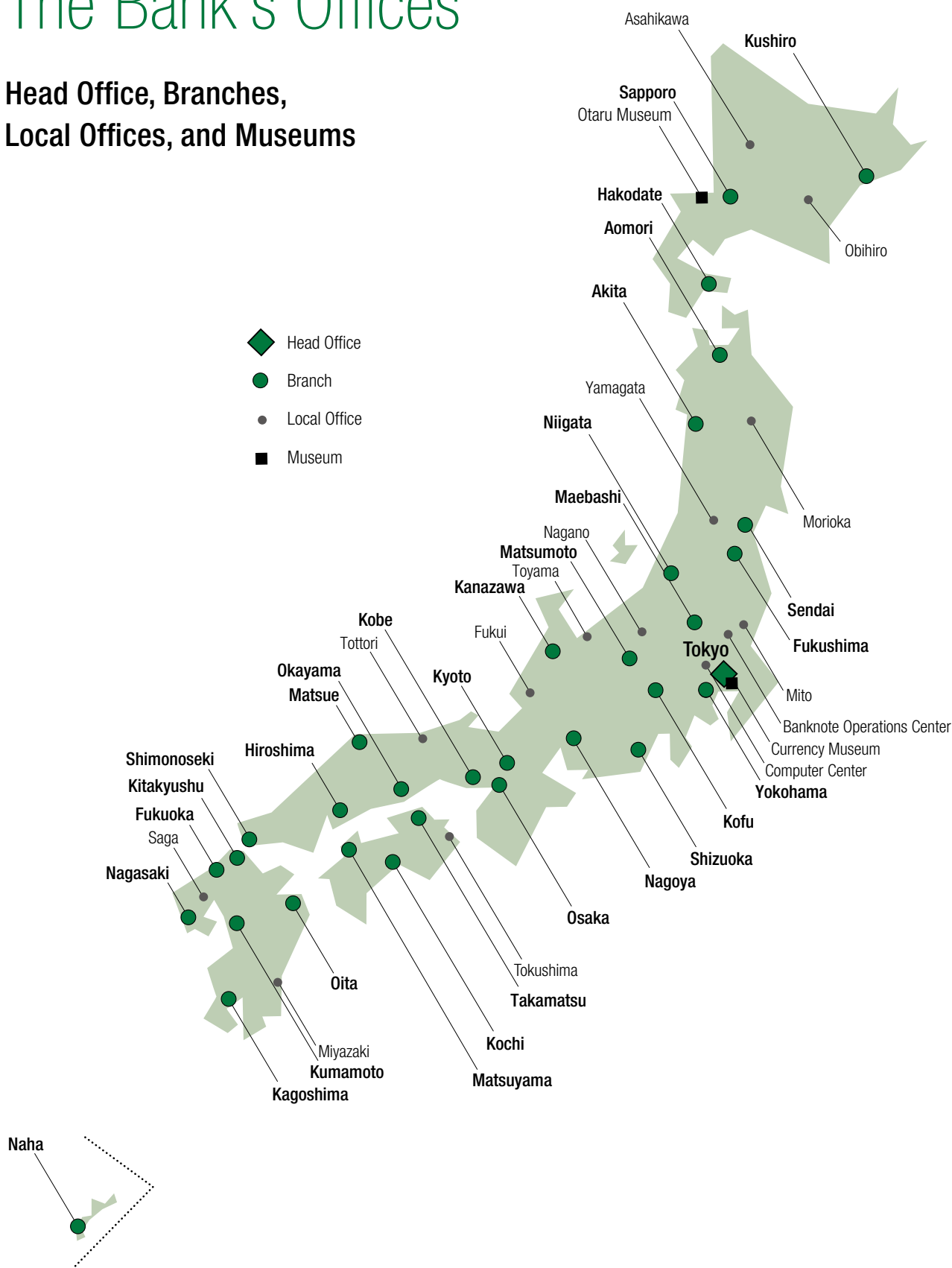
The Computer Center in Fuchu City, Tokyo, operates the Bank's systems. The Banknote Operations Center in Toda City, Saitama Prefecture, receives, pays, and stores banknotes. The other 12 local offices handle some of the operations of the Head Office or branches.

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 2023.

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 2023.²

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 121.

2. The summaries of these two issues are available in English on the Bank's website; for excerpts from these summaries, see pages 33–38.

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, 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 2023¹

	Financial institutions that hold current accounts at the Bank	Of which: Financial institutions that have concluded on-site examination contracts with the Bank	Financial institutions that have concluded agreements for bilateral electronic lending with the Bank	Financial institutions that have concluded loans-on-bills agreements with the Bank	Financial institutions that have concluded intraday-overdraft agreements with the Bank
City and regional banks	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 (48)	48 (48)	36 (36)	39 (39)	37 (37)
<i>Shinkin</i> banks	247 (247)	247 (247)	113 (112)	135 (135)	194 (194)
Financial instruments business operators	36 (36)	36 (36)	30 (30)	35 (35)	34 (34)
Bankers associations	1 (1)	0 (0)	0 (0)	0 (0)	0 (0)
Other institutions	18 (18)	9 (9)	9 (9)	9 (9)	11 (11)
Total	484 (484)	474 (474)	319 (318)	349 (349)	410 (410)

Note: 1. Figures in parentheses indicate the number of institutions as of the end of fiscal 2022.

Table 2

Number of Financial Institutions Examined

	Fiscal 2021	Fiscal 2022	Fiscal 2023
Domestically licensed banks ¹	18	20	20
<i>Shinkin</i> banks	34	37	42
Other institutions ²	7	4	5
Total	59	61	67

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

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

III. ENHANCEMENT OF PAYMENT AND SETTLEMENT SYSTEMS AND MARKET INFRASTRUCTURES

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

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

In addition, in order to strengthen and improve the efficiency of the functioning of markets as well as to support more robust risk management and innovation in financial services and market transactions, the Bank, with an eye on international developments, takes initiatives to reinforce the infrastructures of financial and capital markets. Specifically, it exchanges views with market

participants, supports the formulation of additional rules on and revisions of market practices, and compiles and releases statistics on market transactions. As part of its initiatives, the Bank has continued to enhance its business continuity arrangements in preparation for natural disasters or other emergencies, 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 such as the management of its foreign currency assets, foreign exchange transactions, and business operations related to assisting other central banks and international organizations in their investment in yen. The Bank also handles government affairs, such as the compilation and dissemination of Japan's balance of payments (BOP) statistics and foreign exchange market interventions.

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 facilitates 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). It also has been strengthening technical cooperation and training for staff at other Asian central banks and monetary authorities in support of efforts to ensure economic and financial stability in the region. Through these activities, the Bank contributes to the development of financial safety nets within the Asian region and promotes further stabilization of the region's currency and financial system.

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 wider 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, as a central bank, ensures the steady compilation and publication of various statistics, including the updating of base years where necessary. It also 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 Incorporated Administrative Agencies.

The Bank's Review of Fiscal 2023

I. Introduction

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

- A. First Half of Fiscal 2023 (April–September 2023)
- B. Second Half of Fiscal 2023 (October 2023–March 2024)

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)*.¹ The plan's content remains, in principle, fixed during the five-year period, with a view to clarifying the Bank's objectives over the medium term and ensuring proper assessment of its performance from an organizational perspective. 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 2023, 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 2023 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 2023" (see pages 55–58).

The plan specifies that a comprehensive ex-post review of the Bank's performance over the full five-year period be conducted separately. In March 2024, the Bank thus assessed its accomplishments under the plan in light of major changes in its external environment during this five-year period and released a comprehensive review of its performance.²

In the same month, the Bank formulated and released the *Medium-Term Strategic Plan (Fiscal 2024–2028)*, the content of which will also remain, in principle, fixed during the five-year period.³ The Bank will conduct an interim review of the plan in or around fiscal 2026, in order to enable the Bank to address any changes in its external environment. It will revise the plan, flexibly and appropriately, in response to any significant changes. The Bank will make public performance reviews of measures taken under the plan every fiscal year in the *Annual Review*.

1. For the text of the *Medium-Term Strategic Plan (Fiscal 2019–2023)*, see Appendix 2 on pages 100–105.

2. For the text of the *Performance Review of Medium-Term Strategic Plan (Fiscal 2019–2023)*, see Appendix 3 on page 106.

3. For the text of the *Medium-Term Strategic Plan (Fiscal 2024–2028)*, see Appendix 4 on pages 107–112.

II. REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS AND MONETARY POLICY MEETINGS⁴

A. First Half of Fiscal 2023 (April–September 2023)

1. Economic developments

- a. During the period from April through September 2023, Japan's economy had recovered moderately.

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 improved moderately. In this situation, business fixed investment had increased moderately. The employment and income situation had improved moderately. Private consumption had increased steadily at a moderate pace, despite being affected by price rises. Housing investment had been relatively weak. Public investment had increased moderately.

- b. Regarding price developments, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) had been in the range of around 2.5–3.5 percent, with energy prices pushing down the rate, while the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices had remained. Inflation expectations had risen moderately toward the end of the April–September period after being more or less unchanged.

2. Developments in financial markets and conditions

- a. Regarding global financial markets, yields on 10-year government bonds had increased, mainly reflecting solid economic indicators in the United

States. Stock prices had risen in the United States, while they had declined in Europe in reflection of concern over a possible economic slowdown.

- 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 increased following the Bank's decision at the July MPM to conduct yield curve control with greater flexibility. Issuance rates for CP had been at extremely low levels. Those for corporate bonds had declined against the background of improvement in supply and demand conditions, and then rose somewhat toward the end of the April–September period, reflecting an increase in their base rate.

The Nikkei 225 Stock Average had risen with market attention on, for example, solid corporate results and the yen's depreciation, and was in the range of 31,000–32,000 yen at the end of September.

In the foreign exchange market, the yen had depreciated against the U.S. dollar, albeit with fluctuations, with market attention on such factors as a widening of the yield differential between Japan and the United States. The U.S. dollar was in the range of 149–150 yen at the end of September. The yen had also depreciated against the euro on the whole during the April–September period.

- c. With regard to corporate financing, demand for funds had increased moderately, mainly on the back of a recovery in economic activity and past high raw material costs. Firms' financial positions had been favorable. Meanwhile, in terms of supply of funds, financial institutions' lending attitudes as

4. 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 2023 and June 2024. The full texts of both issues in Japanese and summaries in English are available on the Bank's website.

- 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 turned positive, which reflected an increase in the amount outstanding of JGB purchases with a waning of the effects of 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 for the money stock (M2) had been at around 2.5 percent.

3. MPMs⁵

- a. Four MPMs were held in the first half of fiscal 2023.

Regarding economic and financial developments, the Policy Board judged at the April and June MPMs that "Japan's economy has picked up, despite being affected by factors such as past high commodity prices." It then deemed at the July and September MPMs that "Japan's economy has recovered moderately."

- b. In the conduct of monetary policy, the Policy Board decided at the April MPM to maintain the following guideline for market operations under Quantitative and Qualitative Monetary Easing (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 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 June MPM, the Policy Board maintained the above guideline for market operations.

At the July MPM, the Policy Board decided to conduct yield curve control with greater flexibility. To this end, it decided upon the following guidelines for market operations and conduct of 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:

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

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, while it will conduct yield curve control with greater flexibility, regarding the upper and lower bounds of the range as references, not as rigid limits, in its market operations. The Bank will offer to purchase 10-year JGBs at 1.0 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, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations and the Funds-Supplying Operations against Pooled Collateral.

At the September MPM, the Policy Board maintained the above guidelines for market operations and conduct of yield curve control.

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 2023.

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 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 first half of fiscal 2023: "With extremely high uncertainties surrounding economies and financial markets at home and abroad, the Bank will patiently continue with monetary easing while nimbly responding to developments in economic activity and prices as well as financial conditions. By doing so, it will aim to achieve the price stability target of 2 percent in a sustainable and stable manner, accompanied by wage increases. The Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target, 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. The Bank will continue to maintain the stability of financing, mainly of firms, and financial markets, and will not hesitate to take additional easing measures if necessary."

B. Second Half of Fiscal 2023 (October 2023–March 2024)

1. Economic developments

- a. During the period from October 2023 through March 2024, Japan's economy had recovered moderately. However, some weakness had been seen in part in the second half of the period.

Although exports had been affected by a slowdown in the pace of recovery in overseas economies, they had been more or less flat. Industrial production had been more or less flat as a trend, but it had declined in the second half of the October–March period, partly due to the effects of a suspension of production and shipment at some automakers. Corporate profits and business sentiment had improved. In this situation, business fixed investment had followed a moderate increasing trend. The employment and income situation had improved moderately. Private consumption had been resilient, although the impact of price rises and, in the second half of the October–March period, developments such as a decline in automobile sales due to the suspension of shipment at some automakers had been observed. Housing investment had been relatively weak. Public investment had been more or less flat.

- b. Regarding price developments, the contribution of energy prices to the year-on-year rate of increase in the CPI (all items less fresh food) had been negative, partly due to the government's economic measures. That said, the rate of increase in the CPI had been in the range of 2–3 percent, mainly on the back of the fact that, despite waning, the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices had remained, and services prices had increased moderately. Inflation expectations had continued to rise moderately.

2. Financial developments

- a. Money market rates had been at low levels on the whole. The uncollateralized overnight call rate had been in the range of minus 0.1 to 0 percent under the framework of QQE with Yield Curve Control. Following the changes in the monetary policy framework decided at the March 2024 MPM, it had been in the range of 0 to 0.1 percent.

With regard to developments in the bond market, 10-year JGB yields had been more or less flat on the whole during the October–March period.

The Nikkei 225 Stock Average had exceeded the record high and reached the range of 40,000–41,000 yen at the end of March, with market attention on, for example, solid corporate results and the yen's depreciation, and in line with increases in U.S. and European stock prices.

In the foreign exchange market, the yen had depreciated against the U.S. dollar on the whole during the October–March period. The U.S. dollar was in the range of 151–152 yen at the end of March. The yen had also depreciated against the euro, albeit with fluctuations.

- b. With regard to corporate financing, firms' funding costs had increased toward the end of the October–March period but had remained at low levels. Demand for funds had continued to increase moderately on the back of, for example, a recovery in economic activity as well as mergers and acquisitions of firms. In terms of supply of funds, financial institutions' lending attitudes as perceived by firms had remained accommodative. In this situation, the year-on-year rate of increase in the amount outstanding of private bank lending had accelerated to around 3.5 percent. The rate of increase in the aggregate amount outstanding of CP and corporate bonds had been in the range of around 1.5–2.5 percent.
- c. The year-on-year rate of increase in the monetary

base had decelerated, with a decline in the purchase amount of JGBs compared with a while ago. The rate for the M2 had been in the range of 2.0–2.5 percent.

3. MPMs

- a. Four MPMs were held in the second half of fiscal 2023.

Regarding economic and financial developments, at the MPMs held in October through January, the Policy Board judged that "Japan's economy has recovered moderately." Thereafter, at the March MPM, it deemed that "Japan's economy has recovered moderately, although some weakness has been seen in part."

