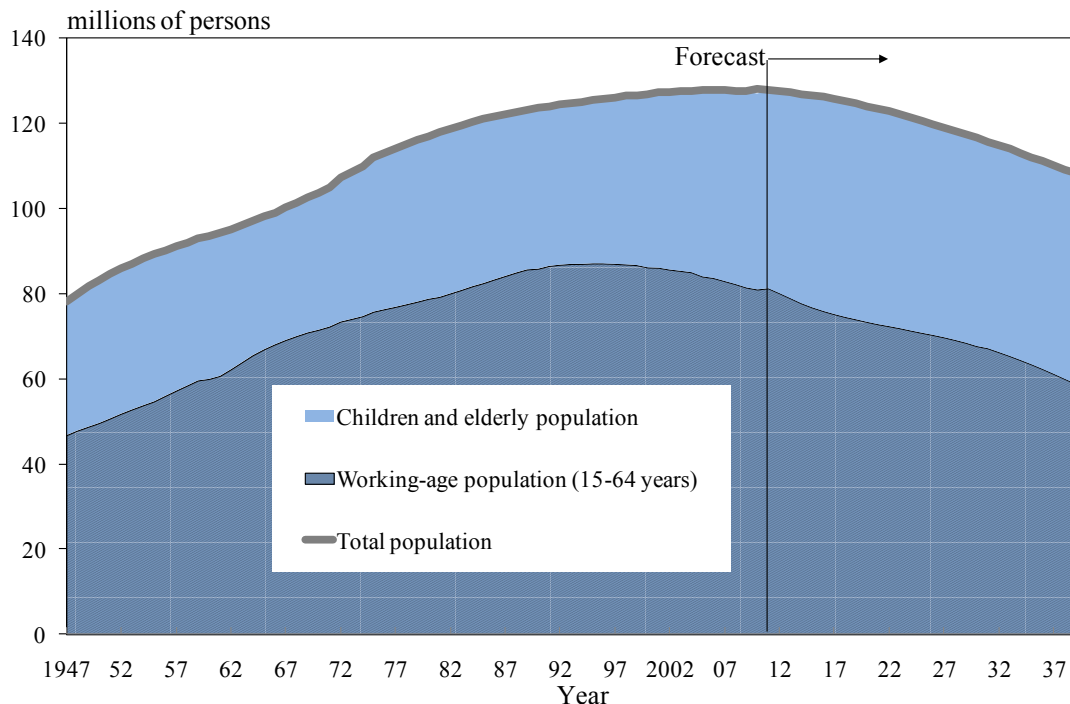


Chart 1

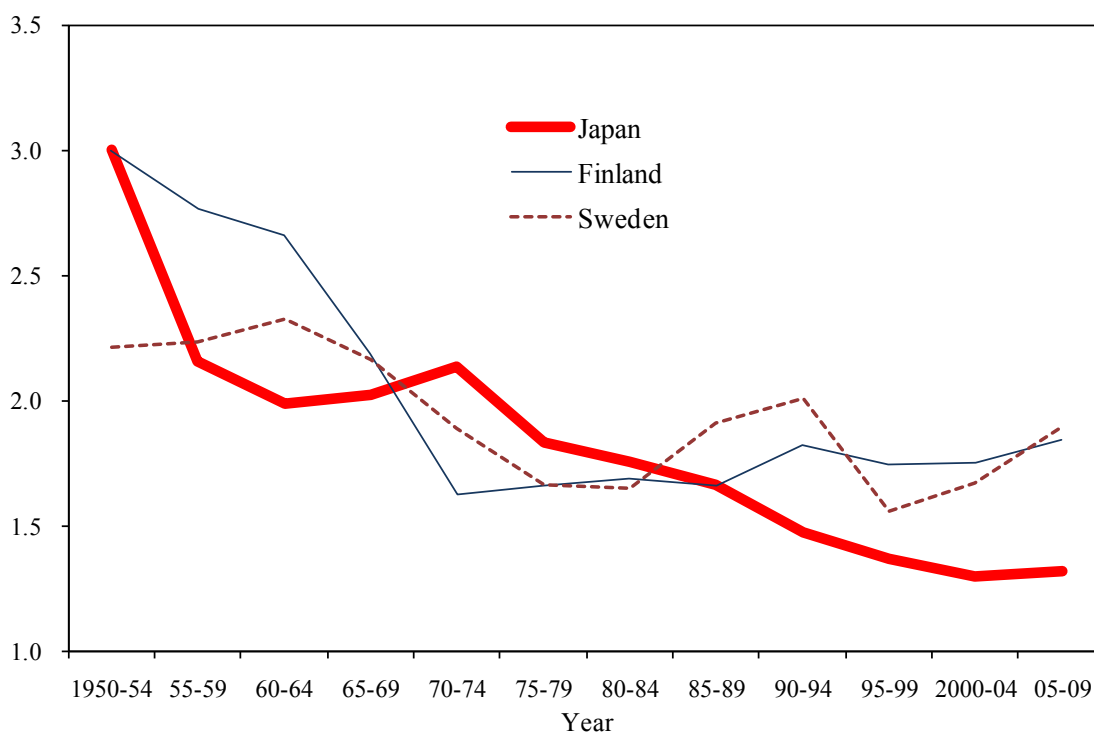
### Demographic Changes in Japan



Sources: National Institute of Population and Social Security Research; Ministry of Internal Affairs and Communications.

Chart 2

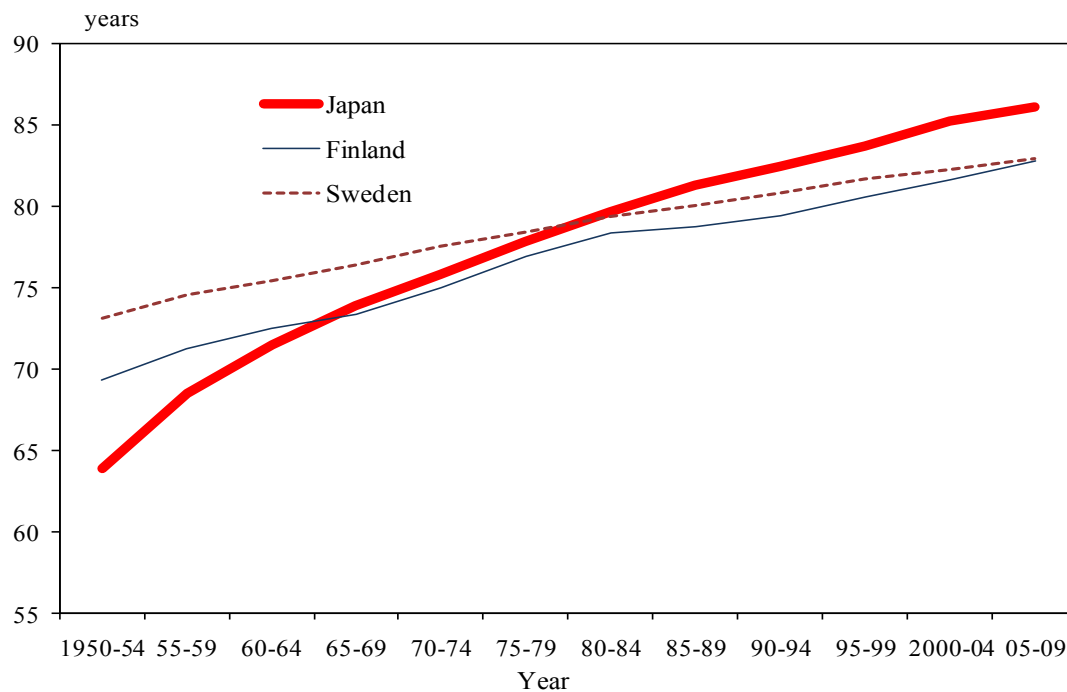
### Total Fertility Rates: Japan, Finland, and Sweden



