

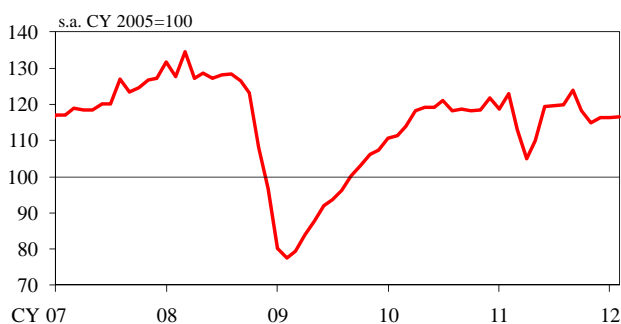
Agenda for Japan's Economy and Challenges Facing Small and Medium-Sized Enterprises

April 19, 2012

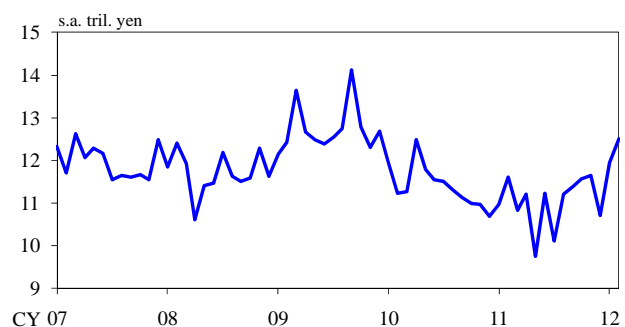
Chart 1

Recent Developments in Japan's Economy

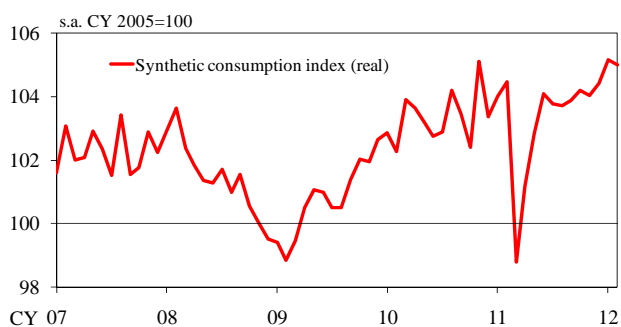
(1) Real Exports



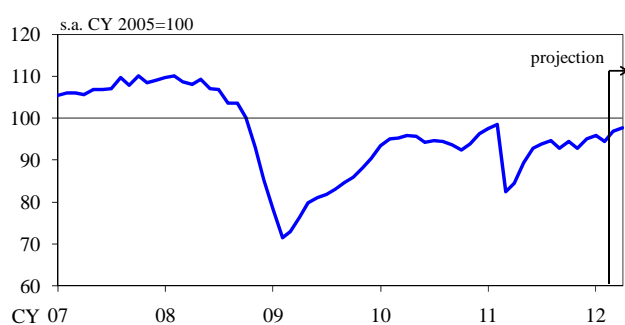
(2) Value of Public Works Contracted



(3) Private Consumption

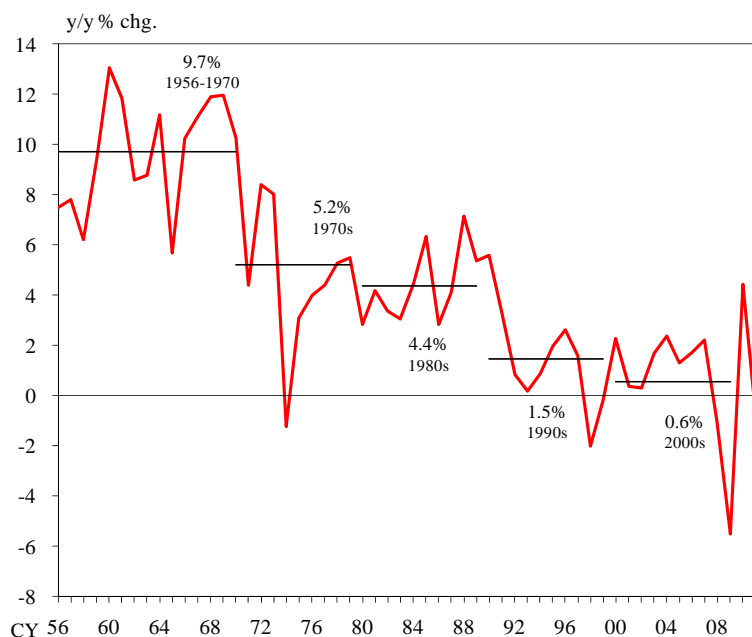


(4) Industrial Production



Economic Growth and Productivity

(1) Japan's Real GDP Growth Rate¹



(2) Change in Labor Productivity of Manufacturing Industry²

	avg. y/y % chg.	
	Large enterprises	SMEs
1970s	14.1	11.9
1980s	4.1	4.4
1990s	0.8	0.2
2000s		
2000-2007	2.9	0.3
2000-2009	-0.7	-0.6