- b. In the conduct of monetary policy, the Policy Board decided at the October MPM to further increase the flexibility in the conduct of yield curve control and to set the following guidelines for market operations and conduct of yield curve control under QQE with Yield Curve Control. Regarding asset purchases, the Policy Board maintained the following guidelines.

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 regard the upper bound of 1.0 percent for 10-year JGB yields as a

reference in its market operations, and in order to encourage the formation of a yield curve that is consistent with the above guideline for market operations, it will continue with large-scale JGB purchases and make nimble responses for each maturity by, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations and the Funds-Supplying Operations against Pooled Collateral.

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.

At the December and January MPMs, the Policy Board maintained the above guidelines for market operations, conduct of yield curve control, and asset purchases.

At the March MPM, the Policy Board decided to change the monetary policy framework and made the following decisions, including that on the guideline for market operations.

Guideline for market operations

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

The Bank will encourage the uncollateralized overnight call rate to remain at around 0 to 0.1 percent.

Purchase of JGBs

The Bank will continue its JGB purchases at broadly the same amount as before. In the case of a rapid rise in long-term interest rates, it will make nimble responses by, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations of JGBs— both of which can be done regardless of the monthly schedule of JGB purchases— and the Funds-Supplying Operations against Pooled Collateral.

Asset purchases other than JGB purchases

- (1) The Bank will discontinue purchases of ETFs and J-REITs.
- (2) The Bank will gradually reduce the amount of purchases of CP and corporate bonds and will discontinue the purchases in about one year.

Treatment of new loan disbursements under the Fund-Provisioning Measure to Stimulate Bank Lending etc.

The Bank will provide loans under the Fund-Provisioning Measure to Stimulate Bank Lending, the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas, and the Funds-Supplying Operations to Support Financing for Climate Change Responses with an interest rate of 0.1 percent and a duration of one year. With regard to the Fund-Provisioning Measure to Stimulate Bank Lending, the maximum amount of funds that

each eligible counterparty can borrow will be equivalent to the net increase in its amount outstanding of loans.

With regard to the future conduct of monetary policy, the Policy Board confirmed the following at the MPMs held in October through January: "With extremely high uncertainties surrounding economies and financial markets at home and abroad, the Bank will patiently continue with monetary easing while nimbly responding to developments in economic activity and prices as well as financial conditions. By doing so, it will aim to achieve the price stability target of 2 percent in a sustainable and stable manner, accompanied by wage increases. The Bank will continue with QQE with Yield Curve Control, aiming to achieve the price stability target, 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. The Bank will continue to maintain the stability of financing, mainly of firms, and financial markets, and will not hesitate to take additional easing measures if necessary." At the March MPM, the Policy Board confirmed the following: "With the price stability target of 2 percent, the Bank will conduct monetary policy as appropriate, guiding the short-term interest rate as a primary policy tool, in response to developments in economic activity and prices as well as financial conditions from the perspective of sustainable and stable achievement of the target. Given the current outlook for economic activity and prices, the Bank anticipates that accommodative financial conditions will be maintained for the time being."

CHANGES IN THE MONETARY POLICY FRAMEWORK

At the March 2024 MPM, the Bank judged it was now within sight that the price stability target of 2 percent would be achieved in a sustainable and stable manner toward the end of the projection period of the January 2024 *Outlook for Economic Activity and Prices*, as various data and anecdotal information from firms had gradually shown that the virtuous cycle between wages and prices had become more solid. On this basis, the Bank considered that the policy framework of QQE with Yield Curve Control and the negative interest rate policy to date had fulfilled their roles, and it therefore changed the monetary policy framework by making the following decisions.¹

(1) Guideline for market operations

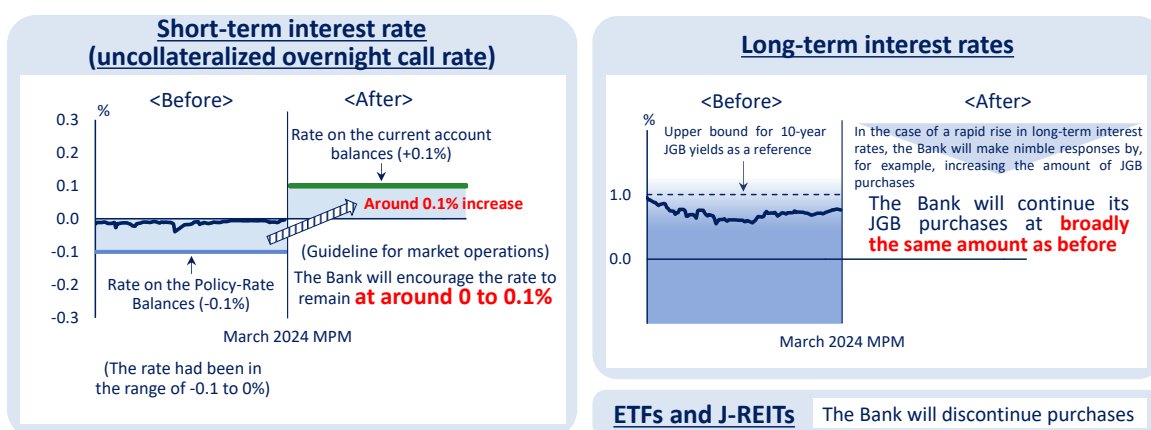
The Bank will encourage the uncollateralized overnight call rate to remain at around 0 to 0.1 percent.

(2) Purchase of JGBs

The Bank will continue its JGB purchases at broadly the same amount as before. In the case of a rapid rise in long-term interest rates, it will make nimble responses by, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations of JGBs—both of which can be done regardless of the monthly schedule of JGB purchases—and through the Funds-Supplying Operations against Pooled Collateral.

(3) Asset purchases other than JGB purchases

- (a) The Bank will discontinue purchases of ETFs and J-REITs.
- (b) The Bank will gradually reduce the amount of purchases of CP and corporate bonds and will discontinue the purchases in about one year.



With the price stability target of 2 percent, the Bank will conduct monetary policy as appropriate, guiding the short-term interest rate as a primary policy tool, in response to developments in economic activity and prices as well as financial conditions from the perspective of sustainable and stable achievement of the target.

1. For details, refer to "Changes in the Monetary Policy Framework" released on March 19, 2024 (https://www.boj.or.jp/en/mopo/mpmdecil/mpr_2024/k240319a.pdf).

REVIEW OF MONETARY POLICY FROM A BROAD PERSPECTIVE¹

Since the late 1990s, when Japan's economy fell into deflation, achieving price stability has been a challenge for a long period of 25 years. During this period, the Bank implemented various monetary easing measures. These measures interacted with and influenced wide areas of Japan's economic activity, prices, and financial sector. With these interactions in mind, in order to further deepen its understanding of monetary policy over this period and gain insights that will be useful for future policy conduct, the Bank decided at the April 2023 MPM to conduct a "review of monetary policy from a broad perspective."

The Bank has adopted the following approaches in conducting the monetary policy review.

1. Approach to Analyses in the Review

In the monetary policy review, the Bank will assess the effects of various unconventional monetary policy measures that have been implemented over the past 25 years in the context of interactions with developments in economic activity and prices at each point in time. In addition, it will analyze the impact of these measures on financial markets and the financial system, including their side effects.

The Bank will also deepen its understanding on the background to the effects of these measures, including (1) how various changes in the economic environment since the 1990s—for example, the globalization of the economy and the declining and aging population in Japan—have affected factors such as corporate and household behavior and the formation mechanisms of wages and prices and (2) the implications that the effects of these changes have had for monetary policy.

The Bank will flexibly consider more specific themes of the analyses during the course of the review.

2. Approach to Exchanging Views and Other Initiatives for the Review

In proceeding with the monetary policy review, the Bank will incorporate diverse expertise and take various initiatives with a view to enhancing the review's objectivity and transparency. Such initiatives include not only internal analyses but also those listed below, such as exchanging views.

- (1) Make use of existing series of materials, such as reports and surveys
- (2) Exchange views on occasions such as meetings with local and business leaders
- (3) Hold discussions, such as at workshops
- (4) Exchange views with foreign experts

1. For details, see the Bank's website (<https://www.boj.or.jp/en/mopo/outline/bpreview/index.htm>).

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, especially on mechanisms of wage and price formation. 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 analyses, 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) Reexamination of the Bank's stance on the future conduct of monetary policy, given the reclassification of COVID-19 under the Infectious Disease Control Law and reduced risk of COVID-19 affecting economies and financial markets at home and abroad (April 2023).
 - (b) Amendment to terms and conditions of operational measures related to the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), in view of the loans disbursed under the operations reaching maturity (June 2023).
 - (c) Conduct of yield curve control with greater flexibility to enhance the sustainability of monetary easing under the yield curve control framework, taking account of extremely high uncertainties for economic activity and prices (July 2023).
 - (d) A further increase in the flexibility in the conduct of yield curve control, in the context of extremely high uncertainties in economies and financial markets at home and abroad (October 2023).
 - (e) A one-year extension of the deadline for loan disbursement under the Fund-Provisioning Measure to Stimulate Bank Lending (January 2024).
- (3) The Bank formulated "Changes in the Monetary Policy Framework" as follows, based on the examination of wage and price developments (March 2024).
 - (a) Setting of the guideline for market operations, in which the Bank would encourage the uncollateralized overnight call rate to remain at around 0 to 0.1 percent.
 - (b) Continuation of JGB purchases at broadly the same amount as before. Committing to making nimble responses in the case of a rapid rise in long-term interest rates by, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations of JGBs—both of which could be done regardless of the monthly schedule of JGB purchases—and the Funds-Supplying Operations against Pooled Collateral.
 - (c) Discontinuation of purchases of ETFs and J-REITs.
 - (d) Gradual reduction in the amount of purchases of CP and corporate bonds and discontinuation of the purchases in about one year.
 - (e) Provision of loans under the Fund-Provisioning Measure to Stimulate Bank Lending, the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas, and the Funds-Supplying Operations to Support Financing for Climate Change Responses with an interest rate of 0.1 percent and a duration of one year. Setting of the maximum amount of funds that each eligible counterparty could borrow under the

Fund-Provisioning Measure to Stimulate Bank Lending to be equivalent to the net increase in its amount outstanding of loans.

- (4) Regarding monetary easing measures implemented since the late 1990s, the Bank decided to conduct a "review of monetary policy from a broad perspective" with a planned time frame of around one to one and a half years to further deepen its understanding—keeping in mind the wide-ranging interactions among Japan's economic activity, prices, and financial sector—and to gain insights that would be useful for future policy conduct (April 2023). In addition to the internal analysis, the Bank carried out the following.
 - (a) Exchanges of views with firms and other entities on occasions such as meetings of Policy Board members with local and business leaders.
 - (b) Initiating dialogues with a wide range of firms by making use of the Bank's networks at its Head Office and branches, and implementing the *Survey regarding Corporate Behavior since the Mid-1990s* (the survey period was from November 2023 to February 2024).
 - (c) Release of the *Bond Market Survey: Results of Special Survey* targeting market participants (December 2023).
 - (d) Holding workshops involving outside experts such as academics and market participants. Workshop topics were: the impact of monetary policy on the degree of market functioning; financial institutions' risk-taking behavior in a low-interest rate environment; central bank finances and monetary policy conduct; and the positive and side effects of unconventional monetary policy (December 2023).
 - (e) Launch of its call for public opinion regarding monetary policy on its website (February 2024).
- (5) The Bank maintained dialogue with market participants mainly via in-person meetings 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 2023.

- (6) 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 analyses on the efficacy and impacts of monetary policy. In light of its findings, the Bank planned and formulated policy measures in an apposite and timely manner. In addition, it carried out, for example, research and analysis as well as discussions with stakeholders that contributed to the review of monetary policy from a broad perspective. Furthermore, 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 to ensure that monetary policy continued to be conducted appropriately.

Based on the above, the Bank considers that, in fiscal 2023, it achieved its intended objectives in implementing measures and provided a firm underpinning for monetary policy conduct. In fiscal 2024, under the new *Medium-Term Strategic Plan*, the Bank will continue (1) to conduct research and analysis appropriately reflecting various changes in economic and financial conditions, (2) to plan policy measures in an apposite and timely manner, (3) to

carry out research and analysis as well as discussions with stakeholders that will contribute to the review of monetary policy from a broad perspective, and (4) to put the necessary operational arrangements in place so that market operations are conducted properly.

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

1. Progress in implementing specific measures

(1) While being careful to prevent the spread of COVID-19, the Bank resumed on-site examinations to a large degree, covering 67 financial institutions mainly through hybrid-type examinations that combined remote methods such as web conferencing with visits to financial institutions' premises. Examinations were conducted that varied with the extent of an institution's systemic influence, financial soundness, 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. In addition, through the framework of coordination between the Financial Services Agency (FSA)'s inspections and the Bank's on-site examinations, the Bank grasped financial institutions' progress in improving anti-money laundering and counter-terrorism financing measures, developing cybersecurity management frameworks, and managing foreign currency liquidity risk.

(2) With regard to off-site monitoring of financial institutions, the Bank closely monitored developments in, for example, business operations, risk management, and profitability, while taking into account the various changes in financial and economic conditions that financial institutions face. It also conducted in-depth research and analysis, particularly on the effects of changes in financial and economic conditions at home and abroad, the efficacy and effects of QQE with Yield Curve Control, responses to climate

change, and efforts toward digitalization. In addition, the Bank conducted off-site monitoring of financial institutions of globally systemic importance given developments such as changes in business models and risk profiles. The Bank encouraged regional financial institutions to continue taking initiatives to strengthen their business foundations and support regional economies under 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 2023 *Financial System Report*, released in April and October, the Bank analyzed Japan's financial cycle, the resilience of financial institutions, and vulnerabilities in the financial system against the background of the global tightening of financial conditions. 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 by holding seminars and giving presentations at various international meetings (there were a total of 90 such occasions in fiscal 2023). Meanwhile, as part of its analyses for the review of monetary policy from a broad perspective, the Bank summarized, presented at the review workshop, and subsequently publicized its findings regarding the effects of, and risks posed by, monetary policy on the financial system front.

(4) The FSA and the Bank continued to deepen the sharing of their 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 and the Joint Group for Coordinating FSA's Inspections and BOJ's

On-Site Examinations. 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, and shared the findings of inspections and examinations. Furthermore, they made steps toward data integration and, under a more effective and efficient framework for data collection and management (the common data platform), they commenced the collection of granular data. In June 2023, they jointly released the "Progress in Data Integration and Next Steps," outlining these initiatives.

- (5) The Bank stably executed its business operations for the Special Deposit Facility and the Loan Support Program.

2. Evaluation of progress

The Bank thoroughly assessed and facilitated necessary improvements in, particularly, the business operations and risk management at financial institutions by, 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 and 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 enhance 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 2023, 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 2024, under the new *Medium-Term Strategic Plan*, the Bank will thoroughly assess, particularly, the business operations and risk management at financial institutions and maintain appropriate communication with them by continuing to enhance the integration of on-site examinations and off-site monitoring and proceed with 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 initiatives 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 cooperating with stakeholders at home and abroad, mainly by conducting a pilot program and exploring requisite institutional arrangements, as detailed below.

