

Chart 1

### Features of Demographic Changes

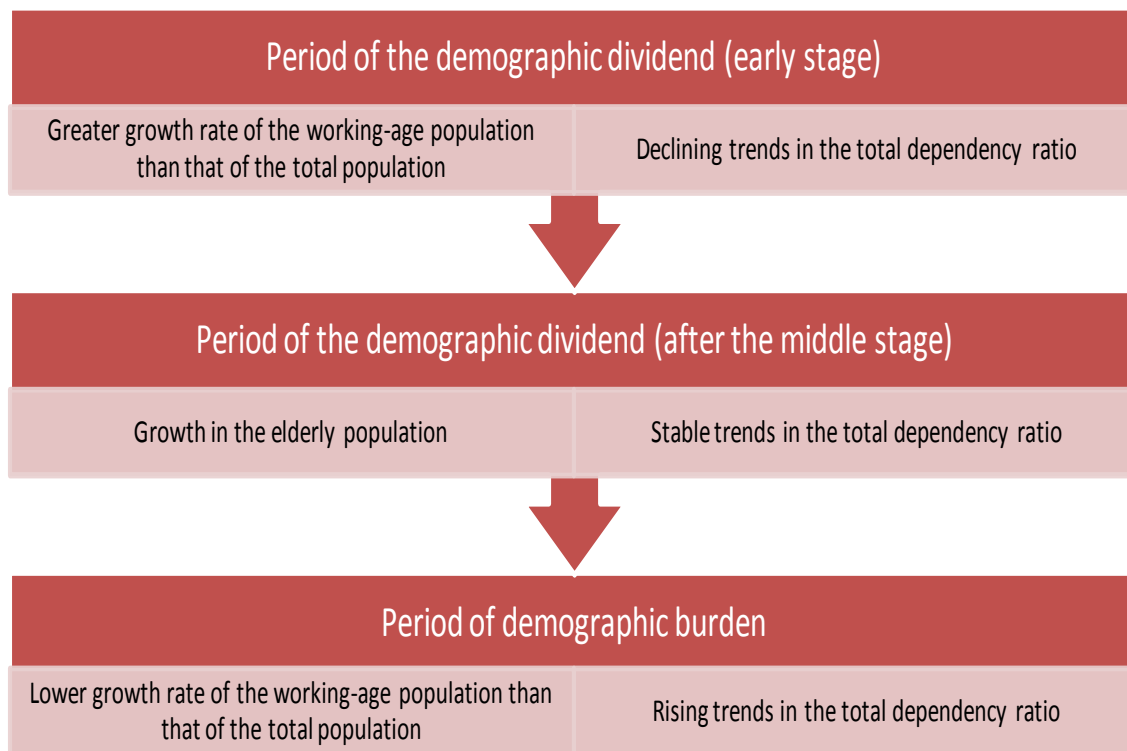
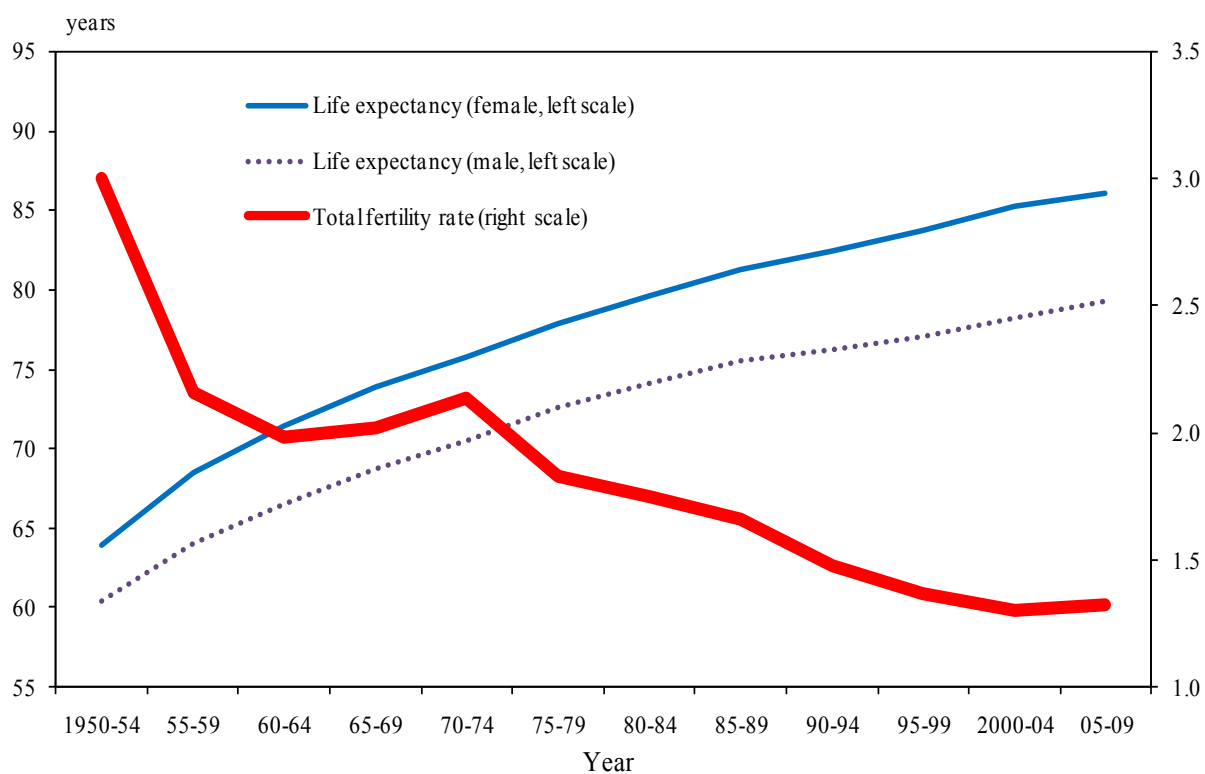