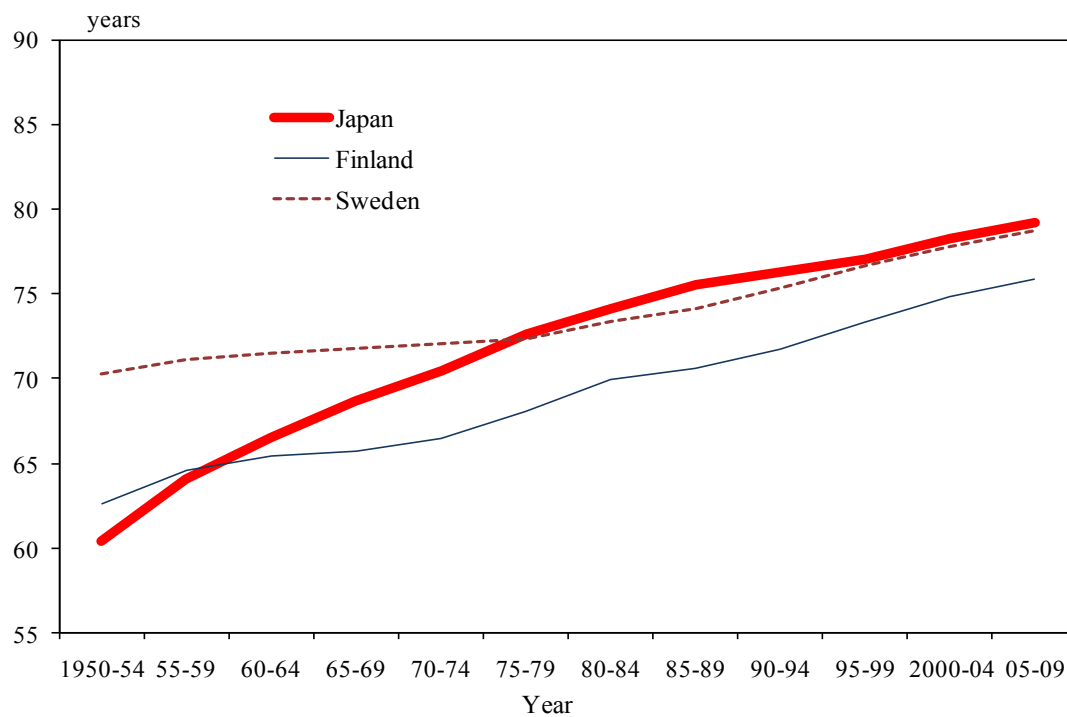
Source: United Nations.

Life Expectancy at Birth: Japan, Finland, and Sweden

(1) Female



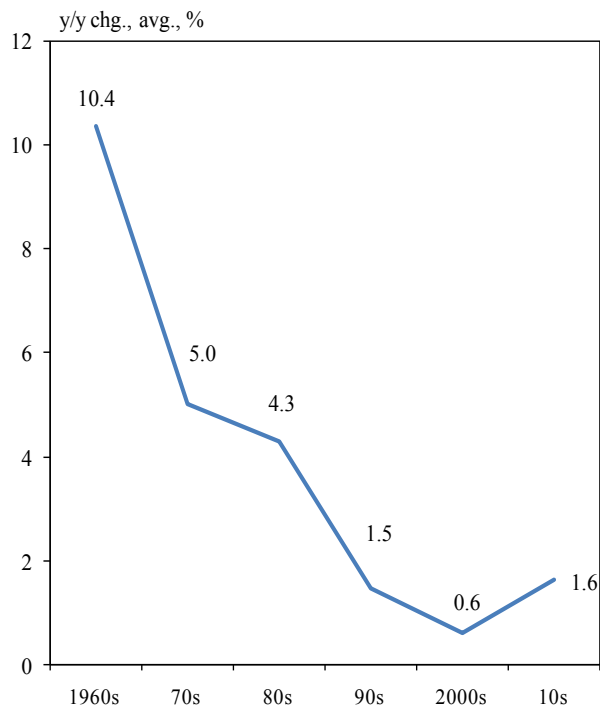
(2) Male



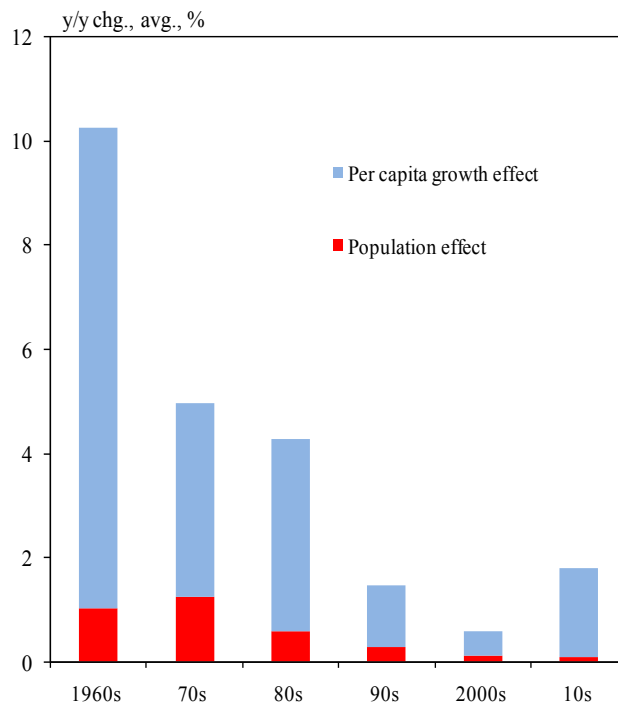
Source: United Nations.