- (a) The Bank launched the pilot program in April 2023 and worked on the development and examination of the experimental system. It also established the CBDC Forum and continued to discuss and explore various topics with a wide range of private businesses. The Bank held a meeting of the Liaison and Coordination Committee on Central Bank Digital Currency in November 2023. It

shared details and exchanged views with private businesses and the government regarding, for example, updates on the pilot program.

- (b) The Bank, as a member of the group of major central banks assessing the potential for CBDCs with the Bank for International Settlements (BIS), participated in various deliberations and contributed to compiling a report, titled "Central bank digital currencies: ongoing policy perspectives," released in May 2023.
- (c) The Bank participated in the Expert Panel on CBDC as an observer and also joined the Relevant Ministries and the Bank of Japan Liaison Meeting on CBDC.
- (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 by hosting the ISO Panel meeting in February 2024.
- (3) The Bank joined the Task Force for the Next-Generation Payment Systems set up by the Japanese Banks' Payment Clearing Network (Zengin-Net). It supported specific deliberations on a new connection method to the Zengin System via an application programming interface (API) scheduled to be adopted in 2025 and the development of the 8th Generation Zengin System scheduled to begin operation in 2027.
- (4) With a view to efficiently maintaining the cash supply chain, in July 2023, the Bank introduced Current Accounts Dedicated to Cash-Related Transactions to allow current account holders at the Bank to conduct cash-related transactions more flexibly in those business areas of the Bank's Head Office or branches where they do not hold current accounts.
- (5) With a view to improving the efficiency of communication in finance-related fields, the Bank, to advance international standardization of inter-firm remittance messages, steadily conducted the

preparations necessary 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).

- (6) As part of efforts to enhance cross-border payments, the Bank participated in international discussions and analyses. It also disseminated its findings to and exchanged views with stakeholders at home mainly by hosting a meeting of the Cross-Border Payments Subcommittee.
- (7) In light of recent technological innovations in payment instruments, the Bank exchanged views with other central banks and private businesses regarding the future landscape of payment infrastructures for wholesale payments and settlements.
- (8) The Bank hosted meetings of the Cross-Industry Forum on Interest Rate Benchmarks in June and December 2023. It supported the smooth use of the alternative interest rate benchmarks for Japanese yen LIBOR as well as the transition from U.S. dollar LIBOR, the publication of which was ceased at the end of June 2023. As the LIBOR transition was mostly completed, the Forum's activities were wound down with the convening of its final meeting in December 2023. Following the wind-down of the Forum's activities, the network of practitioners on interest rate benchmarks was reorganized—with the Bank serving as its secretariat—as a vehicle for continued sharing of information on the use of such benchmarks and for holding international discussions should they become necessary again.
- (9) The Bank compiled and released the results of the *Market Functioning Survey concerning Climate Change* in June 2023. 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 August 2023 and exchanged views on climate finance.

(10) 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 cooperating with stakeholders at home and abroad, mainly by conducting the pilot program 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 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 2023, 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 2024, with respect to payment and settlement services, the Bank will, under the new *Medium-Term Strategic Plan*, 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 and initiatives at home and abroad. Furthermore, with regard to the reinforcement of the infrastructures of financial and capital markets in Japan, the Bank will

reinforce necessary market infrastructures to facilitate proper market functioning in a changing external environment by taking advantage of opportunities to conduct various surveys and to exchange views with market participants.

D. Conduct Stable and Efficient Central Banking Operations

1. Progress in implementing specific measures

- (1) The Bank continued, on a daily basis, to settle financial transactions involving current account deposits that financial institutions hold at the Bank in an accurate and stable manner.
- (2) The Bank conducted market operations appropriately in accordance with the decisions made at MPMs, including those on guidelines for market operations. In increasing the flexibility in the conduct of yield curve control, it duly responded to changes in the market environment by utilizing various measures, for example, by revising the tools for market operations as well as their frequency and size in a timely and flexible manner in light of market developments.
- (3) 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 (issue commencing in July 2024); this included steadily building stocks of the new banknotes and making necessary operational and technological arrangements as well as monitoring financial institutions' and firms' progress in updating banknote equipment.
- (4) The Bank maintained the cleanliness of banknotes in circulation by examining the banknotes it received and supplying clean banknotes at its Head Office and branches.
- (5) 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.

- (6) 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 Japanese government securities (JGS) services with precision. It also streamlined and digitized 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.

2. Evaluation of progress

With regard to banking operations, the Bank continued to settle financial transactions involving current account deposits that financial institutions hold at the Bank in an accurate and stable manner, and conducted 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 digitized business operations and reviewed its business processes in response to changes in its operational environment.

To conduct stable central banking operations, the Bank continued to strengthen its business continuity

arrangements for coping with events such as natural disasters and outbreaks of infectious diseases, building on its experiences implementing measures in response to COVID-19.

Based on the above, the Bank considers that, in fiscal 2023, it conducted daily central banking operations in an overall stable manner, while ensuring that appropriate operational arrangements were in place; it also advanced steadily with the reviewing of its business processes in response to changes in its operational environment. In fiscal 2024, the Bank will conduct central banking operations in a stable and efficient manner under the new *Medium-Term Strategic Plan*. It will also continuously assess the appropriateness of its operational and other frameworks, taking into account such factors as changes in workloads, advances in digital technology, and developments in the business environments of its counterparties.

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 face-to-face and online meetings such as those related to 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).
- (a) In relation to the G7, the Bank, as the central bank of the chair country, successfully held the Finance Ministers and Central Bank Governors Meeting in Niigata in May 2023, while working in close cooperation with the government. It took the lead in discussions among G7 central

banks on monetary policy and climate change. It also served as the chair and smoothly organized working groups and high-level meetings across various fields. With respect to climate change, the Bank facilitated exchanges of opinions among the central banks of the G7 member countries and emerging economies.

- (b) In relation to the EMEAP, the Bank, serving as the chair, held the EMEAP Governors' Meeting in Yokohama in July 2023 and took the lead in discussions on topics such as economic and financial conditions in the region, sustainable finance, and the Asian Bond Fund (ABF). It also hosted a high-level meeting and participated in the Working Group on Banking Supervision as well as the Study Group on Resolution. The Bank, in cooperation with relevant authorities, thereby contributed to discussions concerning financial systems within the region.
- (c) In some BIS- and FSB-related committees, the Bank played a leadership role, for example, by moderating discussions as the chair. It participated in the Irving Fisher Committee on Central Bank Statistics (IFC), with an official serving as a member of the IFC Executive, and played an important part in international discussions on refining and improving financial and economic statistics.
- (d) In relation to the NGFS, the Bank participated in and contributed to discussions on various topics, including climate scenario analysis.
- (e) With regard to financial regulation and supervision, the Bank, in cooperation with the FSA, contributed to the smooth implementation of the finalized Basel III framework. Given changes in the external environment surrounding the financial system, including failures of U.S. and European financial institutions in 2023, it also actively participated in, for example, work to strengthen supervisory

effectiveness as well as analytical work on liquidity risk and interest rate risk in the banking book. Furthermore, it contributed appropriately to policy-making processes for ensuring the stability of the international financial system, including responses to new risks such as climate-related financial risks and those concerning the digitalization of finance.

- (f) The Bank participated in and contributed to discussions in the fields of, for example, global financial markets, financial market infrastructures, interest rate benchmark reform, the FX Global Code, and 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, in cooperation with relevant authorities, responded appropriately to the examination conducted by the IMF Financial Sector Assessment Program (FSAP) team, providing clear and thorough explanations of Japan's financial system and its economic and financial conditions.
- (4) The Bank obtained timely access to a wide range of information, for example, on economic and financial conditions, the financial system, and central banking operations, by continuing to exchange opinions bilaterally and strengthen relationships with major central banks, monetary authorities, and other relevant parties.
- (5) 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 50 such occasions in fiscal 2023). It thus contributed to the stability and development of financial and capital markets in Asia.
- (6) Under the framework of ASEAN Plus Three, the Bank cooperated with the MOF and, as the central bank of the co-chair country, 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.

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 international discussions 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 provided technical assistance, most of which was provided within the Asian region. The Bank maintained and strengthened cooperation with overseas authorities, especially central banks, and obtained timely access to a wide range of information, for example, on economic and financial conditions, the financial system, and central banking operations.

Based on the above, the Bank considers that it made steady progress in fiscal 2023 in terms of measures taken to contribute, as the central bank of Japan, toward ensuring the stability of the international currency and financial system and toward securing the stability and development of financial and capital markets in Asia. In fiscal 2024, under the new *Medium-Term Strategic Plan*, the Bank, as the central bank of Japan, will play a leadership role in international discussions while working in close cooperation with relevant parties. It will also make use of the findings and insights gained through such efforts in conducting its policies and business operations.

F. Contribute to Regional Economic and Financial Environments

1. Progress in implementing specific measures

- (1) 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 as needed with financial institutions that hold current accounts at the Bank as well as ministries and government agencies.
- (2) The Bank, at its Head Office and each of the following branches, cooperated with local finance bureaus and requested that financial institutions take special measures in response to successive disasters including the 2024 Noto Peninsula Earthquake, typhoons, and instances of heavy rain: Aomori, Akita, Fukushima, Niigata, Kanazawa, Shizuoka, Nagoya, Kyoto, Osaka, Kobe, Matsue, Shimonoseki, Kitakyushu, Fukuoka, Oita, and Naha.
- (3) The Bank maintained a detailed grasp of regional economic and financial conditions via its Head Office, branches, and local offices by means such as actively conducting interviews with, for example, local businesses and financial institutions and holding meetings with economic organizations to exchange opinions, making use of online communication tools as needed. 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) The Bank maintained a thorough grasp of the effects of natural disasters, including the 2024 Noto Peninsula Earthquake, on regional economic and financial environments by making use of its networks at 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 conduct of 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 an issue of the annex series to the report in June 2023, which summarized firms' efforts to address labor shortages in regional economies (available only in Japanese). In addition, the Bank compiled a quarterly report on regional economic conditions based on reports and discussions at the meetings of general managers of its branches (available only in Japanese).

- (5) With the aim of facilitating efforts toward strengthening the business foundations of regional financial institutions, the Bank established the Support Unit for Regional Finance (SURF) and hosted nine seminars and workshops on a wide range of themes that included: regional revitalization; digitalization of business operations; finance for achieving the Sustainable Development Goals (SDGs) and finance integrating environment, social, and governance (ESG) criteria; and risk management.

2. Evaluation of progress

The Bank, across the network of its Head Office and branches, conducted central banking operations in a stable manner. It also maintained a detailed grasp of economic and financial conditions specific to each region through 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 it made steady progress in fiscal 2023 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 2024, under the new *Medium-Term Strategic Plan*, the Bank will contribute to regional economic and financial environments from its standpoint as the central bank, making effective use of its Head Office, branches, and local offices to secure a base for business operations in each region of the country. It will do so through the stable conduct of its business operations, maintaining a grasp of regional economic and financial conditions, and effective communication with the public.

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 policies 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 2023, and releasing the full texts of the two issues in Japanese as well as the summaries in English on the Bank's website.⁶
 - (c) Publishing the *Gyomu Gaikyo Sho* (Outline of Business Operations) for fiscal 2022 in May 2023.
- (2) The Bank made use of a variety of channels, including English-language channels, to communicate its conduct of policies and business operations to the public.
 - (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 2023 as well as in January 2024; a document that contains a summary of

6. Excerpts from the summaries of the two issues of the report dealing with developments in fiscal 2023, namely, the issues released in December 2023 and June 2024, can be found on pages 33–38.

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) Live streams and video archives of the Governor's regular press conferences and video archives of a workshop on the review of monetary policy from a broad perspective. Releases of the *Highlights of the Outlook Report*, which presents the key messages of the Outlook Report in infographics and thereby aims to enhance the comprehensibility of information provided to the public and increase website access.

- (3) The Bank engaged in public relations activities aimed at a wide range of target audiences, by enhancing the digital contents of its communication platforms and making use of online communication tools, while strengthening face-to-face activities.

- (a) In addition to making the Bank's releases available on its websites, the Bank made use of social networking sites, thereby disseminating information to a wider audience. The number of page views on the Bank's website was around 665 million, of which around 491 million were made to its English-language pages. The number of page views on its branches' websites was around 4.3 million in total. Followers of the Bank's X (formerly Twitter) and Facebook accounts totaled around 231,000 and 6,300, respectively. Subscribers to the Bank's YouTube channel totaled around 9,600.

- (b) 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 conduct of policies and business operations.

- (c) The Bank conducted its in-house tours in line with the government's relaxation of the preventive measures against COVID-19 by, for

example, increasing tour frequency, adding new time slots for English-language guided tours of its Head Office, and enhancing its public relations materials. It also provided online learning courses, which combined a 3-D/virtual reality (VR) tour of its Head Office, "BOJ from Home," and lectures on the Bank's conduct of policies and business operations. The total number of tour participants at the Head Office was around 16,000 and that of branches and local offices was around 20,000.

- (d) By 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 conduct of 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. It also hosted the "BOJ Grand-Prix," an essay and presentation contest primarily for college students, for which there were 105 entries. In addition, the Bank gave a total of 19 lectures to college students making due use of online communication platforms.

- (4) The Bank worked to gain a better grasp of public opinion and public needs regarding its conduct of policies and business operations.

- (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 4,400 inquiries and comments received at the Head Office via phone calls or e-mails (excluding those for sales purposes or those that were incorrectly addressed).

- (5) The Bank operated the Currency Museum and the Bank of Japan Otaru Museum appropriately by, for example,

continuing with necessary preventive measures against the spread of COVID-19 while lifting those deemed no longer necessary. Visitor numbers to each museum during fiscal 2023 were around 101,000 and 80,000, respectively. Meanwhile, the Bank's Currency Museum hosted a special exhibition looking ahead to the issuance of the new series of Bank of Japan notes in July 2024. The exhibition showcased special features of the new series of banknotes and security features of banknotes issued during the Edo period, from which the comparable features of today's banknotes developed.

- (6) 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 2,409 historical official documents were added to the Archives, and 195 requests for access were made.
- (7) The Bank publicized the findings of its research and analysis on economic and financial developments, releasing 11 papers in the *Bank of Japan Review Series*, 9 in the *Bank of Japan Working Paper Series*, 21 in the *IMES Discussion Paper Series*, and 7 research papers.
- (8) The Bank held the 2023 BOJ-IMES Conference, entitled "Old and New Challenges for Monetary Policy," in person on May 31 and June 1.
- (9) The Bank revised, rebased, and made appropriate enhancements to its statistics to accommodate changes in the economic environment.
 - (a) The Bank, in May 2023, released and solicited public opinion regarding the basic policy on the rebasing of the services producer price index (SPPI) to the base year 2020; the final draft, reflecting the feedback received, was published in February 2024 (both releases are available only in Japanese).
 - (b) The Bank made a regular revision of the sample

enterprises in the *Tankan (Short-Term Economic Survey of Enterprises in Japan)* in March 2024, including a change to the population base.