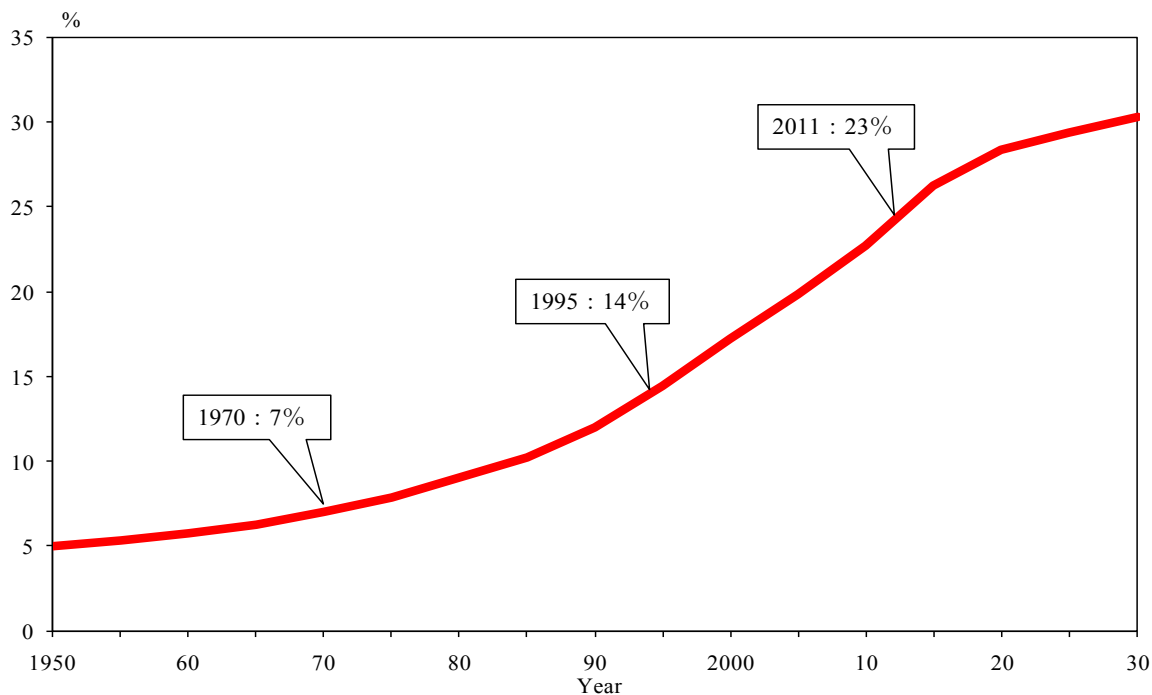
Chart 2

### Fertility Rate and Life Expectancy in Japan



Source: United Nations.

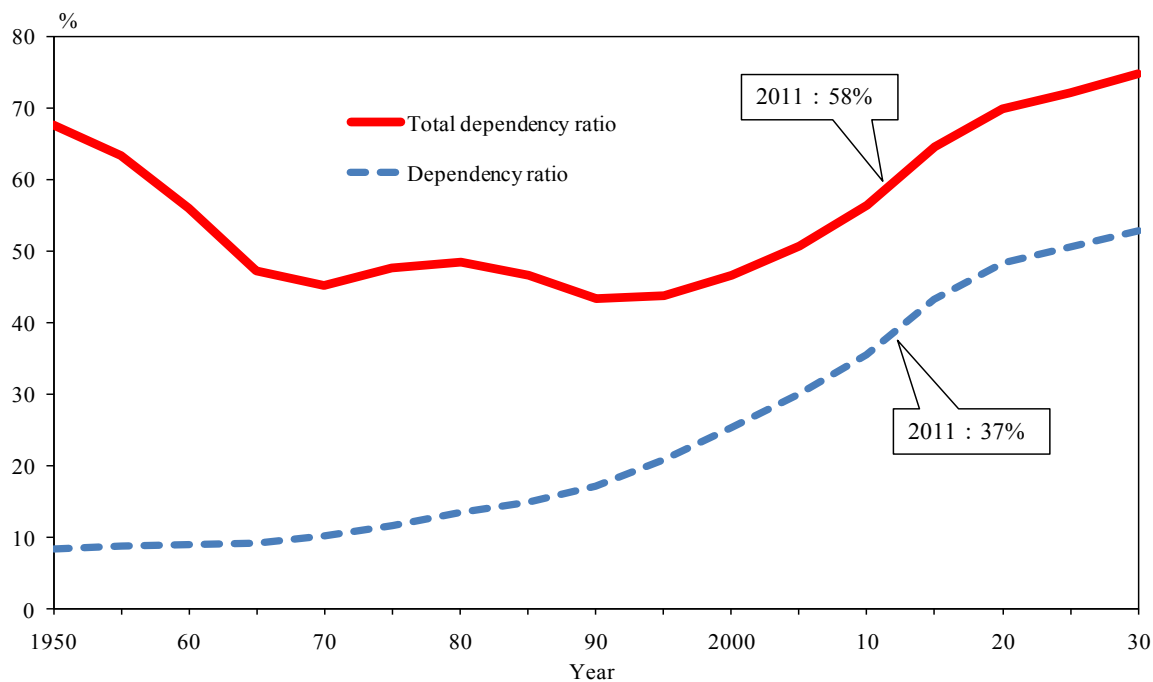
### Elderly Population Ratio in Japan



Note: Elderly population ratio = elderly population/total population.

Source: United Nations.