### Real GDP Growth Rate in Japan

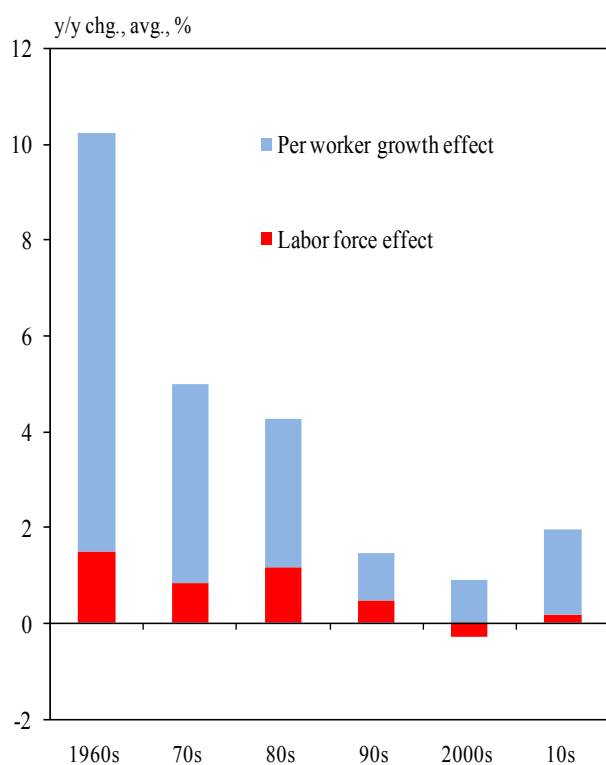
(1) Real GDP Growth Rate



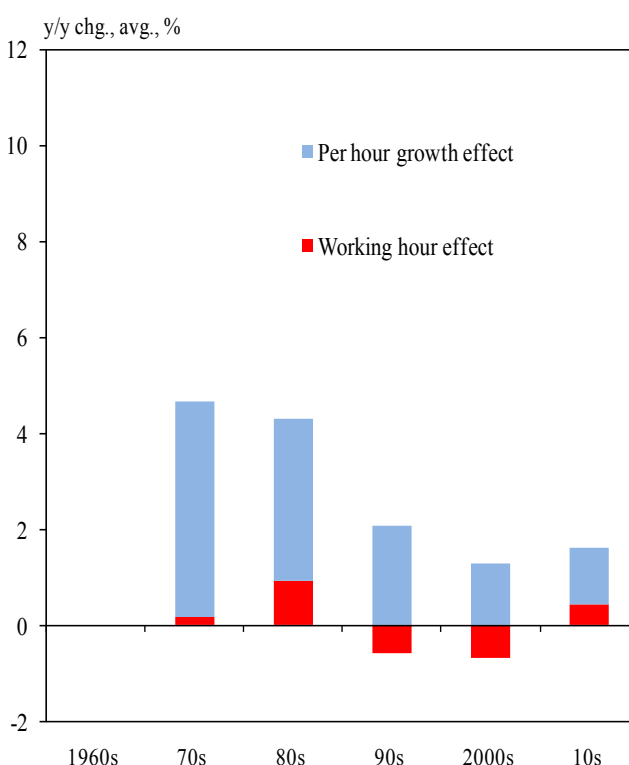
(2) Per Capita Growth Effect and Population Effect



(3) Per Worker Growth Effect and Labor Force Effect

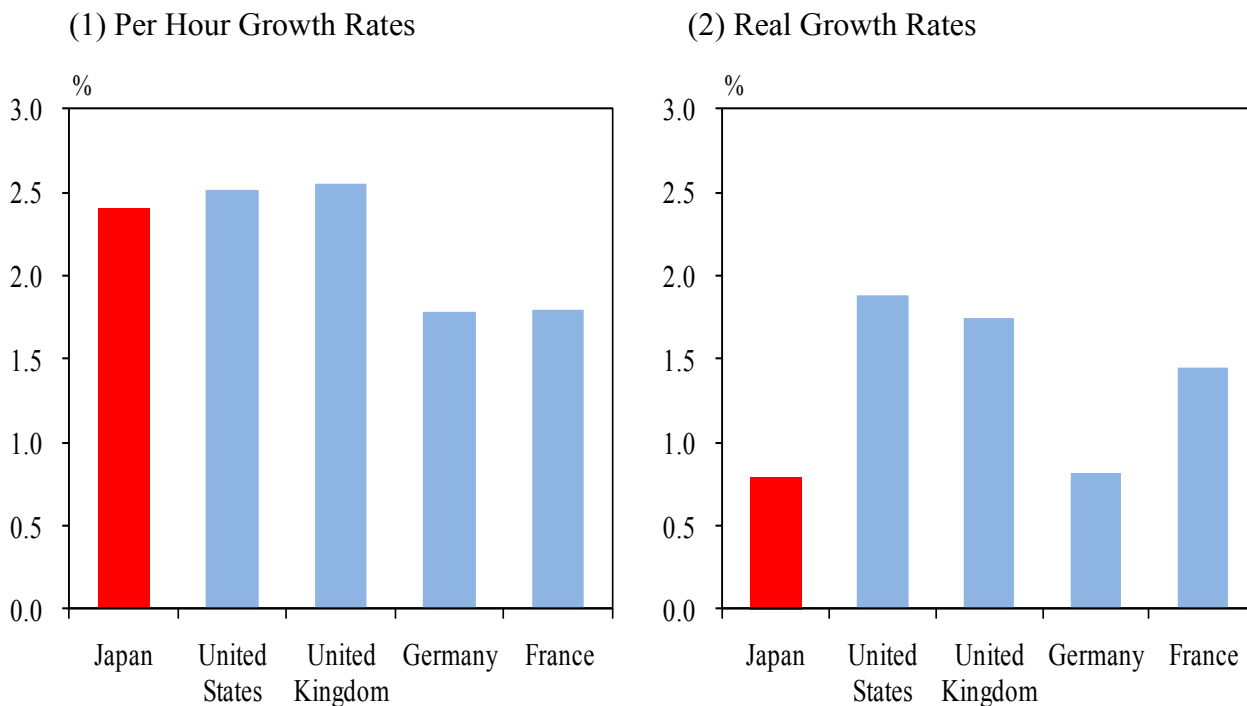


(4) Per Hour Growth Effect and Working Hour Effect



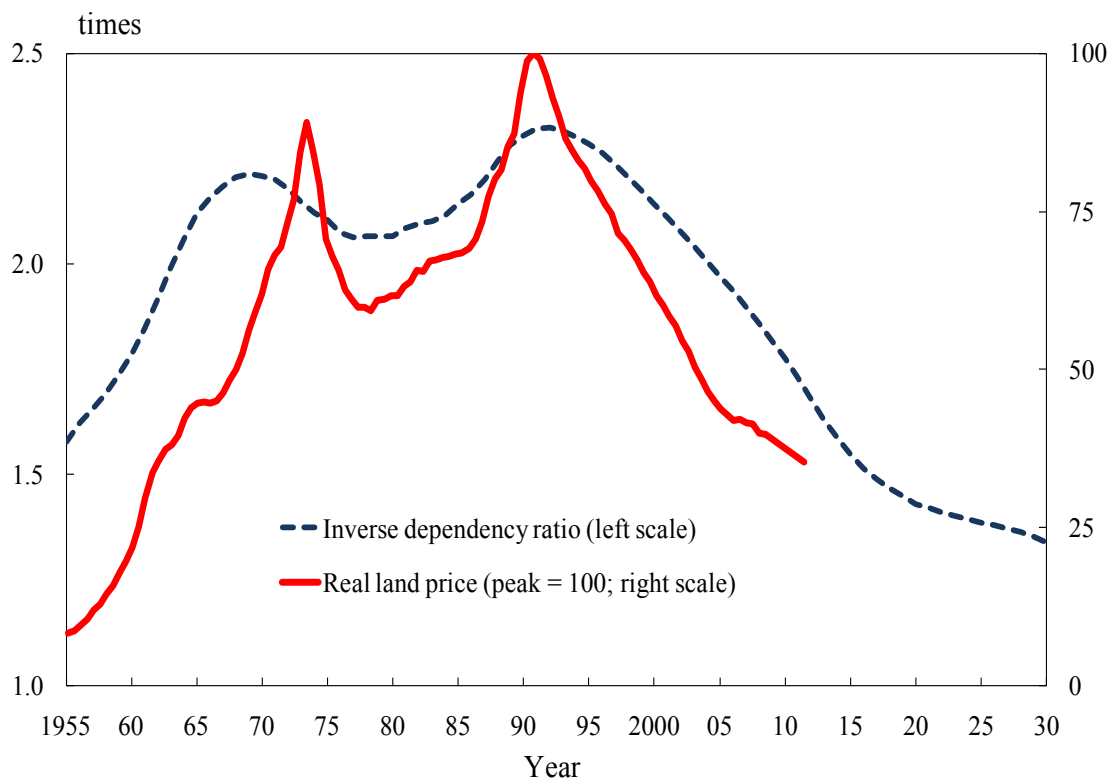
Sources: Cabinet Office; Ministry of Internal Affairs and Communications; Ministry of Health, Labor and Welfare.

Real GDP Growth Rate of Selected Countries (2000-10 Average)



Sources: World Bank; Haver Analytics.