- (c) To promote an in-depth understanding of Japan's balance of payments (BOP) statistics, the Bank released in August 2023 a paper in the *Bank of Japan Review Series* explaining the globalization of services transactions (available only in Japanese).
- (10) As the secretariat of the Central Council for Financial Services Information (CCFSI), and in light of changes in the environment for 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 administrative public bodies and financial and economic organizations. For example, the CCFSI provided an e-learning program on financial literacy for college students and young workers and made use of social networking sites. Furthermore, in response to Diet approval of a bill that authorized the establishment of a new public organization for promoting financial and economic education, the Japan Financial Literacy and Education Corporation (J-FLEC), the Bank proceeded with deliberations and preparations to transfer the functions of the CCFSI to J-FLEC.

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, working to promote a deeper understanding of its policies and business operations. In disseminating information, it enhanced digital contents, while carrying out communication both face to face and online. The Bank also 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 revising and rebasing its

statistics 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 for 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 deliberations and preparations to transfer the functions of the CCFSI to J-FLEC.

Based on the above, the Bank considers that, in fiscal 2023, 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 2024,

under the new *Medium-Term Strategic Plan*, the Bank will continue (1) to carry out 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 work to improve its grasp of public opinion and public needs by maintaining and strengthening its diverse network of relationships. It will also ensure the provision of wide-ranging financial and economic education under the new organizational framework by appropriately cooperating with J-FLEC, which was both established and began operations in earnest during fiscal 2024. Regarding implementation of certain public relations activities, the Bank will continue with its initiatives to incorporate advances in digitalization and online technologies.



The Bank's Organizational Management in Fiscal 2023

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

standing at 213.4 billion yen. Regarding the Bank's budget for expenses for fiscal 2024, 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 2023 was 15,265 person-months¹ (including 11,947 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 2023, which was set at 4,900. Following the Bank's efforts to further increase the efficiency of its overall business operations while securing sufficient employee numbers to achieve these goals, the number of full-time employees stood at 4,552 at the end of March 2024, down 57 from the previous fiscal year (Table 1).

Regarding remuneration, in fiscal 2023, the Bank

raised the annual remuneration for its officers by 1.1 percent from the previous fiscal year through an increase in their remuneration and bonuses.

As for its employees, for those in non-managerial positions, the Bank raised the base levels of salaries for fiscal 2023 by 1.9 percent from the previous fiscal year and paid semiannual bonuses in May and November, each amounting to 2.295 months of salary, on a basis excluding the base salary increase; for those in managerial positions, it paid 2.617 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 2024

number of people; figures in parentheses are as of the end of March 2023

Total	4,552	(4,609)
Head Office ¹	2,746	(2,756)
Branches	1,734	(1,780)
Local offices ¹	48	(49)
Overseas representative offices	24	(24)

Note: 1. Full-time employees of the Computer Center and the Banknote Operations Center are included in the number of full-time employees at the Head Office.

IV. ORGANIZATIONAL MANAGEMENT MEASURES

With a view to addressing the strategic objectives for its business operations stated in the plan, the Bank implemented various organizational management measures in order to execute its business operations flexibly and secure the requisite staff for this purpose, to manage its operational risks appropriately, and to strengthen its business continuity arrangements.

Specifically, the Bank 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 styles aimed at further improving the work-life balance and well-being of its staff via the following.

- (1) The Bank enhanced various staff education and training programs, including through the use of online communication tools, and continued 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 the Promotion of Women's Active Engagement in Professional Life, undertook initiatives to ensure that its female staff could

fully realize their potential at work, and strived to cultivate a work environment conducive to the well-being of all its staff. In addition, given that the three-year term of the above action plans will be complete at the end of fiscal 2023, the Bank compiled and released in March 2024 the third phase of its action plans pursuant to this act.

- (3) With regard to staff recruitment for fiscal 2024, 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

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 lessons learned from 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 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 2023, the Internal Auditors' Office audited

4 departments at the Bank's Head Office (the International Department, the Operations Department, the Information System Services Department, and the Institute for Monetary and Economic Studies), 2 overseas representative offices (New York and Washington, D.C.), 10 branches (Sapporo, Hakodate, Aomori, Akita, Shizuoka, Kobe, Okayama, Kochi, Fukuoka, and Kagoshima), and 4 local offices (Mito, Asahikawa, Saga, and Miyazaki).

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, 2024.

INTRODUCTION

The Bank of Japan, in its *Medium-Term Strategic Plan (Fiscal 2019–2023)*—hereafter the Plan—describes the external environment for 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* (hereafter the Strategy), 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 Disclosures¹

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*.

Note: 1. The TCFD disbanded in 2023 and the monitoring of the progress of corporate climate-related disclosures was taken over by the International Financial Reporting Standards (IFRS) Foundation. Disclosures based on the TCFD recommendations remain in effect.

I. GOVERNANCE

The Strategy—namely, *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 Plan. 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 the 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 Missions 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 missions 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 thus 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 the Strategy 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 and settlement 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 missions 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 the Strategy 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 five times from December 2021 to January 2024, with the number of eligible counterparties being 81 and the outstanding balance of loans amounting to about 8.1 trillion yen. 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. Taking into account such initiatives as well as international discussions on regulations, supervision, and risk management relevant to climate-related financial risks, the Bank will continue to encourage financial institutions to develop their climate scenario analyses in line with their size and characteristics.

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.

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 Second Market Functioning Survey concerning Climate Change in August 2023. 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 2023)

Title
Financial System Report Annex Series: Regional and <i>Shinkin</i> Banks' Recent Efforts to Address Climate Change (FY2023)
Scenario Design for Climate-Related Risk Analysis: Application and Challenges of Integrated Assessment Models
Top-Down Scenario Analysis of Climate-Related Financial Risks: Perspective from Time Horizon and Inter-Industry Spillovers
Central Bank Mandates and Communication about Climate Change
Meeting on the Second Market Functioning Survey concerning Climate Change
Visualization and Indexation of Climate Change Narratives Using BERT and Causal Knowledge Extraction
Results of the Second Market Functioning Survey concerning Climate Change: Progress in the Improvement of Market Functioning and Challenges for the Future

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 and 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. With respect to payment and settlement systems, the Bank has participated in discussions on climate-related risks from the perspective of managing risks to financial market infrastructures, which were organized by the Committee on Payments and Market Infrastructures (CPMI) at the Bank for International Settlements (BIS).

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 updates 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., the Bank measures and discloses carbon dioxide (CO₂) emissions arising from its own business operations every fiscal year (Table 4). Specifically, it discloses direct emissions (Scope 1), indirect emissions (Scope 2), and emissions for air business travel categorized under other indirect emissions (Scope 3). The Bank's CO₂ emissions in recent years have been reduced due to the initiatives it

has taken to date.

In addition, the Bank is expected to reduce energy consumption intensity by an annual average of 1 percent or more over the medium to long term, under the Act on Rationalization of Energy Use and Shift to Non-fossil Energy (Energy Saving Act) enacted by the Japanese government. The Bank has been working to achieve this non-binding target (Table 5).

Table 4

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

		t-CO ₂				
Item		FY2019	FY2020	FY2021	FY2022	FY2023
Scope 1 (Direct CO ₂ emissions)	City gas	2,661	2,973	3,123	3,215	2,923
	Heavy oil	309	341	344	306	124
	Kerosene	682	578	515	518	526
	Light oil	266	261	235	240	267
	Gasoline	144	111	116	107	112
	Subtotal	4,062	4,265	4,334	4,386	3,952
Scope 2 (Indirect CO ₂ emissions)	Electricity	29,841	22,732	26,683	30,279	28,639
	Hot water	404	445	440	361	209
	Cold water	472	546	452	442	327
	Subtotal	30,717	23,722	27,576	31,083	29,175
Scope 3 (Other indirect CO ₂ emissions)	Air business travel	—	204	238	771	987
Total CO ₂ emissions		34,779	28,191	32,148	36,240	34,114

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. The fiscal 2022 figure for electricity has been revised due to retroactive changes to the basic emissions factors of some 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}

	FY2019	FY2020	FY2021	FY2022	FY2023
Energy consumption (kl)	18,995	18,718	18,528	19,131	19,552
Energy consumption intensity (kl/m ²)	0.0402	0.0397	0.0393	0.0390	0.0396
Annual average change over 5 years (%)	-2.8	-1.3	-1.7	-1.4	-0.3

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 2023

**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, 2024, the Bank of Japan released the "Financial Statements for the 139th 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 139th fiscal year, i.e., fiscal 2023 (April 1, 2023–March 31, 2024), and the schedule for the financial statements for fiscal 2023.

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 2023 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 2023 shows that total assets increased by 2.9 percent (21,306.5 billion yen) from the previous fiscal year-end to 756,423.1 billion yen, mainly due to increases in loans and bills discounted and holdings of Japanese government securities (JGSs).¹ Total liabilities increased by 2.9 percent (21,002.5 billion yen) from the previous fiscal year-end to 750,587.4 billion yen, mainly due to an increase in current deposits (Table 1).

Detailed developments in the Bank's balance sheet in fiscal 2023 are as follows.

Looking at assets at the fiscal year-end, loans and bills discounted increased by 13,468.1 billion yen from the previous fiscal year-end to 107,907.9 billion yen, mainly due to an increase in the amount of loans provided through the Loan Support Program.² Holdings of Japanese government bonds (JGBs) increased by 9,397.0 billion yen from the previous fiscal year-end to 585,616.8 billion yen, as the Bank proceeded with purchases.

Turning to liabilities, current deposits increased by 12,103.8 billion yen from the previous fiscal year-end to 561,182.0 billion yen, reflecting the increase in funds provision mainly through loan disbursement under the Loan Support Program. Meanwhile, the amount outstanding of banknotes issued (banknotes in circulation) decreased by 1,075.1 billion yen from the previous fiscal year-end to 120,879.8 billion yen.

With regard to the Bank's statement of income for fiscal 2023, operating profits increased by 1,409.2 billion yen from the previous fiscal year to 4,639.9 billion yen, mainly due to a rise in "core" operating income, particularly interest income on JGSs, and to larger net foreign exchange-related gains arising from the depreciation of the yen (Tables 2 and 3).³

Meanwhile, net special losses amounted to 1,569.8 billion yen. This was mainly due to (1) the transfer of funds to the provision for possible losses on bonds transactions to

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

2. Through the Loan Support Program, which was introduced as a temporary measure, the Bank aims to support private financial institutions' efforts in strengthening the foundations for economic growth and stimulating bank lending.

3. For the definition of "core" operating income, see Note 3 in Table 2 on page 74.

compensate for any fluctuation in net income, 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 199.6 billion yen from the previous fiscal year to 2,287.2 billion yen. After transferring 114.3 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 (2,172.8 billion yen).

The capital adequacy ratio, after the appropriation of net income, rose from its previous fiscal year-end level of 9.81 percent to 11.17 percent at the end of fiscal 2023 (Table 4).

Table 1

Principal Assets and Liabilities¹

bil. yen

Item	End of fiscal 2022 (Mar. 31, 2023)	End of fiscal 2023 (Mar. 31, 2024)
Total assets	735,116.5 (-0.2) <-1,137.0>	756,423.1 (+2.9) <+21,306.5>
Of which: Japanese government securities	581,720.6 (+10.6) <+55,546.9>	589,663.4 (+1.4) <+7,942.7>
Commercial paper	2,123.2 (-15.6) <-391.1>	2,210.9 (+4.1) <+87.6>
Corporate bonds	8,008.9 (-6.7) <-574.0>	6,072.7 (-24.2) <-1,936.2>
Pecuniary trusts (stocks held as trust property)	304.7 (-33.4) <-152.8>	170.7 (-44.0) <-133.9>
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	37,045.9 (+1.3) <+480.1>	37,186.1 (+0.4) <+140.1>
Pecuniary trusts (Japan real estate investment trusts held as trust property)	666.5 (+0.1) <+0.4>	665.9 (-0.1) <-0.6>
Loans and bills discounted	94,439.7 (-37.7) <-57,093.1>	107,907.9 (+14.3) <+13,468.1>
Foreign currency assets	9,110.5 (+9.7) <+804.1>	10,736.1 (+17.8) <+1,625.6>
Total liabilities	729,584.9 (-0.3) <-1,966.1>	750,587.4 (+2.9) <+21,002.5>
Of which: Banknotes	121,955.0 (+1.7) <+2,084.2>	120,879.8 (-0.9) <-1,075.1>
Deposits (excluding those of the government)	577,980.6 (-2.0) <-11,766.7>	599,025.3 (+3.6) <+21,044.7>
Deposits of the government	15,597.9 (+19.7) <+2,565.4>	15,710.3 (+0.7) <+112.3>
Payables under repurchase agreements	5,370.9 (5.8 times) <+4,450.9>	4,258.5 (-20.7) <-1,112.3>

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 2021 (Mar. 31, 2022)	End of fiscal 2022 (Mar. 31, 2023)	End of fiscal 2023 (Mar. 31, 2024)
Total amount outstanding	63,934.1	72,243.2	83,646.1
Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth	8,065.1	7,148.9	5,348.2
Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending	55,869.0	65,094.3	78,297.9

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 2022 (Apr. 1, 2022–Mar. 31, 2023)	Fiscal 2023 (Apr. 1, 2023–Mar. 31, 2024)
Operating profits/losses²	3,230.7 (+33.6) <+812.1>	4,639.9 (+43.6) <+1,409.2>
Of which: "Core" operating income ³	1,520.7 <+360.9>	2,108.8 <+588.1>
Net government bond-related gains/losses ⁴	–7.0 <–7.0>	–1.0 <+5.9>
Net foreign exchange-related gains/losses ⁵	749.0 <+27.0>	1,302.1 <+553.0>
Net gains/losses on pecuniary trusts (stocks held as trust property)	354.1 <+56.7>	388.1 <+33.9>
Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property)	1,104.4 <+261.7>	1,235.6 <+131.2>
Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property)	30.6 <–0.9>	31.2 <+0.5>
Interest on excess reserve balances under the complementary deposit facility ⁶	–176.6 <+3.5>	–188.7 <–12.0>
Interest on excess reserve balances under the interest scheme to promote lending	–37.2 <+43.3>	–2.2 <+34.9>
Special profits/losses⁷	–819.0 <–64.7>	–1,569.8 <–750.8>
Of which: Net transfer to/from provision for possible losses on bonds transactions	–461.2 <–58.2>	–922.7 <–461.5>
Net transfer to/from provision for possible losses on foreign exchange transactions	–374.5 <–13.5>	–651.0 <–276.5>
Net income before taxes	2,411.6 (+44.9) <+747.3>	3,070.1 (+27.3) <+658.4>
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	324.1 <–15.5>	782.8 <+458.7>
Net income⁸	2,087.5 (+57.6) <+762.9>	2,287.2 (+9.6) <+199.6>