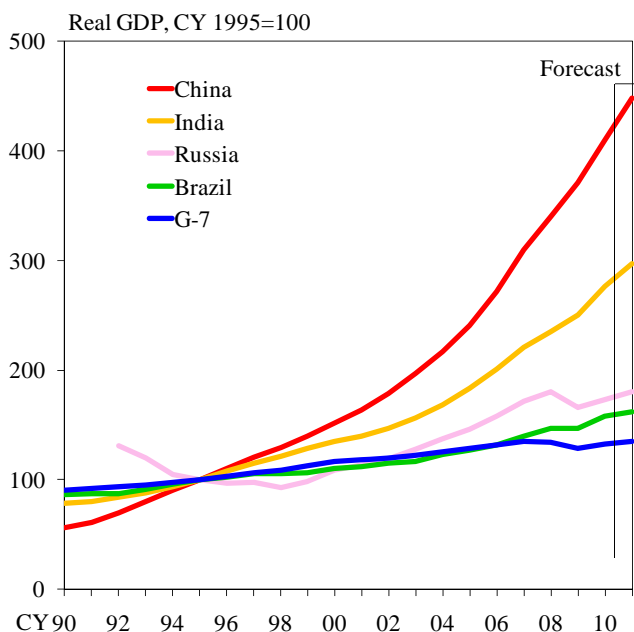
Notes: 1. Data up to 1980 are based on the 68SNA (System of National Accounts) while those from 1981 are based on the 93SNA.

2. Labor productivity is value added / number of workers. Large enterprises are enterprises with capital of 100 million yen or more and SMEs are enterprises with capital of 10 million yen or more and less than 100 million yen.

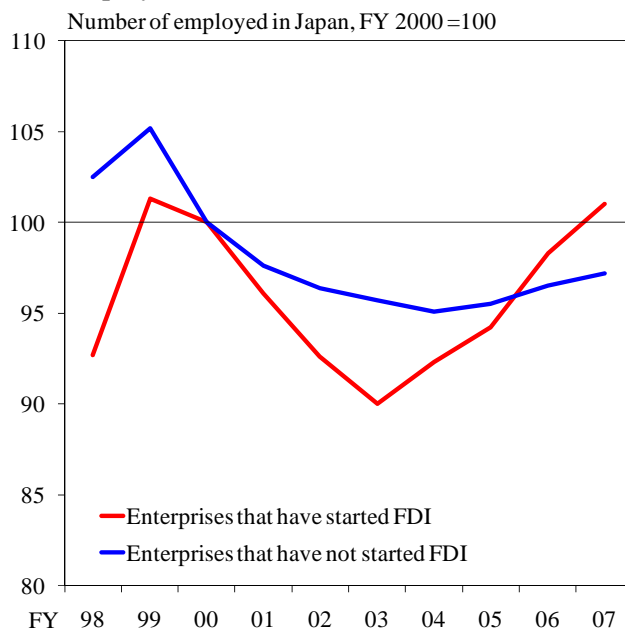
Sources: Cabinet Office; The Small and Medium Enterprise Agency (recompiled from Ministry of Finance, *Financial Statements Statistics of Corporations by Industry, Annually*.)

Utilization of the Trend of Globalization

(1) Growth of Emerging Countries¹



(2) Foreign Direct Investment and Domestic Employment²



Notes: 1. Figures for 2011 are projections by the IMF.

2. Enterprises that have started FDI are small and medium-sized enterprises that started FDI in fiscal 2000 and continued doing so through fiscal 2007. Enterprises that have not started FDI are small and medium-sized enterprises that did not engage in FDI at all between fiscal 1995 and fiscal 2007. Only enterprises that responded continuously from fiscal 1994 to fiscal 2007 are included. Small and medium-sized enterprises are defined under "Basic Survey of Japanese Business Structure and Activities" of Ministry of Economy, Trade and Industry.