### Total Dependency Ratio in Japan

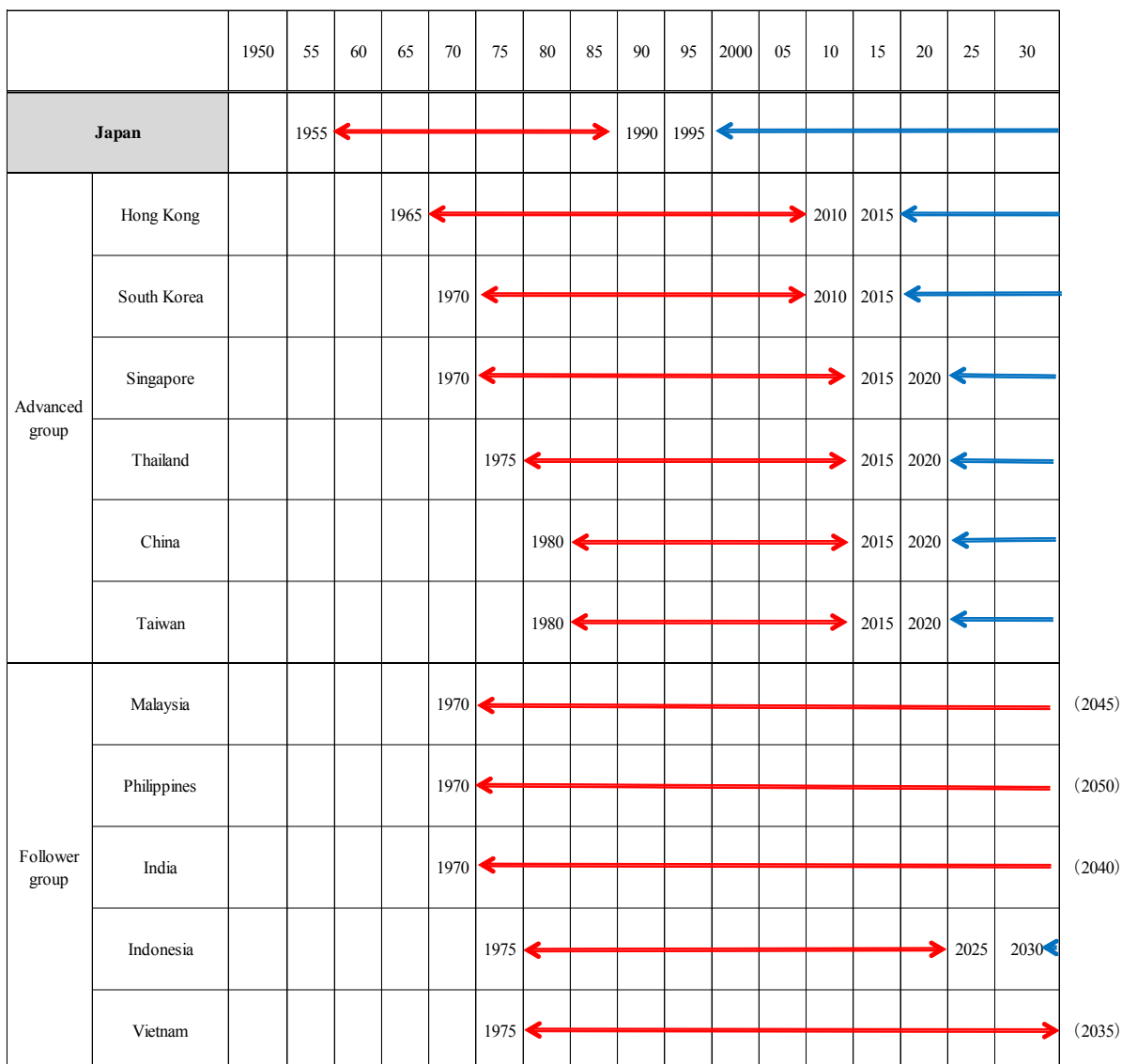


Notes: 1. Total dependency ratio = (youth population + elderly population)/working-age population.

2. Dependency ratio = elderly population/working-age population.

Source: United Nations.

### Demographic Changes in Asian Economies

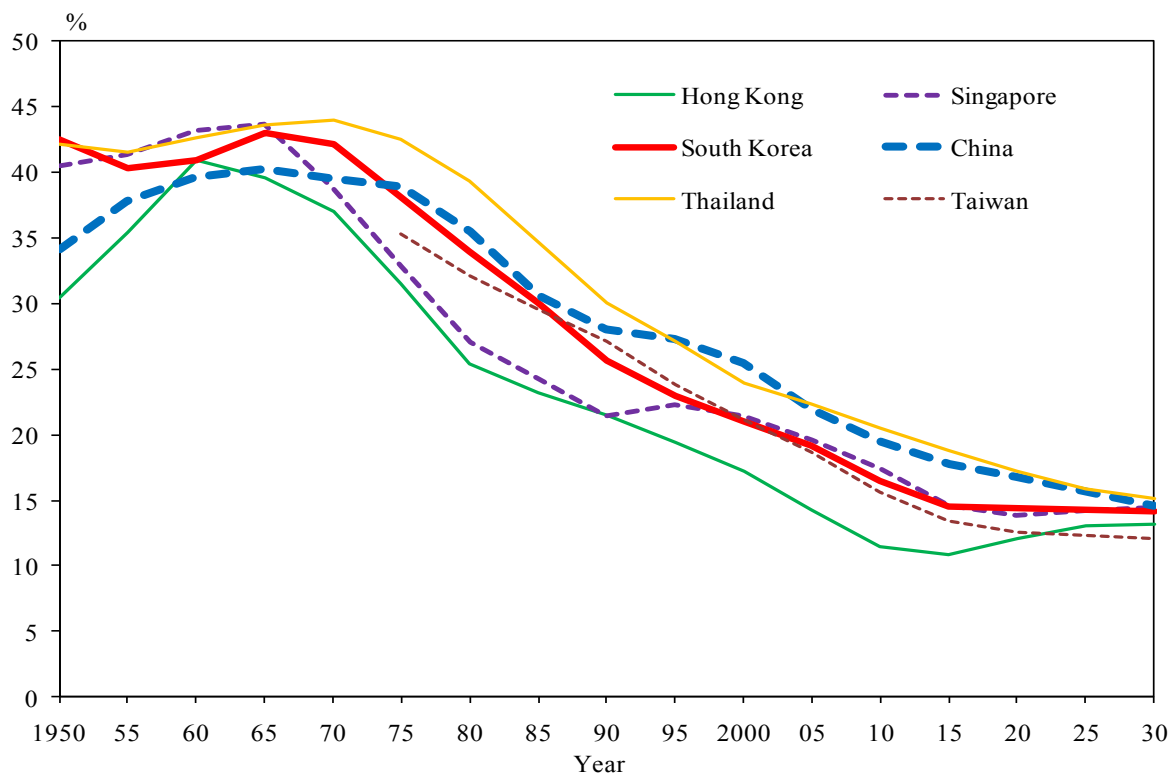


Note: Red arrows indicate the periods of the demographic dividend, and blue arrows indicate those of the demographic burden.

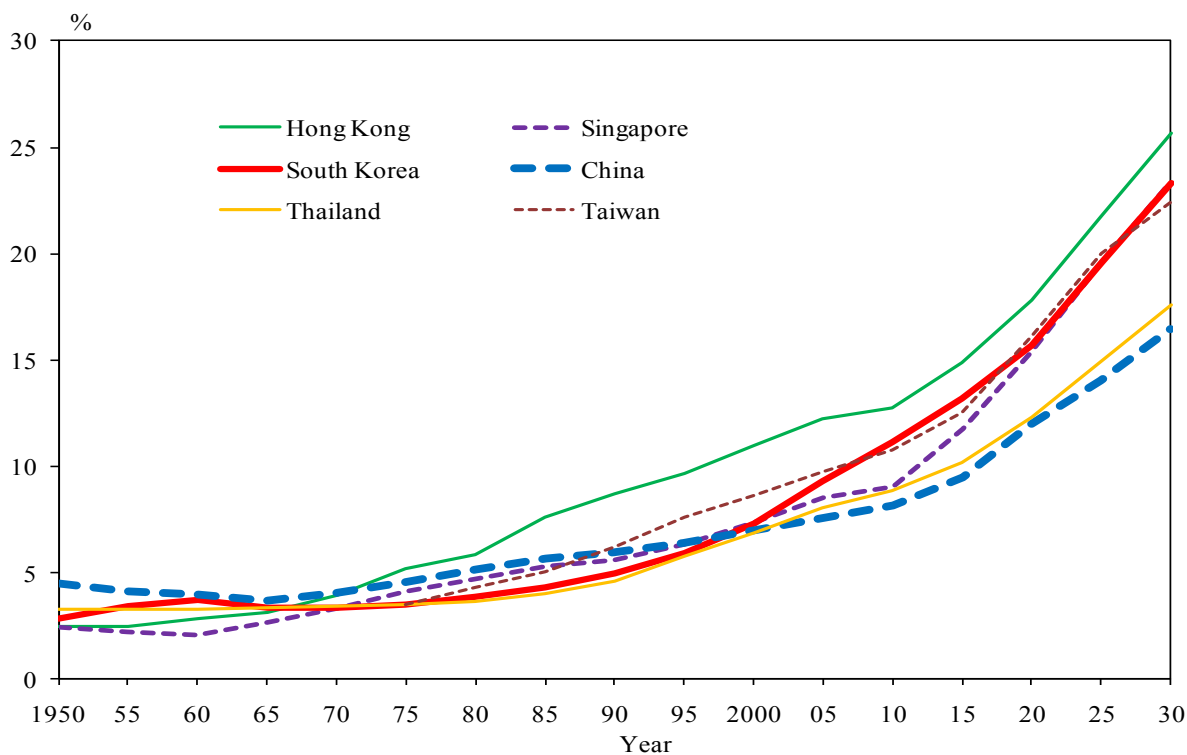
Source: United Nations.