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) (–74.7 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 (–212.1 billion yen) and interest income on the balances to which a negative interest rate is applied (23.3 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 2021 (Apr. 1, 2021– Mar. 31, 2022)	Fiscal 2022 (Apr. 1, 2022– Mar. 31, 2023)	Fiscal 2023	First half of the fiscal year (Apr. 1, 2023– Sept. 30, 2023)	Second half of the fiscal year (Oct. 1, 2023– Mar. 31, 2024)
1. Net government bond-related gains/losses	...	–7.0	–1.0	–1.0	...
Of which:					
Gains on sale of Japanese government bonds	...	15.8	...	...	...
Losses on sale of Japanese government bonds	...	–22.8	–1.0	–1.0	...
2. Net foreign exchange-related gains/losses²	722.0	749.0	1,302.1	1,139.4	162.6
3. Net gains/losses on pecuniary trusts (stocks held as trust property)	297.3	354.1	388.1	181.4	206.7
Of which:					
Dividends and others	38.4	29.5	17.7	9.8	7.9
Losses on impairment	–1.3	–1.2	–0.3	–0.3	0.0
Net gains/losses on sale	260.2	325.8	370.7	171.9	198.8
4. Net gains/losses on pecuniary trusts (index-linked exchange-traded funds held as trust property)	842.6	1,104.4	1,235.6	1,137.2	98.3
Of which:					
Distributions and others	842.6	1,104.4	1,235.6	1,137.2	98.3
Losses on impairment	...	...	...	...	...
Net gains/losses on sale	...	...	...	...	...
5. Net gains/losses on pecuniary trusts (Japan real estate investment trusts held as trust property)	31.5	30.6	31.2	15.5	15.6
Of which:					
Distributions and others	30.1	30.6	31.2	15.5	15.6
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 2021 (Apr. 1, 2021– Mar. 31, 2022)	Fiscal 2022 (Apr. 1, 2022– Mar. 31, 2023)	Fiscal 2023	First half of the fiscal year (Apr. 1, 2023– Sept. 30, 2023)	Second half of the fiscal year (Oct. 1, 2023– Mar. 31, 2024)
6. "Core" operating income	1,159.8	1,520.7	2,108.8	994.7	1,114.1
Yen assets	1,124.9	1,336.4	1,729.5	813.2	916.2
Of which:					
Interest on loans and discounts	0.0	0.7	9.3	2.8	6.5
Interest on receivables under resale agreements	–0.1	...	–0.1	–0.0	–0.1
Interest and discounts on Japanese government securities	1,123.3	1,331.9	1,712.4	807.2	905.1
Treasury discount bills	–28.2	–9.1	–3.4	–2.3	–1.1
Japanese government bonds	1,151.5	1,341.1	1,715.8	809.5	906.3
Interest on commercial paper	–0.4	0.2	0.6	0.3	0.3
Interest and discounts on corporate bonds	2.1	3.4	7.1	2.9	4.2
Interest on foreign currency assets	34.8	184.3	379.3	181.5	197.8
7. Interest-bearing assets (average amount outstanding)	685,373.8	682,638.1	707,331.5	701,314.7	713,348.3
Yen assets	677,823.4	674,000.2	697,769.5	692,021.6	703,517.3
Of which:					
Loans and bills discounted	136,213.5	108,258.3	96,553.3	93,596.5	99,510.1
Receivables under resale agreements	147.3	0.0	174.5	99.3	249.7
Japanese government securities	530,429.3	554,676.6	591,770.9	588,471.4	595,070.4
Treasury discount bills	23,473.5	10,684.3	3,579.0	3,852.0	3,305.9
Japanese government bonds	506,955.7	543,992.3	588,191.9	584,619.3	591,764.5
Commercial paper	3,002.5	2,726.4	2,453.2	2,453.7	2,452.6
Corporate bonds	8,030.7	8,338.6	6,817.4	7,400.5	6,234.3
Foreign currency assets	7,550.3	8,637.9	9,562.0	9,293.0	9,831.0
8. Yield on interest-bearing assets (percent)	0.169	0.222	0.298	0.283	0.312
Yen assets	0.165	0.198	0.247	0.235	0.260
Of which:					
Loans and bills discounted	0.000	0.000	0.009	0.005	0.013
Receivables under resale agreements	–0.094	...	–0.094	–0.094	–0.094
Japanese government securities	0.211	0.240	0.289	0.274	0.304
Treasury discount bills	–0.120	–0.085	–0.096	–0.120	–0.067
Japanese government bonds	0.227	0.246	0.291	0.276	0.306
Commercial paper	–0.014	0.009	0.028	0.024	0.032
Corporate bonds	0.027	0.041	0.105	0.080	0.135
Foreign currency assets	0.462	2.134	3.967	3.907	4.025

Table 4

The Bank's Capital Base and Capital Adequacy Ratio¹

bil. yen, except where otherwise noted

Item	End of fiscal 2021 (Mar. 31, 2022)	End of fiscal 2022 (Mar. 31, 2023)	End of fiscal 2023 (Mar. 31, 2024)	Changes from a year earlier	[Reference] End of the first half of fiscal 2023 (Sept. 30, 2023)
Capital accounts (A)	3,444.0	3,548.4	3,662.8	+114.3	3,548.4
Capital	0.1	0.1	0.1	...	0.1
Legal reserve and others ²	3,443.9	3,548.3	3,662.7	+114.3	3,548.3
Provisions (B)	7,493.4	8,329.2	9,902.9	+1,573.7	9,186.7
Provision for possible loan losses (excluding special provision for possible loan losses)	...	...	...	...	...
Provision for possible losses on bonds transactions	5,601.0	6,062.2	6,984.9	+922.7	6,350.0
Provision for possible losses on foreign exchange transactions	1,892.4	2,266.9	2,918.0	+651.0	2,836.7
Capital base³ (C) = (A) + (B)	10,937.5	11,877.6	13,565.8	+1,688.1	12,735.2
Annual average of banknotes issued (D)	117,609.4	120,992.1	121,444.7	+452.6	121,325.9
Capital adequacy ratio (C)/(D) × 100 (percent)	9.29	9.81	11.17	+1.36	10.49

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 2022 (Mar. 31, 2023)			End of fiscal 2023 (Mar. 31, 2024)		
	Book value	Market value ²	Difference	Book value	Market value ²	Difference
Japanese government securities	581,720.6	581,563.5	−157.1	589,663.4	580,229.7	−9,433.7
Commercial paper	2,123.2	2,123.2	...	2,210.9	2,210.9	...
Corporate bonds	8,008.9	7,981.1	−27.8	6,072.7	6,046.4	−26.2
Pecuniary trusts ³ (stocks held as trust property)	293.5	961.6	668.0	164.1	808.1	644.0
Pecuniary trusts ³ (index-linked exchange-traded funds held as trust property)	37,116.0	53,151.7	16,035.6	37,186.1	74,498.2	37,312.0
Pecuniary trusts ³ (Japan real estate investment trusts held as trust property)	656.9	735.0	78.0	656.1	738.7	82.5

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, 2024

Item	Value in yen	Unit (except where otherwise noted)
ASSETS		
Gold	441,253,409,037	
Cash	459,335,232,848	
Japanese government securities	589,663,478,060,130	Face value at 581,346,474,200,000 yen
Commercial paper	2,210,943,069,401	Face value at 2,211,200,000,000 yen
Corporate bonds	6,072,749,764,379	Face value at 6,063,700,000,000 yen
Pecuniary trusts (stocks held as trust property)	170,784,667,479	
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	37,186,178,530,923	
Pecuniary trusts (Japan real estate investment trusts held as trust property)	665,915,801,624	
Loans and bills discounted	107,907,900,000,000	
Electronic loans	107,907,900,000,000	1,435
Foreign currency assets	10,736,155,818,140	
Foreign currency deposits	3,294,828,032,561	
Foreign currency securities	4,876,591,475,764	
Foreign currency mutual funds	87,546,059,815	
Foreign currency loans	2,477,190,250,000	
Deposits with agents	10,043,016,596	Deposits with 70 agents
Other assets	653,253,506,651	
Bills and checks in process of collection	130,472,827	2
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	15,723,179,224	6
Accrued interest receivable	601,881,609,322	
Others	20,014,870,914	
Tangible fixed assets	244,716,888,658	
Buildings	138,289,189,870	620,673.63 square meters
Land	84,116,662,649	473,445.02 square meters
Lease assets	9,498,820,893	Number of lease property: 19,083
Construction in progress	1,673,330,440	
Other tangible fixed assets	11,138,884,806	Number of movable property: 10,145
Intangible fixed assets	442,094,545	
Utility rights	442,094,545	
Total assets	756,423,149,860,411	
LIABILITIES		
Banknotes	120,879,866,366,526	
Deposits (excluding those of the government)	599,025,364,059,588	
Current deposits	561,182,005,641,800	1,092
Other deposits	37,843,358,417,788	143
Deposits of the government	15,710,328,450,450	
Treasury deposit	150,000,000,000	
Domestic designated deposit	15,084,925,223,423	
Other government deposits	475,403,227,027	
Payables under repurchase agreements	4,258,592,489,300	16
Other liabilities	599,308,906,334	
Remittances payable	20,082,407,936	
Taxes payable	512,574,000,000	
Lease liabilities	9,914,789,558	
Others	56,737,708,840	
Provision for retirement benefits	211,021,004,957	
Provision for possible losses on bonds transactions	6,984,943,993,013	
Provision for possible losses on foreign exchange transactions	2,918,055,000,000	
Total liabilities	750,587,480,270,168	
NET ASSETS		
Capital	100,000,000	
Legal reserve	3,548,335,576,683	
Special reserve	13,196,452	
Net income	2,287,220,817,108	
Total net assets	5,835,669,590,243	
Total liabilities and net assets	756,423,149,860,411	

2. Balance sheet as at March 31, 2024

yen

ASSETS	
Gold	441,253,409,037
Cash	459,335,232,848
Japanese government securities	589,663,478,060,130
Commercial paper	2,210,943,069,401
Corporate bonds	6,072,749,764,379
Pecuniary trusts (stocks held as trust property)	170,784,667,479
Pecuniary trusts (index-linked exchange-traded funds held as trust property)	37,186,178,530,923
Pecuniary trusts (Japan real estate investment trusts held as trust property)	665,915,801,624
Loans and bills discounted	107,907,900,000,000
Electronic loans	107,907,900,000,000
Foreign currency assets	10,736,155,818,140
Foreign currency deposits	3,294,828,032,561
Foreign currency securities	4,876,591,475,764
Foreign currency mutual funds	87,546,059,815
Foreign currency loans	2,477,190,250,000
Deposits with agents	10,043,016,596
Other assets	653,253,506,651
Bills and checks in process of collection	130,472,827
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	15,723,179,224
Accrued interest receivable	601,881,609,322
Others	20,014,870,914
Tangible fixed assets	244,716,888,658
Buildings	138,289,189,870
Land	84,116,662,649
Lease assets	9,498,820,893
Construction in progress	1,673,330,440
Other tangible fixed assets	11,138,884,806
Intangible fixed assets	442,094,545
Utility rights	442,094,545
Total assets	756,423,149,860,411
LIABILITIES	
Banknotes	120,879,866,366,526
Deposits (excluding those of the government)	599,025,364,059,588
Current deposits	561,182,005,641,800
Other deposits	37,843,358,417,788
Deposits of the government	15,710,328,450,450
Treasury deposit	150,000,000,000
Domestic designated deposit	15,084,925,223,423
Other government deposits	475,403,227,027
Payables under repurchase agreements	4,258,592,489,300
Other liabilities	599,308,906,334
Remittances payable	20,082,407,936
Taxes payable	512,574,000,000
Lease liabilities	9,914,789,558
Others	56,737,708,840
Provision for retirement benefits	211,021,004,957
Provision for possible losses on bonds transactions	6,984,943,993,013
Provision for possible losses on foreign exchange transactions	2,918,055,000,000
Total liabilities	750,587,480,270,168
NET ASSETS	
Capital	100,000,000
Legal reserve	3,548,335,576,683
Special reserve	13,196,452
Net income	2,287,220,817,108
Total net assets	5,835,669,590,243
Total liabilities and net assets	756,423,149,860,411

3. Statement of income for fiscal 2023 (April 1, 2023–March 31, 2024)

yen

Operating income	5,085,878,971,616
Interest on loans and discounts	9,391,282,820
Interest on loans	9,391,282,820
Interest on receivables under resale agreements	–164,763,004
Interest and discounts on Japanese government securities	1,712,409,986,777
Interest on commercial paper	697,737,888
Interest and discounts on corporate bonds	7,171,798,151
Gains on foreign currency assets	1,675,702,585,210
Foreign exchange gains	1,302,121,962,565
Gains on foreign currency securities	91,588,135,776
Gains on foreign currency mutual funds	3,397,661,740
Interest on foreign currency deposits and loans	278,594,825,129
Other operating income	1,680,670,343,774
Gains on pecuniary trusts (stocks held as trust property)	388,161,352,776
Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property)	1,235,646,401,736
Gains on pecuniary trusts (Japan real estate investment trusts held as trust property)	31,200,835,067
Dividends	944,349,631
Fees and commissions	9,879,494,701
Other income	14,837,909,863
Operating expenses	445,891,616,312
Interest on payables under repurchase agreements	–14,078,066,378
Losses on sale of Japanese government securities	1,034,743,905
General and administrative expenses and costs	219,196,319,152
Cost of production of banknotes	56,295,543,653
Administrative expenses for treasury business and Japanese government securities	19,035,316,105
Personnel expenses	52,734,358,488
Expenses for transportation and communications	3,565,971,381
Expenses for maintenance and repairs	1,830,231,293
Other general and administrative expenses and costs	51,767,971,797
Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes	15,911,894,483
Depreciation and amortization	18,055,031,952
Other general and administrative expenses	239,738,619,633
Interest on excess reserve balances under the complementary deposit facility	188,752,274,306
Interest on excess reserve balances under the interest scheme to promote lending	2,277,880,867
Fees and commissions paid	149,559,930
Other expenses	48,558,904,530
Operating profits	4,639,987,355,304
Special profits	4,072,883,653
Gains on disposal of fixed assets	4,072,883,653
Special losses	1,573,953,770,789
Losses on disposal of fixed assets	179,770,789
Transfer to provision for possible losses on bonds transactions	922,714,000,000
Transfer to provision for possible losses on foreign exchange transactions	651,060,000,000
Net income before taxes	3,070,106,468,168
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	782,885,651,060
Net income	2,287,220,817,108

4. Summary of significant accounting policies

a. Securities

Yen-denominated bonds and CP⁴ 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,⁵ 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 trusts⁶ 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.

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

5. Includes bonds issued by real estate investment corporations.

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

c. Foreign currency transactions

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

d. Transfers to/from provisions

(1) Provision for possible loan losses

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

(2) Provision for retirement benefits

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

The method of attributing projected benefits to periods up to the fiscal year-end is based on the straight-line method. Prior service cost is amortized using the straight-line method, which fixes the amount of the amortization and applies it over a certain number of years, within the average remaining service period of employees at the time (the amortization is applied over 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	182
More than one year	598
Total	780

b. Lessor

	mil. yen
Within one year	1
More than one year	21
Total	23

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 2023	227,606,042,000
Service cost	5,731,276,000
Interest cost	915,622,000
Actuarial differences	-37,507,596,711
Retirement benefits paid	-10,085,326,289
Prior service cost	1,468,095,000

Projected benefit obligation at the end of fiscal 2023	188,128,112,000
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2. Reconciliation of the projected benefit obligation and the provision for retirement benefits

yen

Projected benefit obligation	188,128,112,000
Fair value of plan assets	...