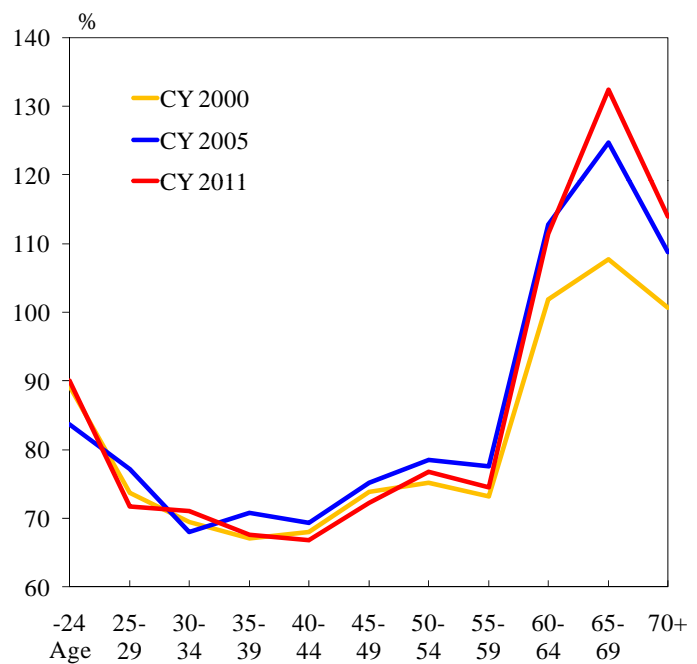
Sources: IMF; The Small and Medium Enterprise Agency (recompiled from Ministry of Economy, Trade and Industry, *Basic Survey of Japanese Business Structure and Activities*.)

Tapping of Domestic Demand

(1) Entry Rates by Industry¹

	CY 2006-2009, %
	Entry rate
Information and communications	3.9
Medical, health care and welfare	3.8
Eating and drinking places, and accommodations	3.7
Finance and insurance	3.2
Education and learning support	2.2
Retail trade	1.7
Wholesale trade	1.6
Construction	1.3
Transport	1.3
Real Estate	1.2
Manufacturing	1.1

(2) Propensities to Consume by Age²



Notes: 1. Entry rate is annual average number of entering small and medium-sized enterprises / number of small and medium-sized enterprises at the beginning of period. Small and medium-sized enterprises are defined under "Economic Census: Basic Survey" of Ministry of Internal Affairs and Communication.
 2. Figures for propensity to consume are calculated by the consumption expenditure and disposable income those are the weighted averages by workers' households and no-occupation households.

Sources: The Small and Medium Enterprise Agency (recompiled from Ministry of Internal Affairs and Communication, *Economic Census: Basic Survey*); Ministry of Internal Affairs and Communication.

4

Enhancement of Monetary Easing (Feb. 14, 2012)

The Bank decided to clarify its monetary policy stance and to further enhance monetary easing at the Monetary Policy Meeting, at Feb. 14, 2012, in order to overcome deflation.

1. Introduction of "the Price Stability Goal in the Medium to Long Term"

- ✓ The inflation rate consistent with price stability sustainable in the medium to long term.
- ✓ A positive range of 2 percent or lower in terms of the year-on-year rate of change in the consumer price index (CPI). A goal of 1 percent is set for the time being.

2. Clarification of the Bank's Determination to Pursue Monetary Easing

- ✓ Aiming at achieving the goal of 1 percent in terms of the year-on-year rate of increase in the CPI.
- ✓ Pursuing powerful monetary easing by conducting the Bank's virtually zero interest rate policy and by implementing the Asset Purchase Program mainly through the purchase of financial assets until the Bank judges that the 1 percent goal is in sight.
 - On the condition that the Bank does not identify any significant risk, including the accumulation of financial imbalances, from the viewpoint of ensuring sustainable economic growth.

3. Increase in the Asset Purchase Program

- ✓ About 55 trillion yen → about 65 trillion yen. (The total size of the Program is increased by about 10 trillion yen, with the increase earmarked for the purchase of Japanese government bonds.)
 - In addition to purchases under the Program, the Bank regularly purchases Japanese government bonds at the pace of 21.6 trillion yen per year.

5

Enhancement of Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth (Mar. 13, 2012)

The Bank decided to substantially enhance the fund-provisioning measure to support strengthening the foundations for economic growth both in terms of the yen and a foreign currency.

Provision of funds to financial institutions, equivalent to the actual amount of lending and investment carried out with a view to strengthening the foundations for economic growth, over a long term (maximum duration of 4 years) and at a low rate (currently 0.1 percent).

1. Main Rules

- ✓ 3.0⇒3.5 tril. yen (Eligible Investments and Loans: 10 million yen or more)

2. Special rules for small-lot investments and loans

- ✓ Newly 0.5 tril. yen (Eligible Investments and Loans: 1 million yen or more but less than 10 million yen)

3. Special rules for a new U.S. dollar lending arrangement

- ✓ Newly 1.0 tril. yen <12 bil. U.S. dollar> (Eligible Investments and Loans: denominated in foreign currencies)

With special rules for ABL (Eligible Investments and Loans: equity investments and asset-based lending), total amount is 5.5 tril. yen. Deadline for applications for new loans is March 31, 2014.