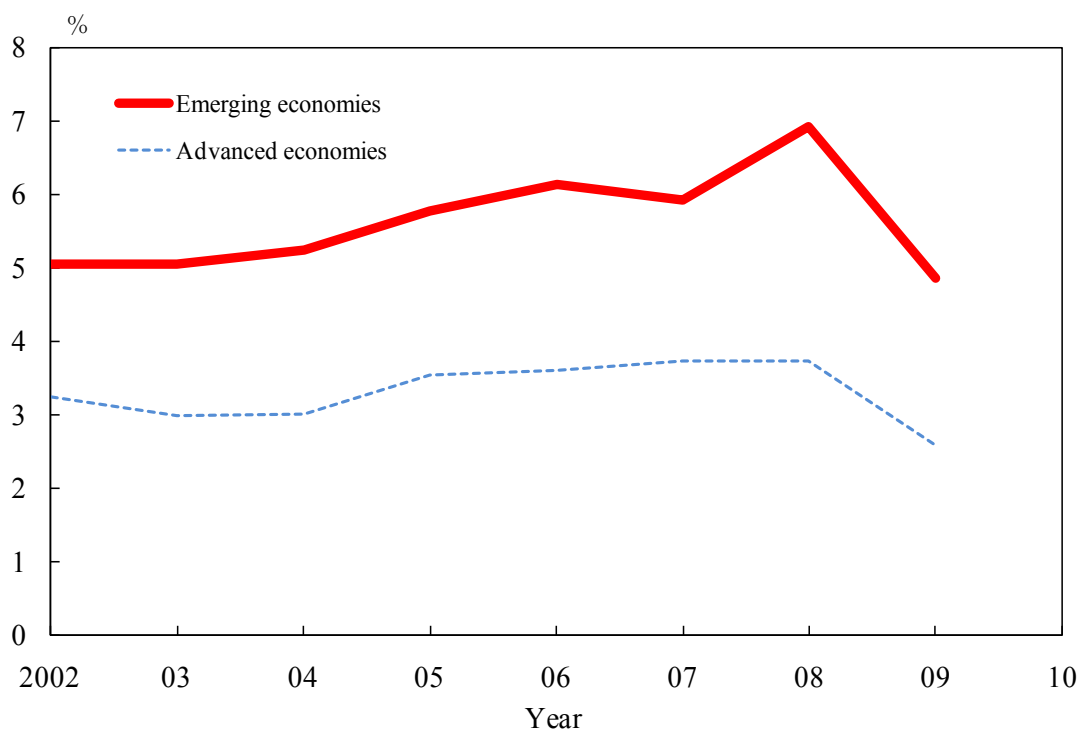
Dependency Ratio and Land Prices in Japan



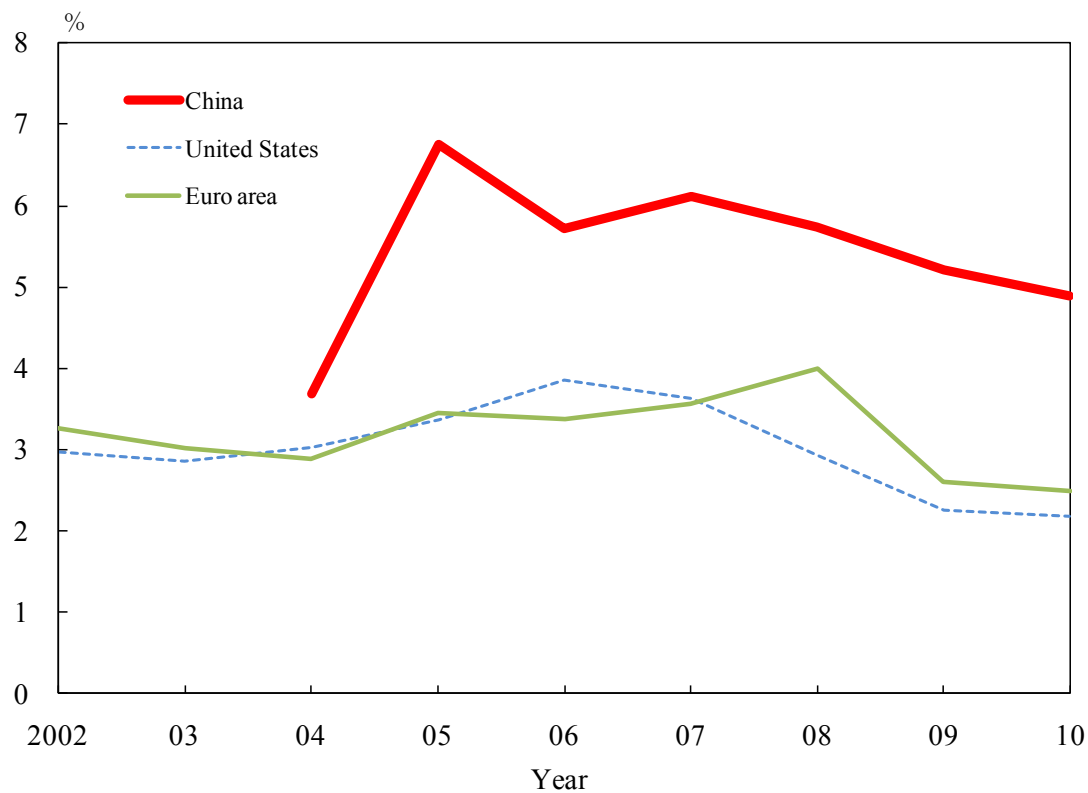
Source: Nishimura (2012).

## Rates of Return on Foreign Direct Investment (FDI)

### (1) Advanced Economies and Emerging Economies



### (2) Major Economies

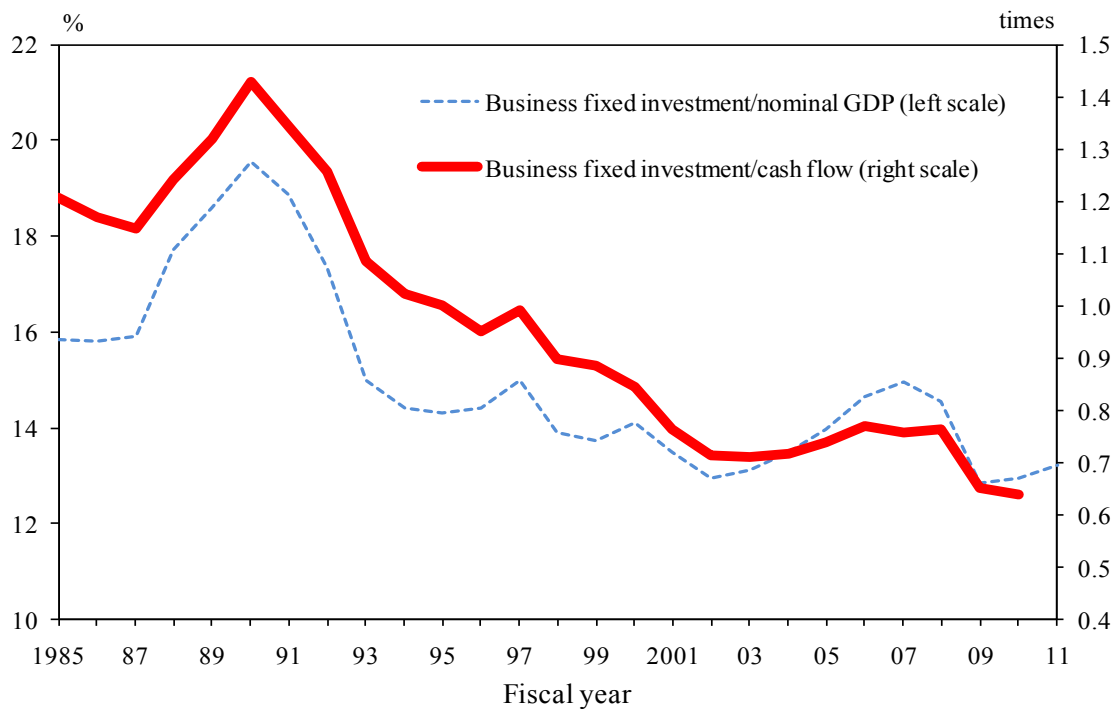


Note: Rate of return = FDI income payments/external liabilities.