Unfunded projected benefit obligation	188,128,112,000
Unrecognized actuarial differences	22,156,778,007
Unrecognized prior service cost	736,114,950

Net amount recorded on the balance sheet	211,021,004,957
Prepaid pension cost	...

Provision for retirement benefits	211,021,004,957
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3. Retirement benefit cost

yen

Service cost	5,731,276,000
Interest cost	915,622,000
Expected return on plan assets	...
Amortization of actuarial differences	6,709,900,358
Amortization of prior service cost	-1,426,237,975

Retirement benefit cost	11,930,560,383
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4. Assumptions

Discount rate	1.5%
Long-term expected rate of return on plan assets	...

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

5. Auditors' opinion⁷

May 14, 2024

Auditors' Opinion on the Bank of Japan's Financial Statements for Fiscal 2023

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 2023 indicated below. In our opinion, the financial statements present fairly the state of property and the results of operations for fiscal 2023.

The financial statements comprise the following:
Inventory of property as at March 31, 2024;
Balance sheet as at March 31, 2024; and
Statement of income for fiscal 2023.

SAKAMOTO Tetsuya
TANIGUCHI Fumikazu
ICHIKAWA Kenta

Auditors, Bank of Japan

6. Appropriation of net income for fiscal 2023

yen

Net income	2,287,220,817,108
Appropriations:	
Transfer to legal reserve	114,361,040,856
Dividends, 5 percent of share face value	5,000,000
Payment to the government	2,172,854,776,252
Total	2,287,220,817,108

7. 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 2023	Balance at the end of fiscal 2023	Changes during fiscal 2023
1. Gold	441,253,409,037	441,253,409,037	0
2. Cash¹	416,631,788,235	459,335,232,848	42,703,444,613
3. Japanese government securities	581,720,689,525,616	589,663,478,060,130	7,942,788,534,514
Treasury discount bills	5,500,941,838,030	4,046,660,436,172	-1,454,281,401,858
Japanese government bonds	576,219,747,687,586	585,616,817,623,958	9,397,069,936,372
2-year bonds	34,234,454,571,473	26,388,735,076,310	-7,845,719,495,163
5-year bonds	96,627,944,242,046	97,664,093,566,903	1,036,149,324,857
10-year bonds	269,361,616,115,766	272,662,783,580,787	3,301,167,465,021
20-year bonds	119,423,001,560,233	126,889,629,581,548	7,466,628,021,315
30-year bonds	42,731,531,123,954	47,104,902,244,286	4,373,371,120,332
40-year bonds	8,631,904,392,536	9,384,886,833,257	752,982,440,721
Floating-rate bonds	172,914,959,387	0	-172,914,959,387
Inflation-indexed bonds	5,036,380,722,191	5,067,449,318,681	31,068,596,490
Others	0	454,337,422,186	454,337,422,186
4. Commercial paper²	2,123,282,356,777	2,210,943,069,401	87,660,712,624
Dematerialized commercial paper	2,123,282,356,777	2,210,943,069,401	87,660,712,624
5. Corporate bonds³	8,008,960,156,155	6,072,749,764,379	-1,936,210,391,776
6. Pecuniary trusts (stocks held as trust property)⁴	304,738,094,204	170,784,667,479	-133,953,426,725
Stocks	293,559,712,004	164,109,375,351	-129,450,336,653
Dividends receivable and others	11,178,382,200	6,675,292,128	-4,503,090,072
7. Pecuniary trusts (index-linked exchange-traded funds held as trust property)⁵	37,045,978,537,204	37,186,178,530,923	140,199,993,719
Index-linked exchange-traded funds	37,045,978,278,571	37,186,178,276,529	140,199,997,958
Money trust received as collateral	1,004,069,088	4,599,999,695	3,595,930,607
Accrued income receivable from lending transactions	258,633	254,394	-4,239
Payables under lending transactions	1,004,069,088	4,599,999,695	3,595,930,607
8. Pecuniary trusts (Japan real estate investment trusts held as trust property)⁶	666,572,082,973	665,915,801,624	-656,281,349
Japan real estate investment trusts	656,964,659,128	656,140,845,620	-823,813,508
Distributions receivable	9,607,423,845	9,774,956,004	167,532,159
9. Loans and bills discounted	94,439,741,000,000	107,907,900,000,000	13,468,159,000,000
Electronic loans	94,439,741,000,000	107,907,900,000,000	13,468,159,000,000
Loans by Funds-Supplying Operations against Pooled Collateral ⁷	94,439,741,000,000	107,907,900,000,000	13,468,159,000,000
10. Foreign currency assets	9,110,544,877,877	10,736,155,818,140	1,625,610,940,263
Foreign currency deposits ⁸	3,043,209,323,726	3,294,828,032,561	251,618,708,835
Foreign currency securities ⁹	3,638,585,424,643	4,876,591,475,764	1,238,006,051,121
Foreign currency mutual funds	76,906,384,508	87,546,059,815	10,639,675,307
Foreign currency loans ¹⁰	2,351,843,745,000	2,477,190,250,000	125,346,505,000
11. Deposits with agents¹¹	9,784,392,139	10,043,016,596	258,624,457

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 Funds-Supplying Operation to Support Financial Institutions in Disaster Areas; and (4) loans made through the Funds-Supplying Operations to Support Financing for Climate Change Responses. The balance at the beginning of the fiscal year also includes the amount outstanding of loans made through the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19).

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

9. Includes securities issued by foreign governments.

10. The amount outstanding 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 2023	Balance at the end of fiscal 2023	Changes during fiscal 2023
12. Other assets	586,883,835,471	653,253,506,651	66,369,671,180
Bills and checks in process of collection ¹²	70,111,153	130,472,827	60,361,674
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	15,766,074,551	15,723,179,224	-42,895,327
Refund on accrued tax	14,967,102,600	0	-14,967,102,600
Accrued interest receivable	513,387,547,786	601,881,609,322	88,494,061,536
Others	27,189,625,017	20,014,870,914	-7,174,754,103

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 2023	Increase during fiscal 2023	Decrease during fiscal 2023	Of which: Depreciation	Balance at the end of fiscal 2023	Cumulative total of depreciation
13. Tangible fixed assets¹⁵	241,074,250,424	32,308,302,178	28,665,663,944	16,020,412,522	244,716,888,658	393,278,808,179
Buildings ^{16,17}	136,645,333,716 (617,977.56)	11,367,724,139 (6,923.78)	9,723,867,985 (4,227.71)	9,605,157,835 (...)	138,289,189,870 (620,673.63)	363,370,427,652 (...)
Land ¹⁶	84,118,243,965 (479,717.70)	0 (0.04)	1,581,316 (6,272.72)	... (...)	84,116,662,649 (473,445.02)	... (...)
Lease assets ^{18,19}	8,079,820,747 (23,679)	5,193,905,599 (5,259)	3,774,905,453 (9,855)	3,771,399,753 (...)	9,498,820,893 (19,083)	6,562,942,682 (...)
Construction in progress ²⁰	1,614,968,400	12,562,593,964	12,504,231,924	...	1,673,330,440	...
Other tangible fixed assets ^{21,22}	10,615,883,596 (9,785)	3,184,078,476 (556)	2,661,077,266 (196)	2,643,854,934 (...)	11,138,884,806 (10,145)	23,345,437,845 (...)

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 2023	Increase during fiscal 2023	Decrease during fiscal 2023	Of which: Depreciation	Balance at the end of fiscal 2023	Cumulative total of depreciation
14. Intangible fixed assets	457,712,496	8,773,346	24,391,297	24,391,297	442,094,545	564,622,482
Utility rights	457,712,496	8,773,346	24,391,297	24,391,297	442,094,545	564,622,482

Appendix: Details of loans provided through the Loan Support Program

yen

Item	Balance at the beginning of fiscal 2023	Balance at the end of fiscal 2023	Changes during fiscal 2023
Total amount outstanding	72,243,284,745,000	83,646,190,250,000	11,402,905,505,000
Loans made under the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth ¹	7,148,984,745,000	5,348,290,250,000	-1,800,694,495,000
Loans made under the Fund-Provisioning Measure to Stimulate Bank Lending	65,094,300,000,000	78,297,900,000,000	13,203,600,000,000

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

2. Details of liabilities and net assets

yen

Item	Balance at the beginning of fiscal 2023	Balance at the end of fiscal 2023	Changes during fiscal 2023
1. Banknotes	121,955,039,041,548	120,879,866,366,526	-1,075,172,675,022
10,000 yen notes	113,576,808,750,000	112,535,890,585,000	-1,040,918,165,000
5,000 yen notes	3,637,161,867,500	3,633,559,872,500	-3,601,995,000
2,000 yen notes	194,018,476,000	193,871,362,000	-147,114,000
1,000 yen notes	4,407,498,242,000	4,378,426,964,500	-29,071,277,500
Other banknotes ¹	139,551,706,048	138,117,582,526	-1,434,123,522
2. Deposits (excluding those of the government)	577,980,612,349,088	599,025,364,059,588	21,044,751,710,500
Current deposits	549,078,126,627,386	561,182,005,641,800	12,103,879,014,414
Other deposits ²	28,902,485,721,702	37,843,358,417,788	8,940,872,696,086
3. Deposits of the government	15,597,952,210,527	15,710,328,450,450	112,376,239,923
Treasury deposit	150,000,000,000	150,000,000,000	0
Domestic designated deposit ³	15,015,269,894,460	15,084,925,223,423	69,655,328,963
Other government deposits ⁴	432,682,316,067	475,403,227,027	42,720,910,960
4. Payables under repurchase agreements⁵	5,370,902,523,136	4,258,592,489,300	-1,112,310,033,836
Securities lending as a secondary source of Japanese government securities	5,370,902,523,136	4,258,592,489,300	-1,112,310,033,836
5. Other liabilities	142,065,967,260	599,308,906,334	457,242,939,074
Remittances payable	28,178,843,812	20,082,407,936	-8,096,435,876
Taxes payable	59,394,000,000	512,574,000,000	453,180,000,000
Lease liabilities	8,466,293,252	9,914,789,558	1,448,496,306
Others ⁶	46,026,830,196	56,737,708,840	10,710,878,644

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 36,031,073,115 yen under the complementary deposit facility and 8,834,232,677 yen under the Special Deposit Facility.

yen

Item	Balance at the beginning of fiscal 2023	Increase during fiscal 2023	Decrease during fiscal 2023	Balance at the end of fiscal 2023
6. Provisions⁷	8,538,400,763,876	1,585,704,560,383	10,085,326,289	10,114,019,997,970
Provision for retirement benefits	209,175,770,863	11,930,560,383	10,085,326,289	211,021,004,957
Provision for possible losses on bonds transactions	6,062,229,993,013	922,714,000,000	0	6,984,943,993,013
Provision for possible losses on foreign exchange transactions	2,266,995,000,000	651,060,000,000	0	2,918,055,000,000
7. Net assets	3,444,071,384,185	104,377,388,950	0	3,548,448,773,135
Capital	100,000,000	0	0	100,000,000
Legal reserve ⁸	3,443,958,187,733	104,377,388,950	0	3,548,335,576,683
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 Amendment of the Bank of Japan Act (Act No. 46 of 1947).

3. Details of revenues and expenses for fiscal 2023

a. Operating income

Interest on loans and discounts	
Interest on loans	9,391,282,820 yen from electronic loans.
Interest on receivables under resale agreements	164,763,004 yen from interest income on purchases of Japanese government securities under resale agreements.
Interest and discounts on Japanese government securities	1,712,409,986,777 yen from interest income on Japanese government securities after adjustment.
Interest on commercial paper	697,737,888 yen from interest income on commercial paper after adjustment.
Interest and discounts on corporate bonds	7,171,798,151 yen from interest income on corporate bonds after adjustment.
Gains on foreign currency assets	
Foreign exchange gains	1,302,121,962,565 yen from gains on foreign currency assets resulting from revaluation following fluctuations in foreign exchange rates.
Gains on foreign currency securities	Total of 100,799,103,418 yen from interest and discounts on foreign currency securities and 9,210,967,642 yen of losses arising from the sale, redemption, and revaluation at end-March 2024 of foreign currency securities.
Gains on foreign currency mutual funds	3,397,661,740 yen
Interest on foreign currency deposits and loans	278,594,825,129 yen
Other operating income	
Gains on pecuniary trusts (stocks held as trust property)	388,161,352,776 yen mainly from gains on sales.
Gains on pecuniary trusts (index-linked exchange-traded funds held as trust property)	1,235,646,401,736 yen mainly from distributions.
Gains on pecuniary trusts (Japan real estate investment trusts held as trust property)	31,200,835,067 yen mainly from distributions.
Dividends	944,349,631 yen for dividends from shares of the Bank for International Settlements held by the Bank.
Fees and commissions	9,879,494,701 yen for fees and commissions for operations regarding Japanese government securities, the Bank of Japan Financial Network System (BOJ-NET), securities lending as a secondary source of Japanese government securities, and other operations.
Other income	14,837,909,863 yen from transfer from provision for retirement benefits and other income.

b. Operating expenses

Interest on payables under repurchase agreements	14,078,066,378 yen from interest income on sales of Japanese government securities under repurchase agreements.
Losses on sale of Japanese government securities	1,034,743,905 yen from losses on sales of Japanese government bonds.
General and administrative expenses and costs	
Cost of production of banknotes	56,295,543,653 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	19,035,316,105 yen from fees and commissions paid to agents of the Bank for administration of treasury business and Japanese government securities.
Personnel expenses	434,463,900 yen for remuneration of the officers; 42,119,657,299 yen for remuneration of the employees; and 10,180,237,289 yen for retirement allowances.
Expenses for transportation and communications	1,811,017,633 yen for expenses for transportation and 1,754,953,748 yen for expenses for communications.
Expenses for maintenance and repairs	1,830,231,293 yen on offices and other premises.
Other general and administrative expenses and costs	1,045,358,379 yen for the cost of expendable supplies; 2,257,498,765 yen for expenses for electricity and water supply; 6,324,135,950 yen for leasing fees for buildings and equipment; 10,184,569,155 yen for expenses for maintenance of buildings and equipment; and 31,956,409,548 yen for miscellaneous expenses.
Taxes excluding corporate income tax, inhabitants taxes, and enterprise taxes	15,911,894,483 yen for taxes and public charges (including fixed-asset tax and urban development tax).
Depreciation and amortization	18,055,031,952 yen on buildings and lease assets.
Other general and administrative expenses	
Interest on excess reserve balances under the complementary deposit facility	188,752,274,306 yen (net difference between interest payment of 212,139,610,778 yen on excess reserve balances to which a positive interest rate is applied and interest income of 23,387,336,472 yen on the balances to which a negative interest rate is applied).
Interest on excess reserve balances under the interest scheme to promote lending	2,277,880,867 yen
Fees and commissions paid	149,559,930 yen
Other expenses	48,558,904,530 yen, including 74,707,287,745 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	4,072,883,653 yen for gains on sales of land for the Bank's premises.
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d. Special losses

Losses on disposal of fixed assets	179,770,789 yen for losses on disposals of offices and other losses.
Transfer to provision for possible losses on bonds transactions	922,714,000,000 yen
Transfer to provision for possible losses on foreign exchange transactions	651,060,000,000 yen

e. Net income

Net income before taxes	3,070,106,468,168 yen
Provision for corporate income tax, inhabitants taxes, and enterprise taxes	782,885,651,060 yen
Net income	2,287,220,817,108 yen

IV. EXPENSES

With regard to the Bank's statement of accounts for fiscal 2023 (the 139th fiscal year), the total amount of actual expenses was unchanged from the previous fiscal year, standing at 213.4 billion yen. This was mainly because a decrease in the "cost of fixed-asset purchases" was offset by increases in the "cost of production of banknotes" and "personnel expenses."