## Youth Population and Elderly Population in the Advanced Group in Asia

(1) Ratio of Youth Population to Total Population

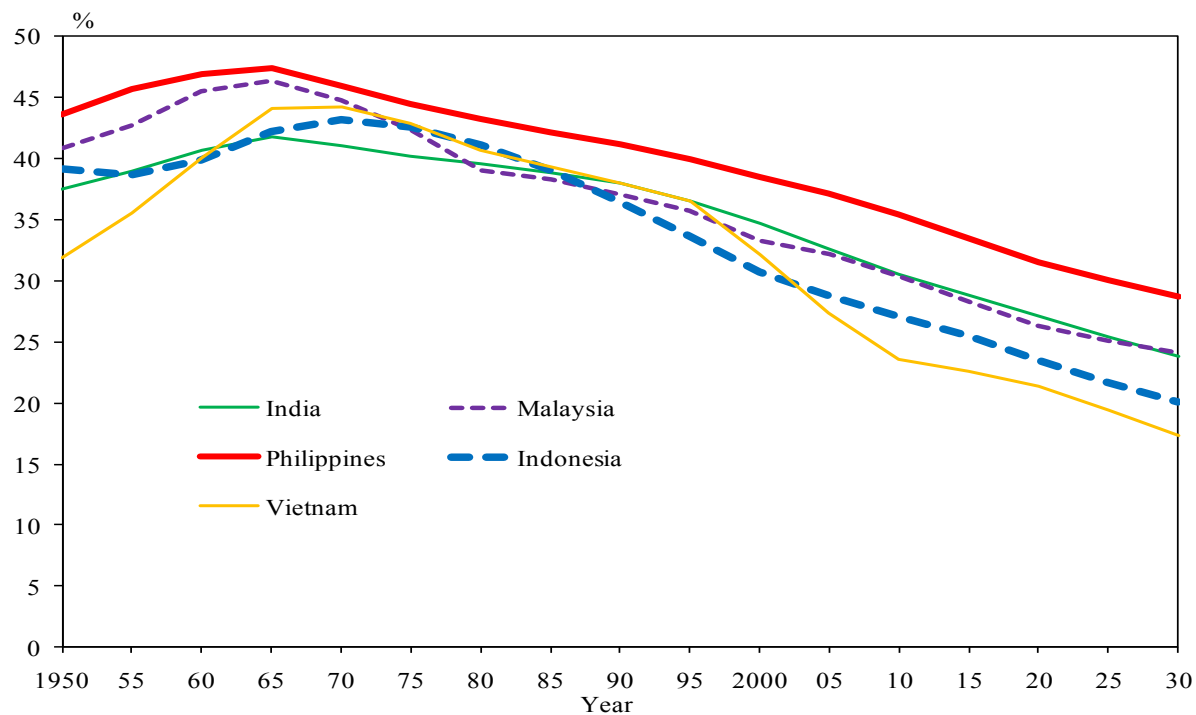


(2) Ratio of Elderly Population to Total Population



## Youth Population and Elderly Population in the Follower Group in Asia

(1) Ratio of Youth Population to Total Population