Source: International Monetary Fund.

Chart 8

Business Fixed Investment

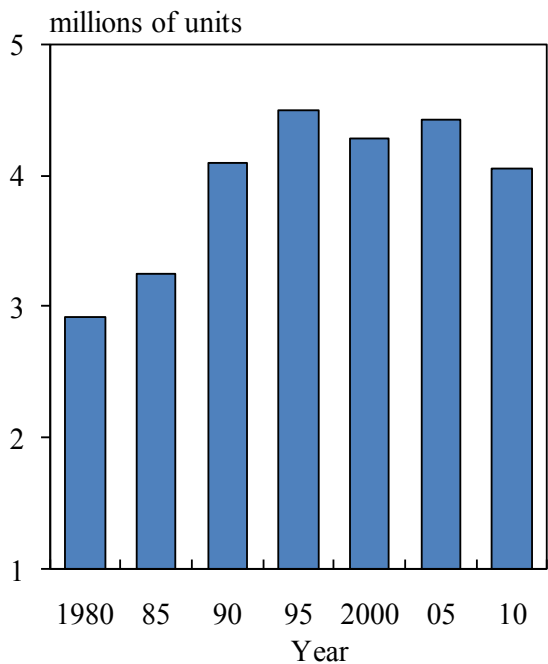


Source: Cabinet Office.

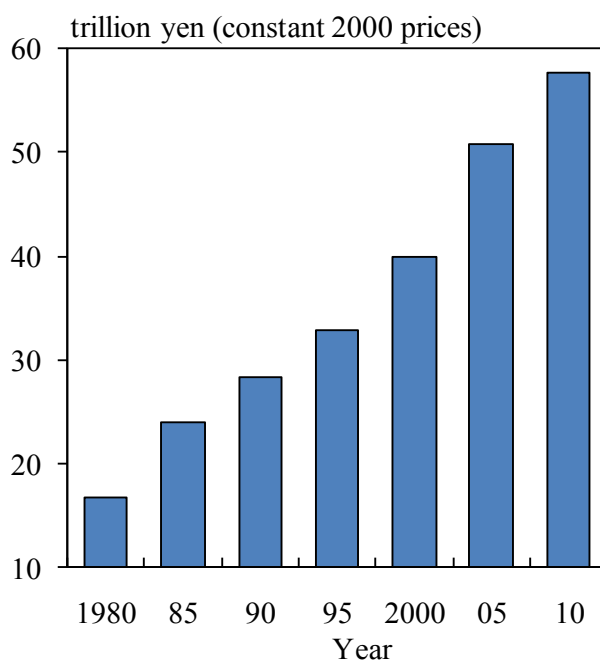
Chart 9

Changing Demand Composition in Japan

(1) Domestic Car Sales



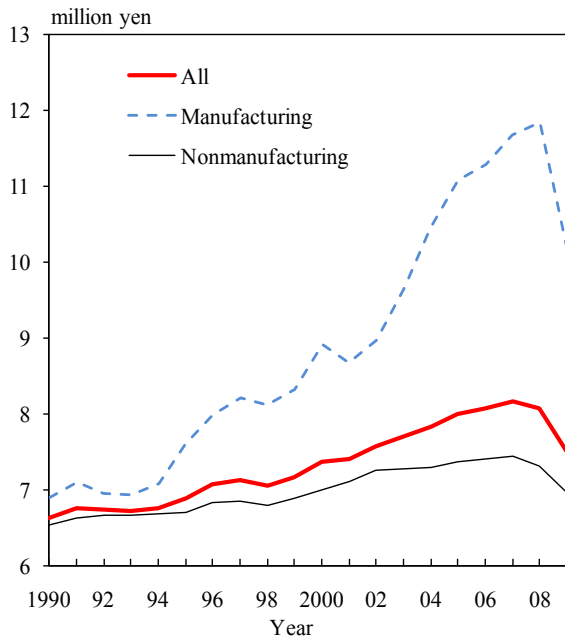
(2) Medical and Health Care Industry Output



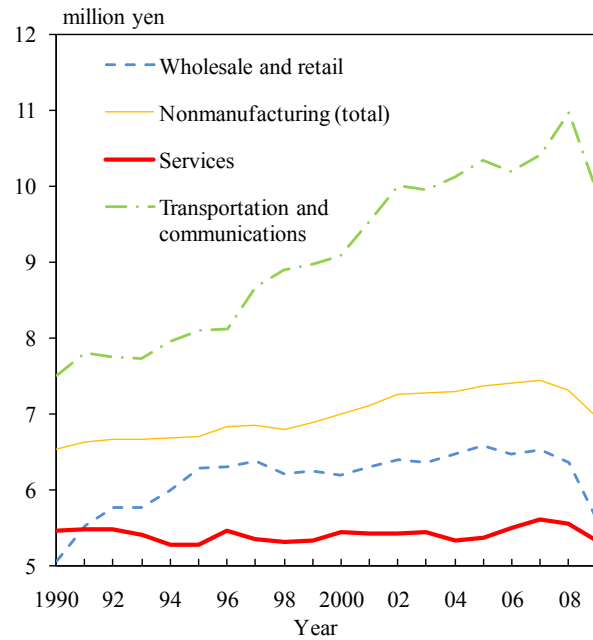
Sources: Japan Automobile Dealers Association; Japan Mini Vehicles Association; Research Institute of Economy, Trade and Industry.

### Labor Productivity by Industry in Japan

(1) All Industries



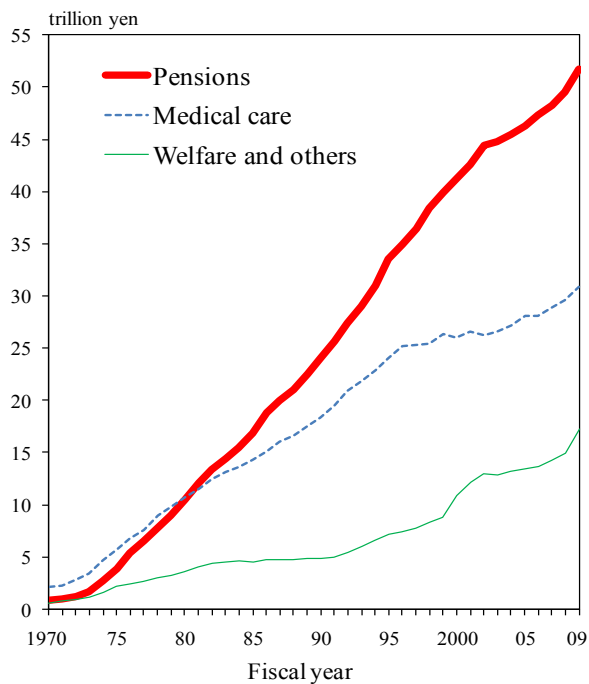
(2) Nonmanufacturing



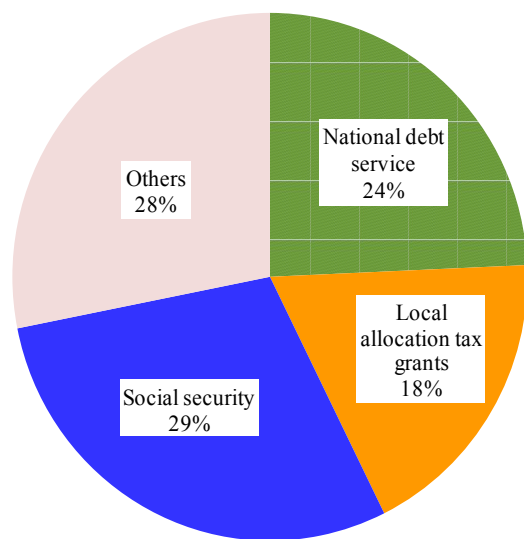
Note: Labor productivity refers to real productivity per employed workers.  
Source: Cabinet Office.