1. Statement of accounts for fiscal 2023

yen

Item	Initial budget	Adjusted budget ¹	Actual	Surpluses	Changes from the previous year (actual)
Cost of production of banknotes	61,925,111,000	61,925,111,000	61,925,098,000	13,000	7,042,803,000
Administrative expenses for treasury business and Japanese government securities	21,326,048,000	21,326,048,000	20,770,957,334	555,090,666	-357,225,192
Personnel expenses	53,968,268,000	53,968,268,000	52,804,746,955	1,163,521,045	1,341,822,114
Remuneration of the officers	431,716,000	434,716,000	434,463,900	252,100	5,918,600
Remuneration of the employees	42,989,124,000	42,989,124,000	42,190,045,766	799,078,234	1,030,733,734
Retirement allowances	10,547,428,000	10,544,428,000	10,180,237,289	364,190,711	305,169,780
Expenses for transportation and communications	4,590,037,000	4,590,037,000	3,810,251,668	779,785,332	290,194,402
Expenses for transportation	2,524,106,000	2,524,106,000	1,922,305,116	601,800,884	435,245,939
Expenses for communications	2,065,931,000	2,065,931,000	1,887,946,552	177,984,448	-145,051,537
Expenses for maintenance and repairs	2,187,105,000	2,187,105,000	2,013,251,741	173,853,259	-93,025,248
Other general and administrative expenses and costs	60,064,166,000	60,064,166,000	56,037,690,102	4,026,475,898	-976,740,897
Cost of expendable supplies	1,309,062,000	1,309,062,000	1,149,066,787	159,995,213	25,243,436
Expenses for electricity and water supply	4,039,016,000	3,699,016,000	2,482,911,594	1,216,104,406	19,650,717
Leasing fees for buildings and equipment	6,839,129,000	7,179,129,000	6,950,745,070	228,383,930	1,172,505,435
Expenses for maintenance of buildings and equipment	11,700,977,000	11,700,977,000	11,200,074,694	500,902,306	-690,047,409
Miscellaneous expenses	36,175,982,000	36,175,982,000	34,254,891,957	1,921,090,043	-1,504,093,076
Subtotal	204,060,735,000	204,060,735,000	197,361,995,800	6,698,739,200	7,247,828,179
Cost of fixed-asset purchases	16,685,192,000	16,685,192,000	16,083,357,072	601,834,928	-7,237,758,941
Of which: Subject to the approval of the Minister of Finance ²	3,753,435,000	3,753,435,000	3,651,295,708	102,139,292	846,552,671
Contingency funds	1,000,000,000	1,000,000,000	0	1,000,000,000	0
Total	221,745,927,000	221,745,927,000	213,445,352,872	8,300,574,128	10,069,238
Of which: Subject to the approval of the Minister of Finance ²	208,814,170,000	208,814,170,000	201,013,291,508	7,800,878,492	8,094,380,850

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 2023¹

mil. yen

Area of business operation	Expenses	Changes from a year earlier	Share of total (percent)
Issuance of banknotes	94,765	+7,054	43.2
Monetary policy	23,605	+521	10.8
Financial system policy	18,905	-107	8.6
Payment and settlement systems	35,509	+1,765	16.2
Services relating to the government ²	46,413	-719	21.2
Total	219,196	+8,513	100.0

Notes: 1. Calculated based on "general and administrative expenses and costs" (219.2 billion yen) in the statement of income for fiscal 2023 (the 139th fiscal year). Figures are rounded to the nearest million yen.

Expenses for the Bank's various business and organizational divisions (international operations, 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 3: Performance Review of *Medium-Term
Strategic Plan (Fiscal 2019–2023)***

■ **Appendix 4: Medium-Term Strategic Plan
(Fiscal 2024–2028)**

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 2023 and at the beginning of fiscal 2024.

I. Audits of the Bank's Financial Statements and Other Documents¹**A. 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 (the 138th fiscal year) 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.

B. Financial Statements and Other Documents for the First Half of Fiscal 2023

From October through to early November 2023, 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 2023 (the 139th 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 2023.

C. Financial Statements and Other Documents for Fiscal 2023

From April through to mid-May 2024, 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 2023 as well as the statement of income for the second half of fiscal 2023.

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 2023 as well as the results of operations for the second half of fiscal 2023.

II. Audits of Cash, Securities, and Books

In fiscal 2023, the Auditors conducted a total of 55 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 2023, the Auditors conducted audits on 3 Head Office departments, 32 branches, 12 of the Bank's local offices in Japan, and 3 overseas representative offices to assess business operations and expenses. They also conducted a total of 151 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 269 examinations of key documents and 7 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.

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.

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.

APPENDIX 3: PERFORMANCE REVIEW OF *MEDIUM-TERM STRATEGIC PLAN (FISCAL 2019–2023)*¹**I. Introduction**

The Bank of Japan formulated and released the *Medium-Term Strategic Plan (Fiscal 2019–2023)* in March 2019, and has pursued its strategic objectives accordingly. With the current five-year period ending in March 2024, this document summarizes the Bank's accomplishments under the plan in light of major changes in its external environment during the period.

II. The External Environment and the Bank's Responses

The COVID-19 pandemic, which was unforeseeable when the plan was initially formulated, has significantly influenced economic and social activities during the period of its implementation.

In response to the pandemic, from 2020, the Bank was committed to maintaining the provision of essential central banking services while implementing necessary measures in terms of its policies and business operations, as well as organizational management. This was done to ensure the stability of people's daily lives and economic activities as a designated public institution under the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response.

In addition, among the developments in the Bank's external environment envisaged at the time the plan was formulated, some have been especially notable in terms of the speed of the changes involved and their impact on central bank policies and operations. Specifically, these are effects of advances in information technology and increased awareness of the Sustainable Development Goals (SDGs).

In this regard, central banks have taken various measures to address major challenges, including Central Bank Digital Currency (CBDC) and climate change, albeit differing in degree by country, in response to mounting interest and anticipation of their actions. Under these circumstances, the Bank clarified its stance regarding these challenges by releasing related guidelines, and it has made steady progress in implementing them.

The Bank has steadily carried out the strategic objectives stated in the plan while addressing various changes in its external environment. The specific measures and progress in implementing these for each fiscal year from 2019 to 2023 are made public in the *Annual Review* for the relevant fiscal year.

III. Looking Forward to Fiscal 2024–2028

In addition to the external environmental issues outlined in Section II above, the environment for central bank policies and operations has seen substantial changes since the COVID-19 pandemic. These include the global shift in economic and financial conditions away from a low-inflation, low-interest rate environment and the notable effects of severe natural disasters in Japan.

With the Bank's external environment subject to greater uncertainties as have been noted, it has faced broader and more complex challenges to its policies and business operations. The Bank today released the *Medium-Term Strategic Plan (Fiscal 2024–2028)*, which commits to appropriately addressing these challenges. It will steadily implement necessary measures under the new plan.

1. Decided by the Policy Board on March 22, 2024.

APPENDIX 4: MEDIUM-TERM STRATEGIC PLAN (FISCAL 2024–2028)^{1,2}**I. Introduction**

The Bank of Japan's *Medium-Term Strategic Plan (Fiscal 2024–2028)* sets the basic direction for the Bank's business operations and organizational management during the designated five-year period.

The plan's content will remain, in principle, fixed during fiscal 2024–2028, with a view to clarifying the Bank's objectives over the medium term and to ensuring proper assessment of its performance from an organizational perspective.

The Bank will conduct an interim review of the plan in or around fiscal 2026, in order to enable the Bank to address any changes in its external environment. It will flexibly revise the plan as appropriate in response to any significant changes.

II. The Bank's Organizational Core Principles

The Bank's organizational core principles constitute the set of fundamental values to be respected by the Bank, as the central bank of Japan. Those at the Bank must respect these core 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 core 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 its external environment.

Integrity

Every person at the Bank shall ensure integrity in the execution of their duties and adherence to 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. Notable Environmental Changes and Organizational Principles

Advancing digitalization and a further increase in awareness of environmental, social, and governance (ESG) issues and the Sustainable Development Goals (SDGs), including climate change, have been evident since before the COVID-19 pandemic. The period since the pandemic has been notable in that globalization has plateaued and geopolitical risks have heightened. Meanwhile, the global economy has transitioned away from a low-inflation, low-interest rate environment. In Japan, structural social changes such as the declining and aging population have continued to substantially influence economic and financial activities. The effects of severe natural disasters have also been significant.

1. Decided by the Policy Board on March 22, 2024.

2. With the designated period for the *Medium-Term Strategic Plan (Fiscal 2019–2023)* coming to an end in March 2024, the Bank formulated the present document for the five-year period starting April 2024.

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 the Bank conducts currency and monetary control, aiming at achieving price stability, thereby contributing to the sound development of the national economy.

With greater uncertainties and accelerated changes in its external environment, the Bank has faced broader and more complex challenges to its policies and business operations.

Based on the above understanding and in order to properly fulfill its missions, the Bank has set the following four organizational principles underpinning the plan.

Enhanced organizational capabilities to fulfill its missions

To fulfill its missions of achieving price stability and ensuring the stability of the financial system, the Bank will enhance its capabilities in policy making, research and analysis, central banking operations, and the underpinning organizational management.

Enhanced analytical capabilities for monitoring changes and clear and thorough communication

To conduct its policies and business operations appropriately, the Bank will improve its analytical capabilities to maintain an accurate grasp of changes in its external environment. It will also work to provide clear and thorough communication, as its policies and business operations affect a wide range of economic entities at home and abroad.

**Stable and sophisticated central banking services suited to digital society
(promote digital transformation)**

The Bank will provide stable and sophisticated central banking services that are appropriate to today's digital society, while making effective use of digital technology to enhance its capabilities in central banking operations and its organizational management toward this end.

Fully mobilizing individual expertise by creating a work environment where all can be empowered in their work as central bank staff

The Bank will create a work environment where its staff can perform their duties with a sense of pride and motivation while retaining awareness of their responsibility to promote the public interest through the conduct of its policies and business operations. Such an

environment will enable the Bank to fully mobilize the individual expertise of its staff.

IV. Strategic Objectives for Business Operations

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

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

To achieve sustainable economic growth with price stability, the Bank will continue with a firm underpinning for the conduct of monetary policy while maintaining an accurate grasp of changes in its external environment, which are exhibiting greater uncertainties.

In this regard, the Bank will carry out apposite and timely research and analysis on economic and financial conditions at home and abroad and on market developments, by actively working to refine its analytical tools—for example, by incorporating digital technology—make use of statistical data, and accumulate and utilize qualitative information. It will also steadily pursue fundamental research so as to contribute to the appropriate conduct of monetary policy from a long-term perspective.

Furthermore, the Bank will plan and formulate monetary policy measures in an apposite and timely manner by continuously examining the efficacy and impact of its policies, while also taking into account the findings of the *Review of Monetary Policy from a Broad Perspective*. It will also put the necessary operational arrangements in place so that market operations are conducted properly.

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

To ensure the stability of the financial system, the Bank will maintain appropriate communication with financial institutions. To this end, it will enhance its data management and analysis capabilities in consideration of changes in its external environment,

such as heightened uncertainties regarding economic and financial conditions and advances in digital technology. Furthermore, the Bank, through on-site examinations and off-site monitoring, will thoroughly assess business conditions and managerial issues at financial institutions that envisage increasingly complex business and operational arrangements and risk profiles. Moreover, with a view to the smooth functioning of financial intermediation, the Bank will share its knowledge and thoughts on managerial issues with financial institutions and provide support as they make necessary improvements.

In light of the effects of the above changes in its external environment on the financial system and the businesses of financial institutions, the Bank will continue to place importance on taking a macroprudential perspective in planning and formulating financial system policy measures. It will also appropriately plan, formulate, and execute business operations, such as determining financial institutions' eligibility to hold current accounts at the Bank and managing its lending facilities.

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.

In addressing these objectives, the Bank will further strengthen cooperation with relevant parties at home and abroad. Moreover, taking into account information gained during this process, reports on financial system developments will be made appropriately at the Monetary Policy Meetings where the *Outlook for Economic Activity and Prices* is decided.

C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures

To secure and strengthen the safety and efficiency of the overall payment and settlement systems in Japan, the Bank will conduct appropriate oversight of financial market infrastructures. In addition, the Bank, as the operator of the Bank of Japan Financial Network

System (BOJ-NET), the core payment and settlement system, will make effective use of the BOJ-NET and take necessary actions toward international standardization of inter-firm remittance messages to realize smooth payment and settlement for cross-border transactions.

The Bank will continue to explore issues surrounding the technical feasibility and institutional implementation of Central Bank Digital Currency (CBDC), laying the groundwork for a public decision regarding its issuance in Japan. To this end, it will steadily promote its pilot program and cooperate as appropriate with stakeholders at home and abroad. The Bank will also contribute to international discussions on the topic of CBDC.

The Bank will conduct research and planning on and reinforcement of financial market infrastructures in close cooperation with market participants at home and abroad to facilitate proper market functioning amid a changing external environment.

In addressing these objectives, the Bank will maintain an accurate grasp of changes in its external environment and of trends in discussions and initiatives at home and abroad regarding factors such as digital technology that affect financial transactions, payment and settlement, and financial market infrastructures. Making use of the insights gained through such efforts, the Bank will play its due part as a central bank in contributing to the enhancement of payment and settlement systems in Japan, including the BOJ-NET, and to the reinforcement of market infrastructures.

D. Conduct Stable and Efficient Central Banking Operations

With respect to business operations relating to cash, the Bank will smoothly conduct the scheduled launch of a new series of Bank of Japan notes in 2024. It will also conduct business operations such as the receipt and payment of cash and the examination of banknotes and coins in a precise and stable manner, including the handling of returning banknotes after the new series is issued. In addition, the Bank will maintain an accurate

grasp of trends in cash circulation and the private sector's cash handling, reflecting the increased use of cashless payments. Making use of the information gathered, the Bank will maintain and improve the stability and efficiency of the cash supply chain.