(2) Ratio of Elderly Population to Total Population

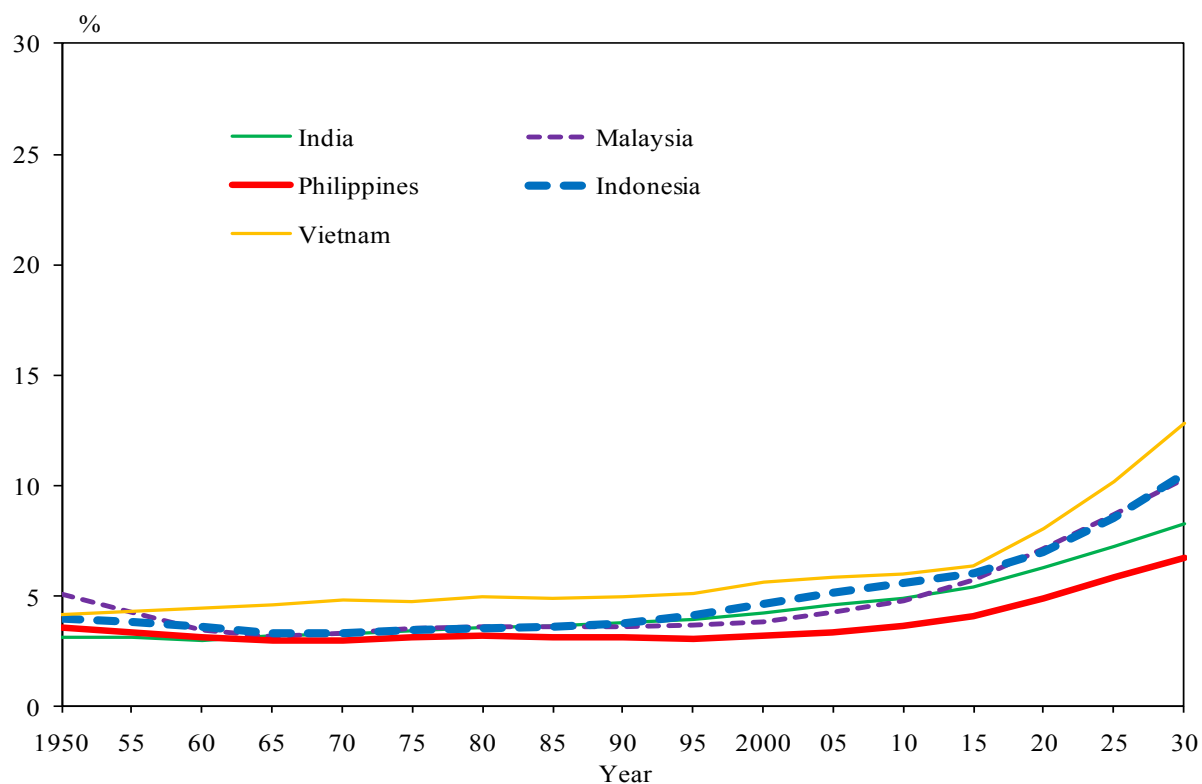
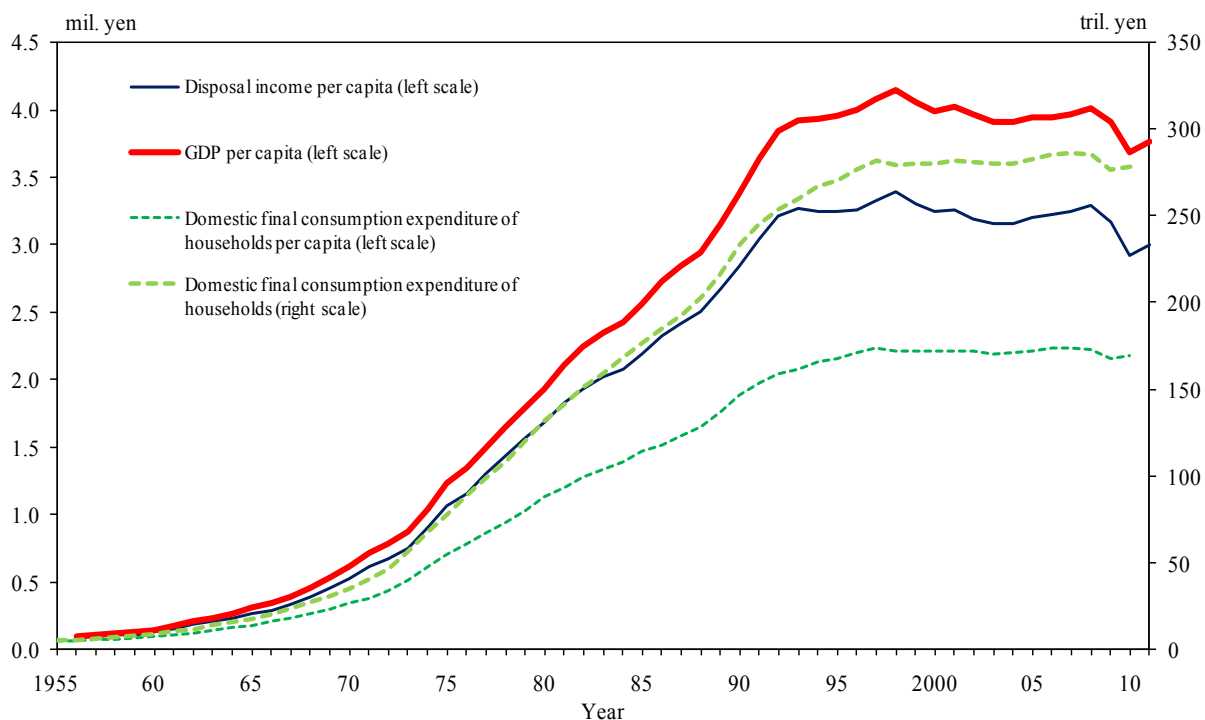


Chart 8

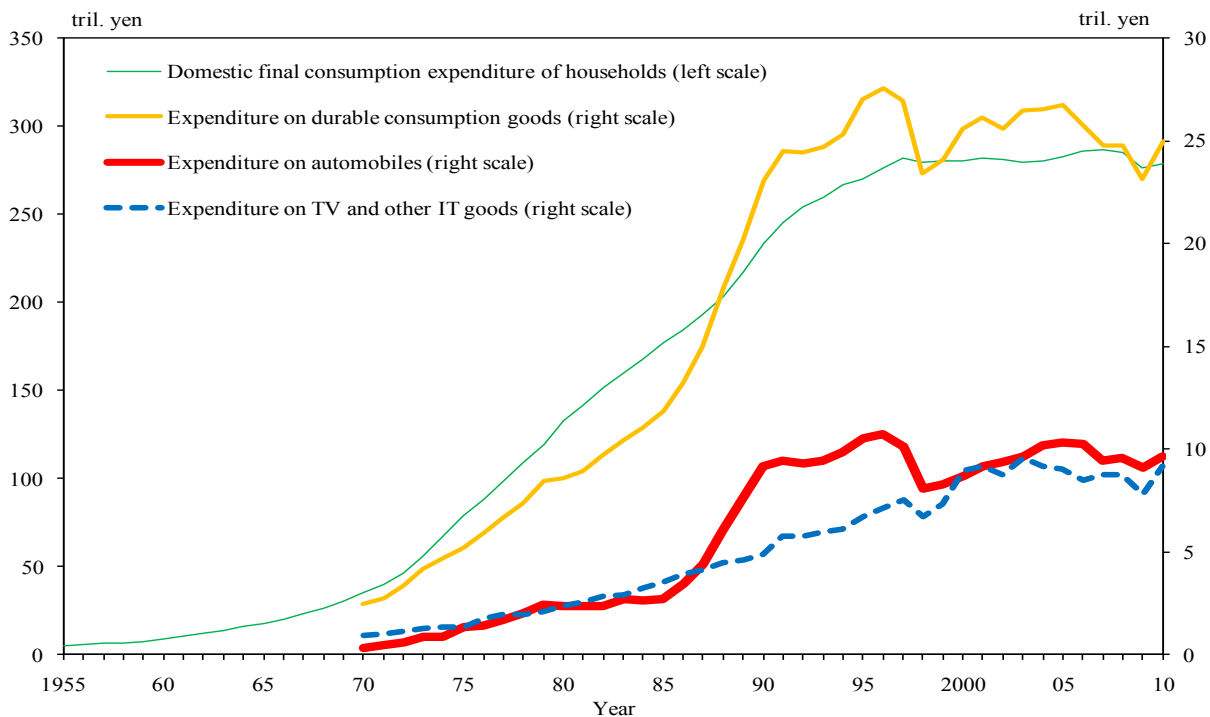
### Income per Capita and Consumption Expenditure in Japan



Source: Cabinet Office.