### Fiscal Balance in Japan

(1) Social Security Expenditure by Category

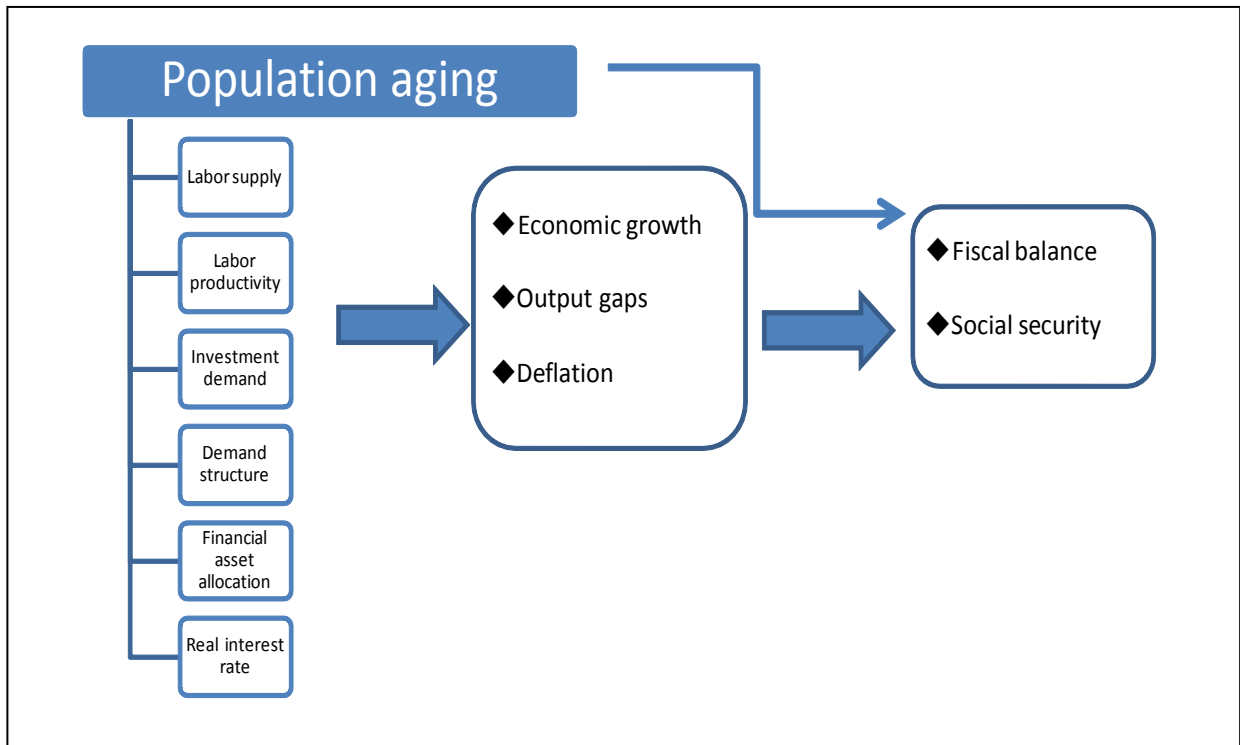


(2) FY 2012 Budget (General Account)

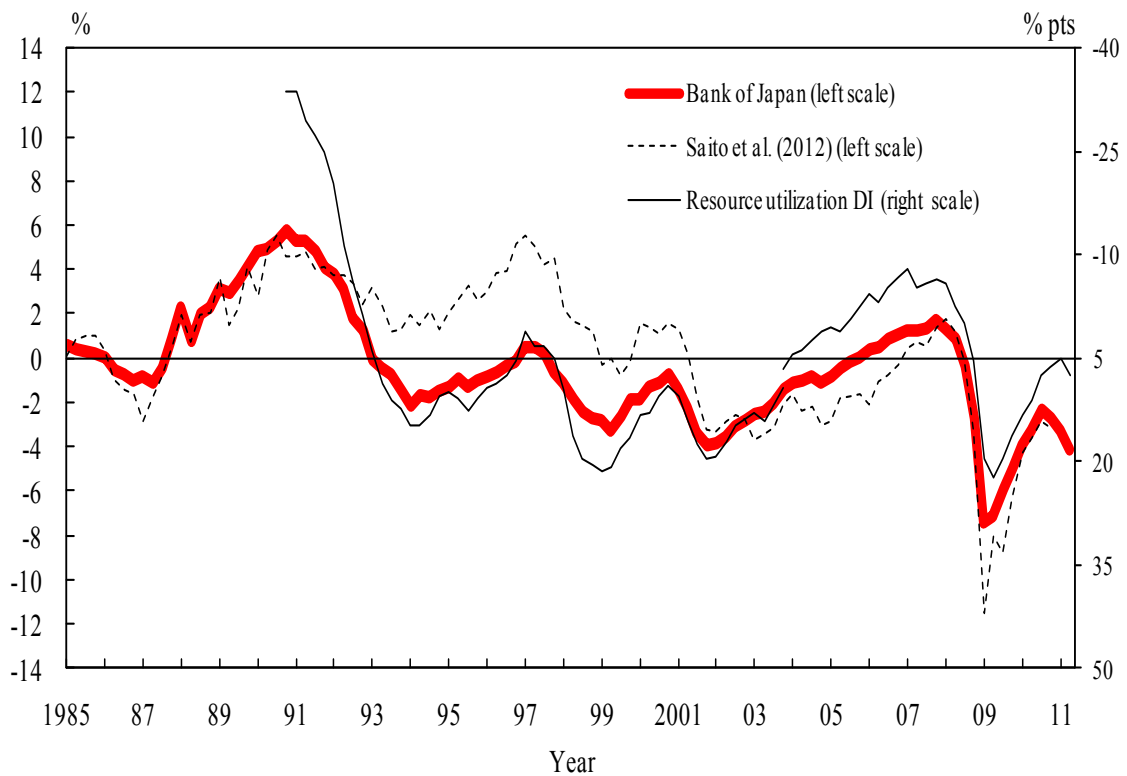


Sources: National Institute of Population and Social Security Research; Ministry of Finance.