With regard to banking operations, the Bank will continue to implement daily operations accurately and stably, settling financial transactions involving current account deposits that financial institutions hold at the Bank, as well as conducting market operations. It will also appropriately conduct operations such as the management of its foreign currency assets, foreign exchange transactions, and business operations related to assisting other central banks and international organizations in their investment in yen.

The Bank will carry out a wide range of services relating to the government with precision, such as treasury funds and Japanese government securities (JGS) services and foreign exchange market interventions. At the same time, it will respond appropriately to the government's requests regarding the practical execution of such services.

The Bank will ensure the steady compilation of various statistics, including the updating of base years where necessary. It will also actively contribute to discussions at home and abroad regarding the development of statistics.

The Bank will do its utmost to ensure the stable conduct of its daily business operations in support of the aforementioned objectives, including the smooth functioning of crucial central bank systems such as the BOJ-NET.

In executing these business operations, the Bank will continuously assess the appropriateness of its operational and other frameworks, while taking due account of such factors as changes in workloads, advances in digital technology, and developments in the business environment of its counterparties.

In terms of business continuity, the Bank will

maintain and enhance its emergency response capabilities through the effective use of its managerial and operational resources. To this end, it will take into account lessons learned from natural disasters to date and the government's reappraisal of potential damage scenarios for such events as earthquakes. It will also give consideration to the increasing severity of natural disasters, as well as to cyberattacks and the impact of infectious diseases.

E. Engage in International Initiatives in Response to a Changing Global Situation

The Bank's coordination and cooperation with overseas authorities have evolved to become increasingly sophisticated and complex across a wide range of fields in which central banks operate, including monetary and prudential policy, payment and settlement systems, and research and studies in these areas, as well as banking operations. Moreover, new international initiatives and discussions have had a greater impact on the conduct of central bank policies and operations.

As is appropriate in such a situation, the Bank, as the central bank of Japan, will play a leadership role at international discussions while working in close cooperation with relevant parties and market participants in Japan. It will also make use of the findings and insights gained through such efforts in conducting its own policies and business operations.

Furthermore, the Bank will play its due part in ensuring the stability of the international currency and financial system. It will promote further stabilization of the Asian region's currency and financial system by contributing to the development of financial safety nets within the region while facilitating stronger cooperation.

In implementing these initiatives, the Bank will effectively enhance cooperation with overseas authorities and international organizations.

F. Contribute to Regional Economic and Financial Environments

Making effective use of its Head Office, branches, and

local offices to provide footholds for business operations in each region of the country, the Bank will contribute to regional economic and financial environments from its standpoint as the central bank. It will do so through the stable conduct of its business operations, maintaining a grasp of regional economic and financial conditions, and effective communication with the public.

Specifically, the Bank will ensure smooth cash circulation and provide services related to payment and settlement, as well as treasury funds and JGSs, appropriately. It will do its utmost to secure business continuity for these operations at times of natural disasters.

In addition, the Bank, by strengthening relationships with various entities, will gather information on the business conditions of local firms and financial institutions and maintain an accurate grasp of qualitative information as well as regional economic and financial conditions. It will make use of the information gathered in conducting its policies and business operations. At the same time, the Bank will provide each region with clear and thorough explanations of its policies and business operations at each point in time, along with their backgrounds.

G. Strengthen External Communication

To ensure broad public confidence, the Bank will strengthen communication with the public.

In this regard, the Bank, by maintaining and expanding its networks, will closely communicate with a wide range of entities, including financial institutions, market participants, relevant domestic and foreign authorities, as well as academics, firms, and economic organizations.

Furthermore, the Bank will work to achieve multilevel communication, by improving information accessibility through effective use of various communication platforms such as its website and social networking sites. It will also enhance its services pertaining to in-house tours of its Head Office, branches, and other related facilities.

Through these efforts, the Bank will work to provide clear and thorough communication, explaining its conduct of policies and business operations appropriately.

In terms of efforts to promote financial literacy among the public, the Bank will smoothly transfer the functions of the Central Council for Financial Services Information to a new public organization for promoting financial and economic education; namely, the Japan Financial Literacy and Education Corporation (J-FLEC). It will also continue to contribute to the promotion of financial literacy via activities at its Head Office, branches, and local offices by appropriately cooperating with J-FLEC.

V. Strategic Objectives for Organizational Management

A. Organizational Management

The Bank will focus on the following strategic objectives for its organizational management, with all sections of its Head Office, branches, and local and overseas offices closely coordinating efforts to achieve them.

1. Reform business processes

The Bank will reform its business processes and continuously review and revise its business operations, in order to swiftly and flexibly respond to developments affecting the external environment for central bank policies and operations, as well as to changes in the demographics and working styles of its staff.

To this end, the Bank will raise the sophistication of its business operations, which include conducting efficient and stable business operations, improving its capabilities in research and analysis, and enhancing its emergency response capabilities. It will do so through a radical review of its business processes and more active use of data while incorporating outside expertise and making effective use of digital technology.

The Bank will make necessary operational arrangements to promote the above initiatives cohesively and effectively.

2. Create a work environment where diverse talents flourish

The Bank will aim to secure and foster the human resources needed to properly perform its role as the central bank, taking account of such factors as changing trends in the economy and society and in people's working styles.

The Bank will foster a work environment where its staff can execute their duties with a sense of motivation and autonomy, by promoting the initiatives needed to facilitate career development and improve work-life balance. In addition, it will undertake strategic initiatives to secure and foster human resources with a high degree of expertise in various fields including research and information technology, as well as those with the capability to excel in international arenas. It will also work cohesively to further improve digital literacy among its staff.

Moreover, the Bank will further promote organizational diversity to ensure that every member of its staff is respected as an individual and able to realize their full potential. Specifically, it will expand the opportunities available to them, including female and elderly employees, and will actively hire people with disabilities.

In addressing these objectives, the Bank will place importance on increasing employee engagement and implement appropriate measures to this end.

3. Manage operational risks appropriately

In order to maintain public confidence, it is important for the Bank to continue to conduct all business operations with precision and deliberation, and to ensure that those at the Bank execute their duties with integrity.

To this end, the Bank will work cohesively to manage operational risks effectively, giving due consideration to changes in the demographics and working styles of its staff. It will also reduce operational risks and improve

the efficiency of risk management through the active use and appropriate maintenance and management of digital technology, as well as through business process reforms.

Furthermore, the Bank will continue to ensure strict compliance with accepted social and ethical standards and to promote the appropriate management of information security, including cyber risk management.

B. Management Resources

1. Number of employees

In order to steadily 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.

2. Expense budget

In order to steadily carry out the strategic objectives stated in the plan, the Bank will work to 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.

VI. Performance Reviews of the Plan

With a view to steadily carrying out the strategic objectives for business operations and organizational management stated in the plan and to reviewing and revising the allocation of management resources in an apposite and timely manner, the Bank will conduct and make public performance reviews of measures taken under the plan every fiscal year. In addition, it will take into consideration, among other factors, its overall performance over the entire period of the current plan when deliberating on the formulation of the next medium-term strategic plan.

THE BANK OF JAPAN'S BUDGET FOR EXPENSES FOR FISCAL 2024¹

The Bank of Japan's budget for expenses for fiscal 2024 (the 140th 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 2024 is more or less unchanged from the previous year, a decrease of 0.5 percent, of which the amount subject to the approval of the Minister of Finance has increased by 0.2 percent. This is mainly due to changes in the following items. The cost of fixed-asset purchases has decreased by 19.0 percent, mainly owing to a decline in expenses related to improvements to the Bank's premises. On the other hand, expenses for maintenance and repairs have increased by 49.8 percent, mainly due to a rise in maintenance and repair work conducted at the Bank's premises, and the cost of production of banknotes has increased by 1.2 percent owing to a rise in manufacturing cost.

1. Decided by the Policy Board on March 22, 2024.

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 2024 (The 140th Fiscal Year)

Item	Initial budget (thous. yen)	Change from the previous year (percent)
Cost of production of banknotes	62,646,696	1.2
Administrative expenses for treasury business and Japanese government securities	21,467,753	0.7
Personnel expenses	53,400,039	-1.1
Remuneration of the officers	437,665	1.4
Remuneration of the employees	44,243,092	2.9
Retirement allowances	8,719,282	-17.3
Expenses for transportation and communications	4,788,288	4.3
Expenses for transportation	2,556,476	1.3
Expenses for communications	2,231,812	8.0
Expenses for maintenance and repairs	3,275,356	49.8
Other general and administrative expenses and costs	60,571,190	0.8
Cost of expendable supplies	1,160,033	-11.4
Expenses for electricity and water supply	2,922,988	-27.6
Leasing fees for buildings and equipment	6,659,514	-2.6
Expenses for maintenance of buildings and equipment	12,022,976	2.8
Miscellaneous expenses	37,805,679	4.5
Subtotal	206,149,322	1.0
Cost of fixed-asset purchases	13,520,503	-19.0
Of which: Subject to the approval of the Minister of Finance ¹	2,087,684	-44.4
Contingency funds	1,000,000	0.0
Total²	220,669,825	-0.5
Of which: Subject to the approval of the Minister of Finance ¹	209,237,006	0.2

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 amount to 34,132,596 thousand yen, a 3.1 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 12,002 person-months (one person-month is the workload equivalent of one person working for one month in system development), and a total of approximately 15,398 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 2024¹**

The Bank has set the ceiling on the number of full-time employees for fiscal 2024 at 4,900.

1. Decided by the Policy Board on March 22, 2024.

Information

I. Bank of Japan Website

II. Information on Banknotes and Coins

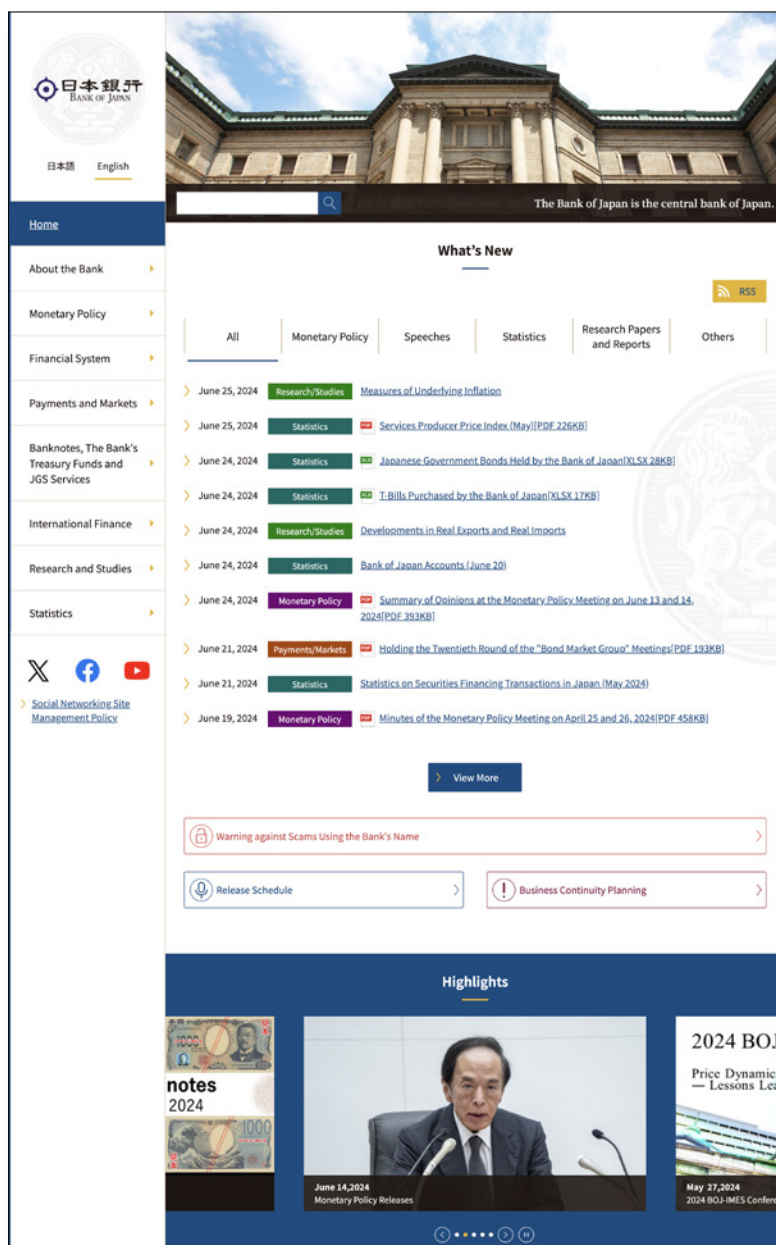
III. Visiting the Bank of Japan

IV. 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.



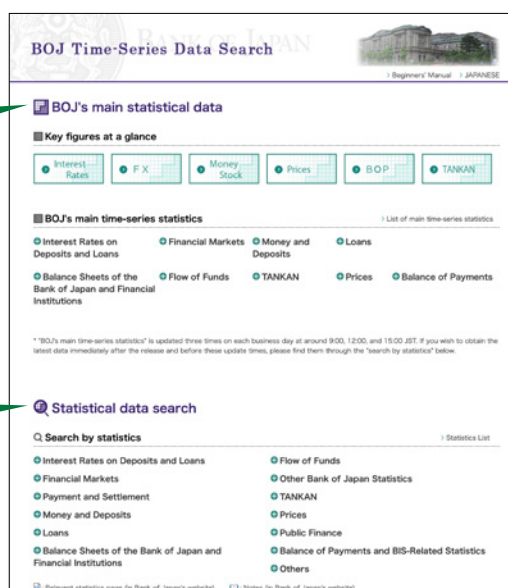
■ BOJ Time-Series Data Search

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, X (formerly 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.

► X Account: [@Bank_of_Japan_e](#)

► Facebook Account: [@BankofJapan.en](#)

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

II. INFORMATION ON BANKNOTES AND COINS

General Information on Banknotes and Coins

Information on banknotes and coins currently in use, including the new series of Bank of Japan notes first issued on July 3, 2024, is available on the Bank's website.

https://www.boj.or.jp/en/note_tfjgs/note/index.htm

New Series of Bank of Japan Notes



For more details on the new series, see

https://www.boj.or.jp/en/note_tfjgs/note/n_note/index.htm

Please note that existing series of Bank of Japan notes, including those below, remain valid after the issuance of the new series.

Previous Series of Bank of Japan Notes (First Issued in November, 2004)



The Bank exchanges Bank of Japan notes that are not suitable for use due to contamination, damage, or other reasons. Those planning to bring in such notes for exchange should make an appointment online or by contacting the Bank in advance.

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

Please beware of false information claiming that previously-issued series are no longer or will no longer be valid or of related fraudulent activities.

III. VISITING THE BANK OF JAPAN

■ Bank of Japan (Head Office)

2-1-1 Nihonbashi-Hongokuchō, Chūō-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>

Online Tour Reservation:

<https://bojtour.rsvsys.jp>

■ Bank of Japan Currency Museum

1-3-1 Nihonbashi-Hongokuchō, Chūō-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.



IV. 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
<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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