Chart 9

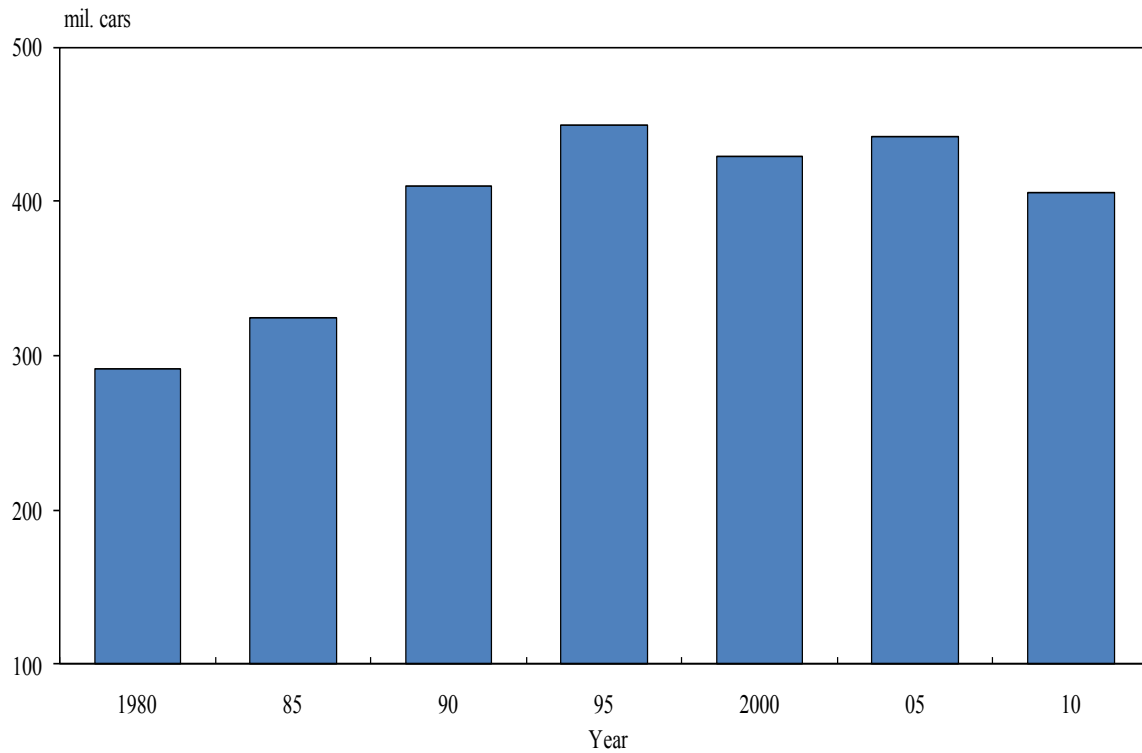
### Consumption Expenditure on Durable Goods in Japan



Source: Cabinet Office.

Chart 10

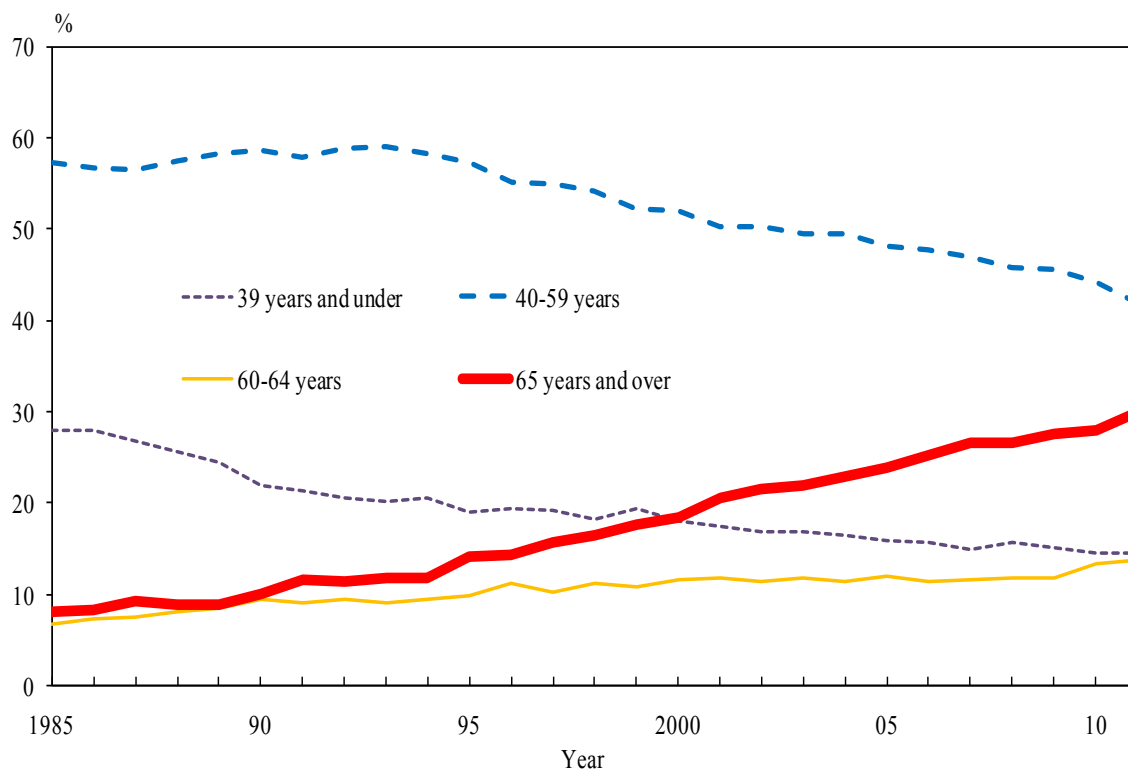
### Domestic Car Sales in Japan



Sources: Japan Automobile Dealers Association; Japan Mini Vehicles Association.