Impact of Population Aging on Macroeconomic Performance



Output Gaps in Japan

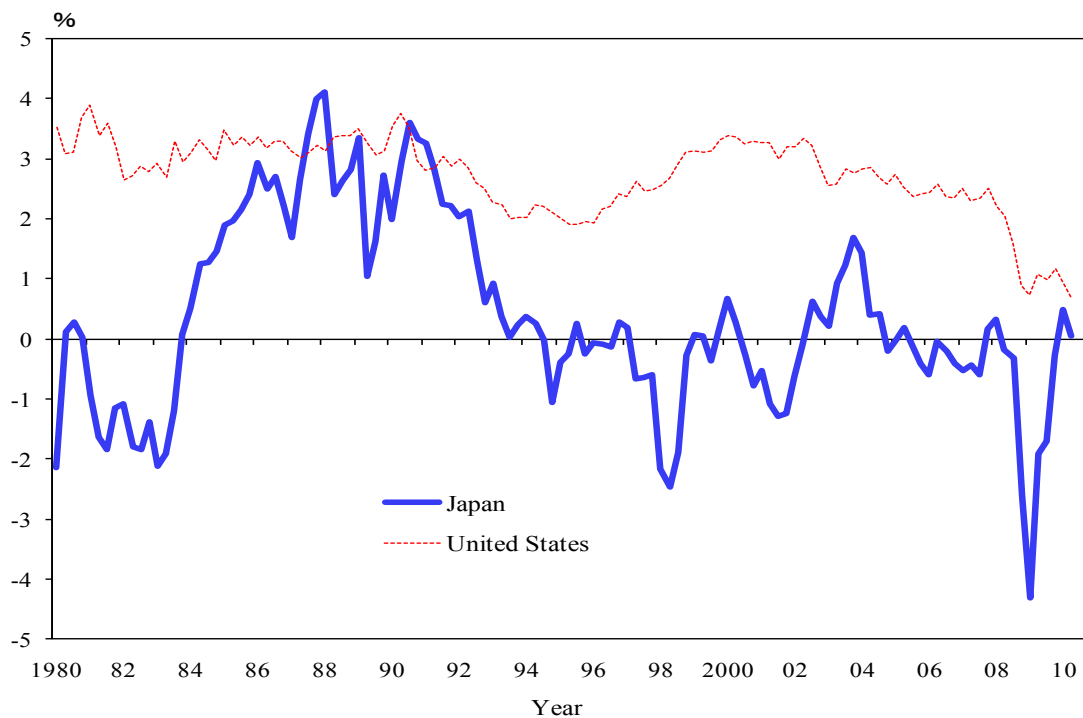


Note: Resource utilization DI refers to the weighted averages of the production capacity DI and employment conditions DI in the Bank of Japan corporate survey.

Source: Nishizaki *et al.* (2012).

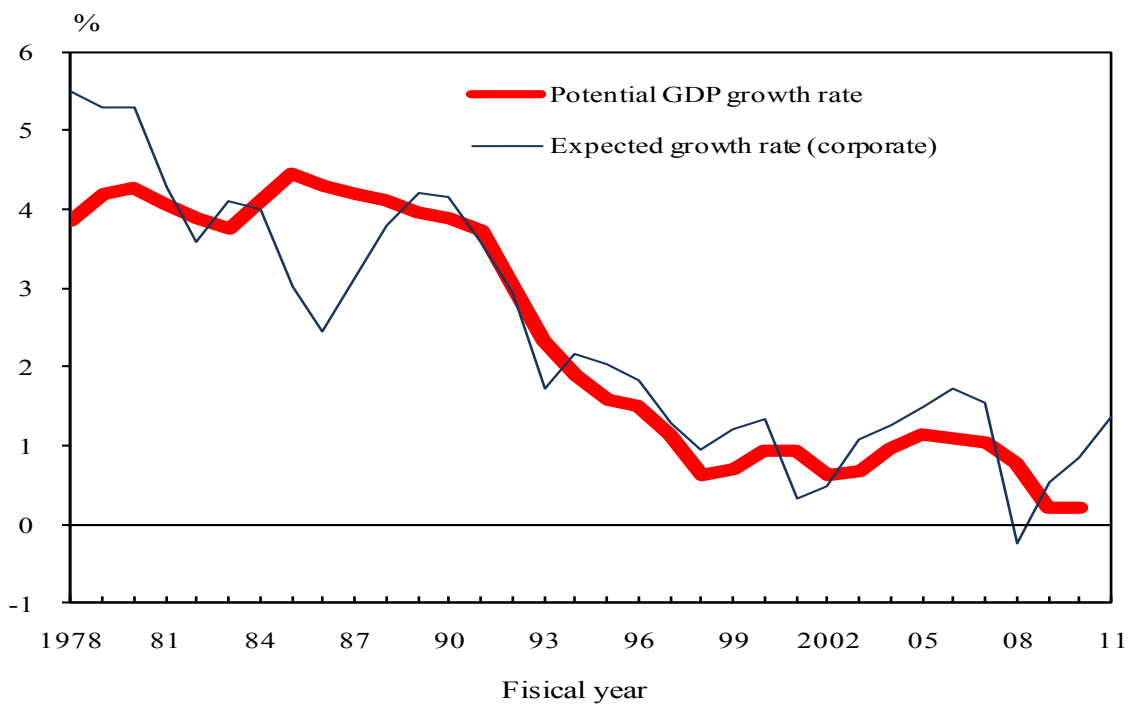


### Natural Rate of Interest



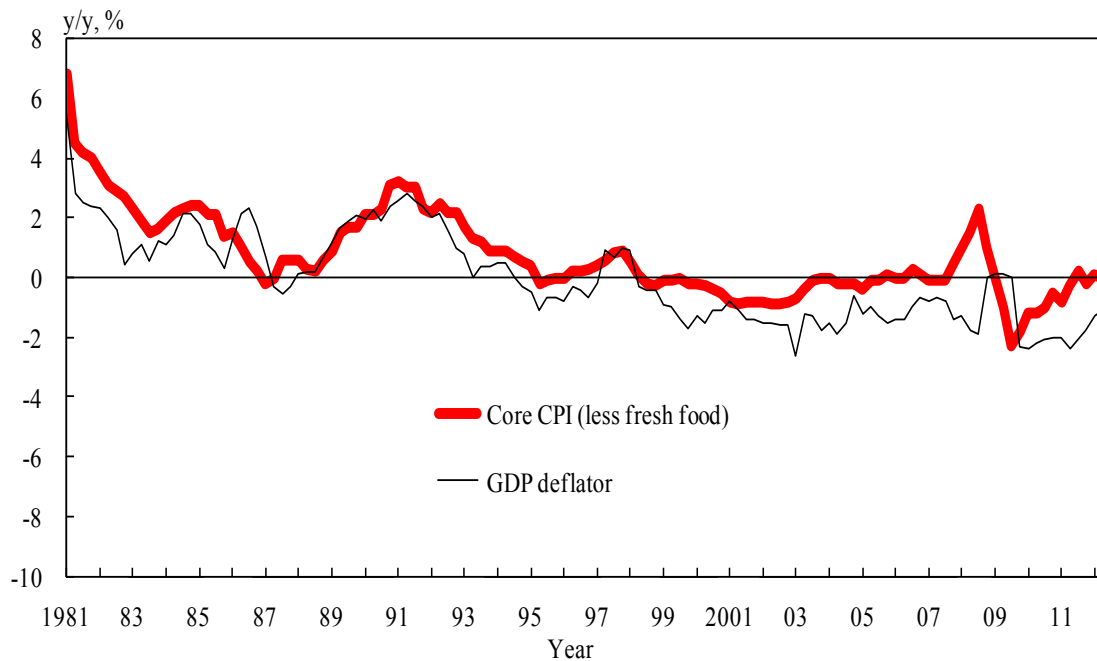
Note: Figures for the United States are originally from Williams (2009).  
 Source: Watanabe (2012).

### Potential GDP Growth and Growth Expectations in Japan



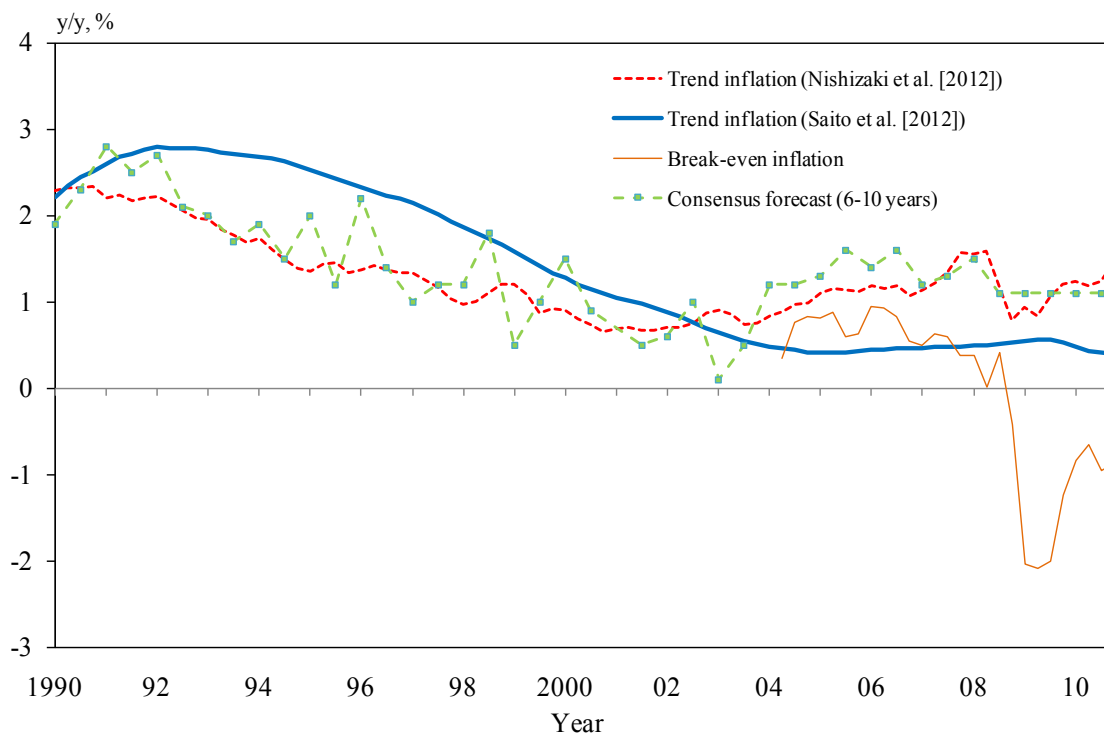
Note: Expected growth rate (corporate) refers to the outlook for real demand growth rate three years ahead for industry in the Annual Survey of Corporate Behavior (Cabinet Office).  
 Source: Sakura *et al.* (2012).

### Inflation Rates in Japan



Sources: Cabinet Office; Ministry of Internal Affairs and Communications.

### Inflation Expectations in Japan



Source: Nishizaki *et al.* (2012), Consensus Economics Inc.

## The Bank of Japan's Pursuit of Powerful Monetary Easing

**1. Introduction of “the Price Stability Goal in the Medium to Long Term”**

- ✓ A positive range of 2 % or lower in terms of the year-on-year rate of change in the CPI.  
A goal of 1 % is set for the time being.

**2. Commitment to Maintaining Monetary Easing**

- ✓ Continuing Monetary Easing until the goal of 1% is in foresight.
- ✓ With Virtually Zero Interest Rate Policy and the Asset Purchase Program (government bonds, corporate bonds, CP, ETFs, REITs, etc.)
  - On condition that no significant risk to the sustainability of economic growth (including from the accumulation of financial imbalances) is identified

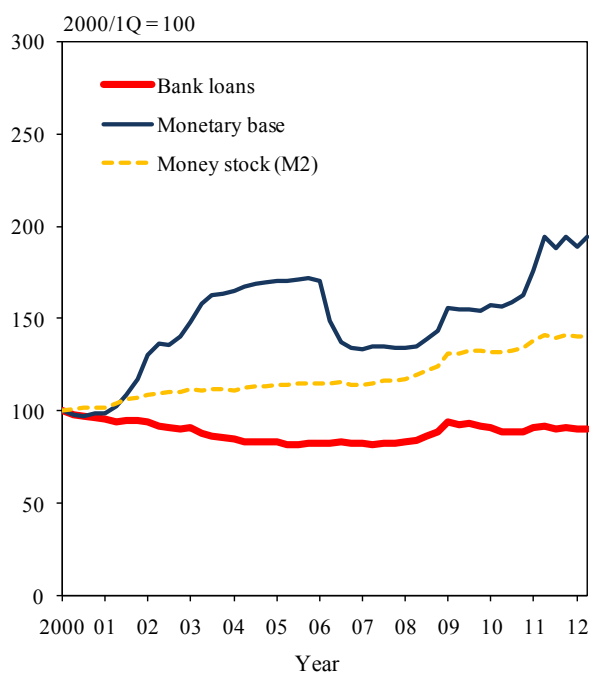
**3. Expansion of the Asset Purchase Program**

- ✓ Initially about 35 trillion yen (Oct. 2010)  
→ about 70 trillion yen (900 billion U.S. dollars) by mid-2013

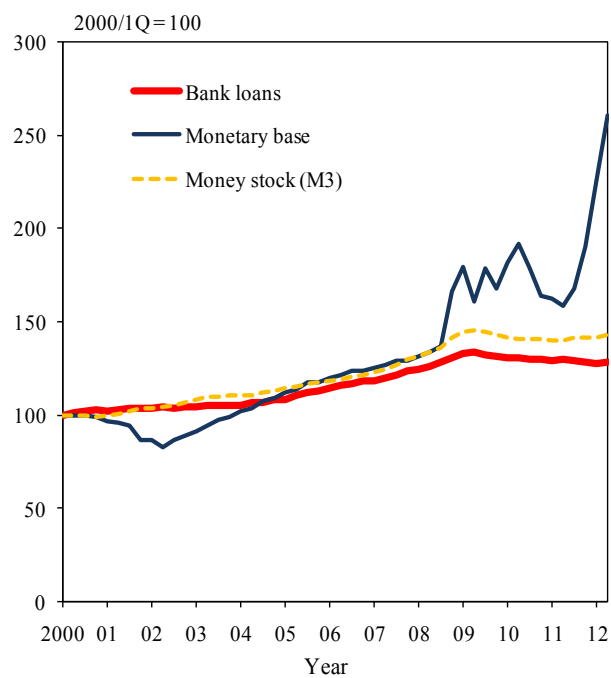
Chart 19

## Money Stock, Monetary Base, and Loans: Japan and Europe (Percentage of GDP)

(1) Japan



(2) Euro Area



Sources: Bank of Japan; Cabinet Office; European Central Bank; Eurostat.

## The Bank of Japan's Growth-Supporting Funding Facility

- Providing funds to financial institutions based on their actual lending and investment performance in growth-enhancing sectors
- Total amount prepared: 5.5 trillion yen (70 billion U.S. dollars)
- Duration: maximum up to four years (including rollovers)
- Cost (loan rate): 0.1% per annum (fixed) \*

\* The Bank's target for the uncollateralized overnight call rate at the time of loan disbursement

### 【Four Pillars】

#### 1. General features (total: 3.5 trillion yen)

- ✓ Targeting lending and investment projects of 10 million yen or more each

#### 2. Supporting equity investments and asset-based lending (total: 0.5 trillion yen)

- ✓ Supporting financial institutions, for example, if ABL (lending based on receivables and movable properties) is utilized

#### 3. Supporting small-lot projects (total: 0.5 trillion yen)

- ✓ Targeting lending and investment projects of less than 10 million yen each

#### 4. The U.S. Dollar Lending Arrangement (total: 1 trillion yen, market interest rate)

- ✓ Targeting lending and investment projects denominated in foreign currencies