Chart 11

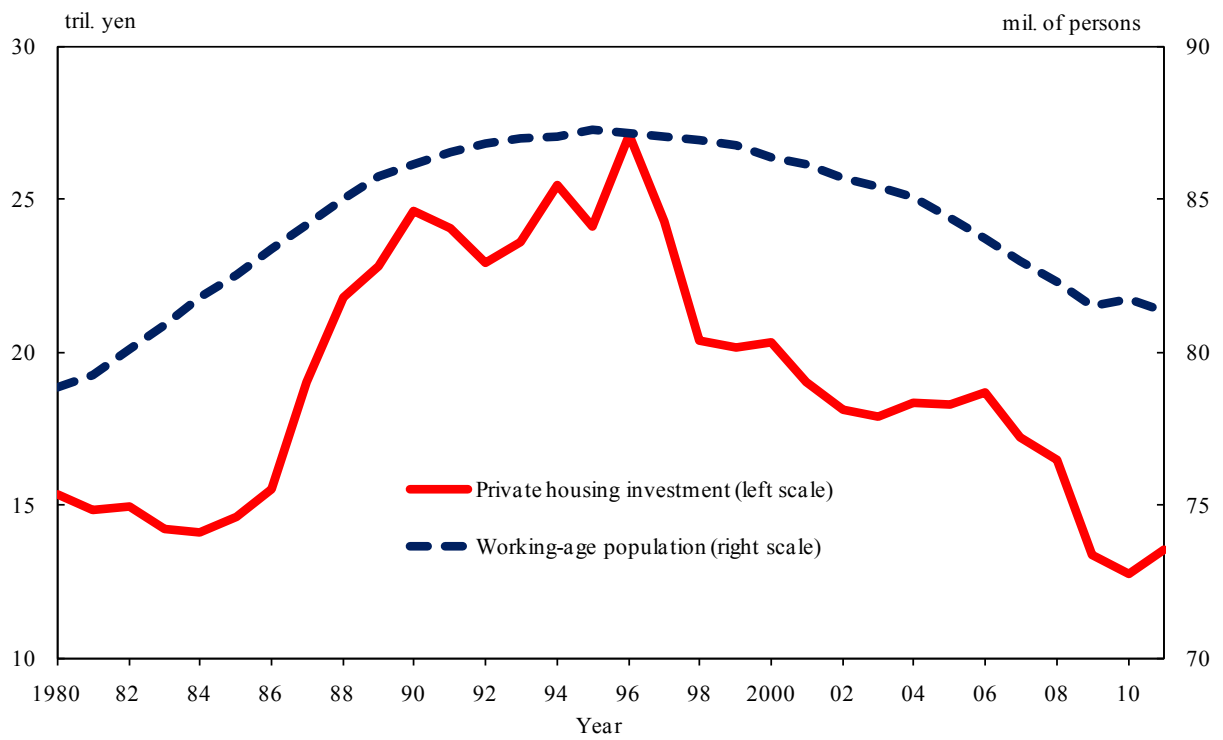
### Share of Consumption Expenditure by Age of Household Head in Japan



Source: Ministry of Internal Affairs and Communications.

Chart 12

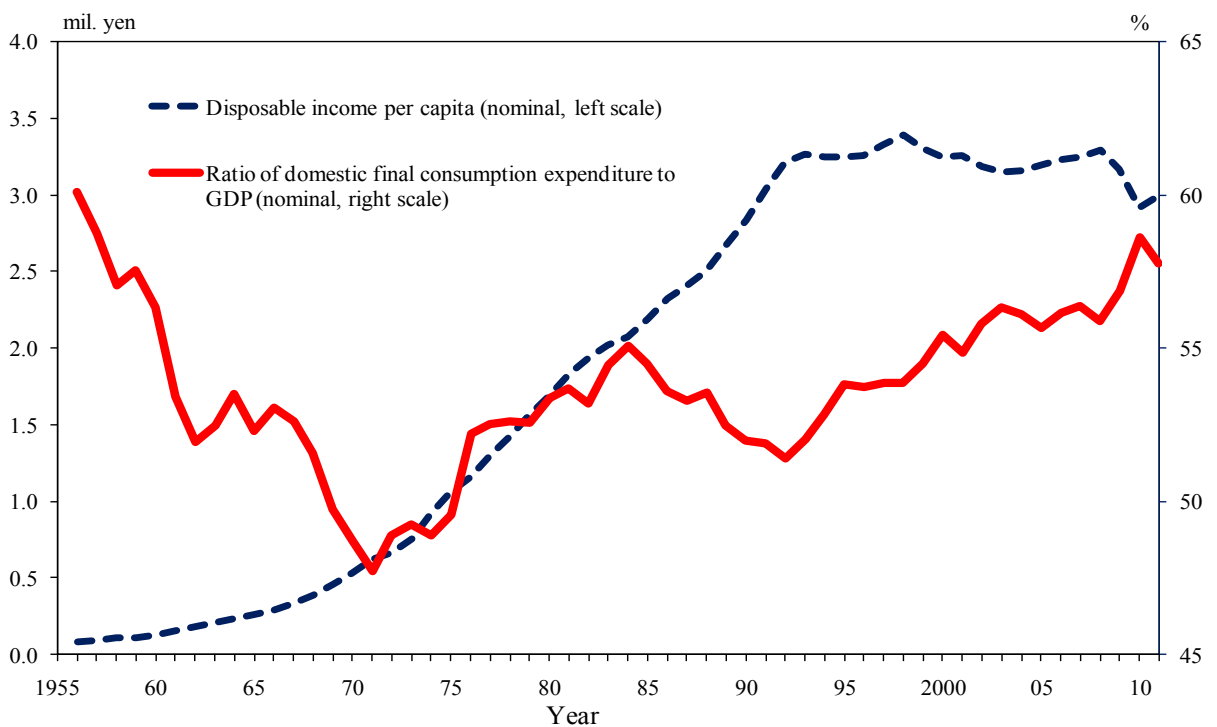
Working-Age Population and Housing Investment in Japan



Sources: Cabinet Office; Ministry of Internal Affairs and Communications; Ministry of Land, Infrastructure, Transport and Tourism.

Chart 13

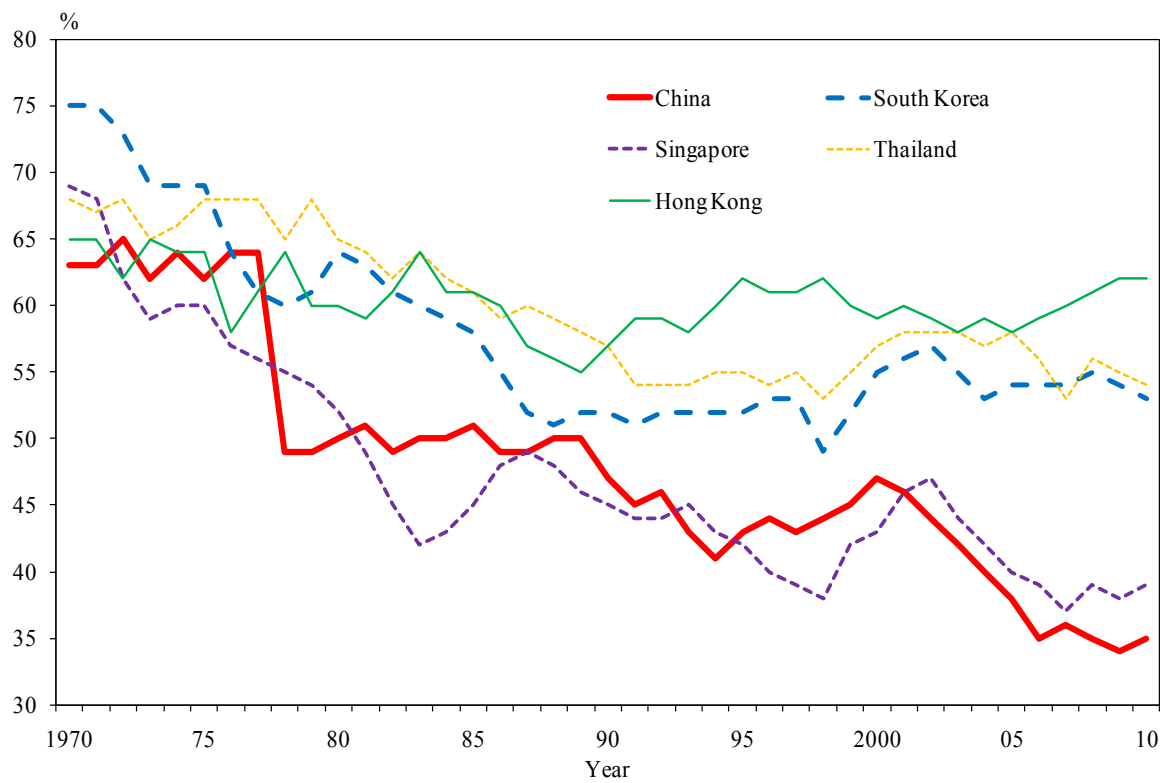
Per Capita Income and Consumption Expenditure in Japan



Source: Cabinet Office.



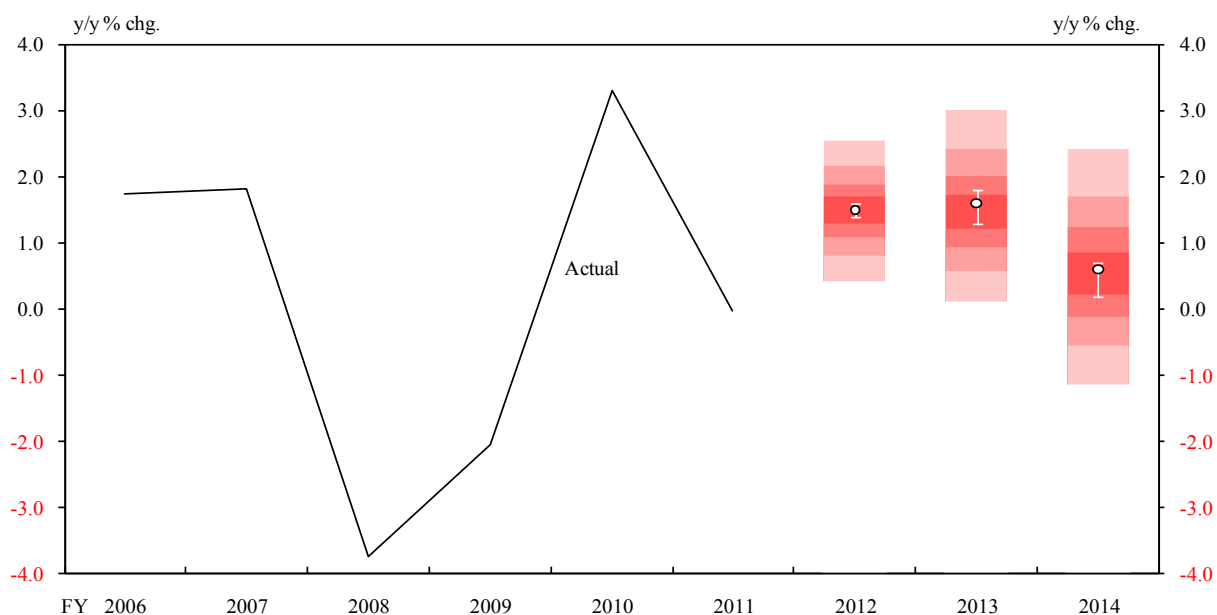
Consumption Expenditure in Asian Economies (as a Percent of GDP)



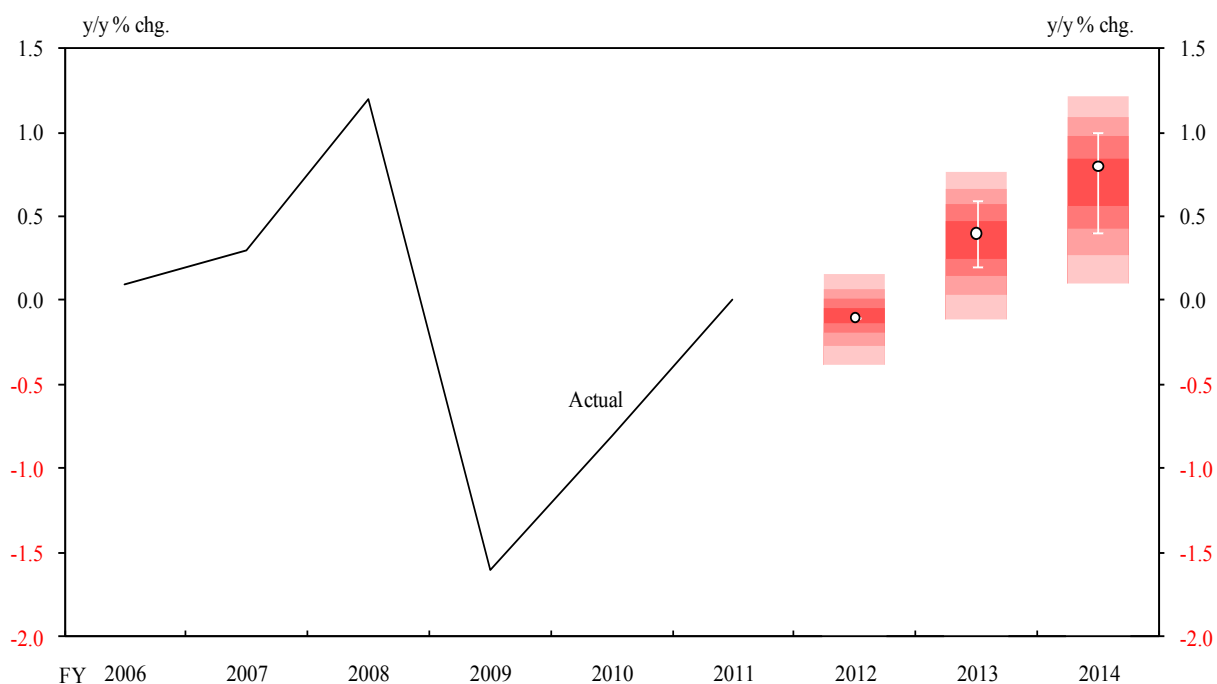
Source: United Nations.

## Outlook for Economic Activity and Prices (as of late October 2012)

### (1) Real GDP



### (2) CPI (All Items Less Fresh Food)



Note: Based on the aggregated probability distributions (i.e., the Risk Balance Charts) compiled from the distributions of individual Policy Board members, the Forecast Distribution Charts are compiled as follows. First, upper and lower 10 percentiles of the aggregated distributions are trimmed and second, colors indicated below are used to show the respective percentiles of those distributions. The circles in the bar charts indicate the median of the Policy Board members' forecasts (point estimates). The vertical lines in the bar charts indicate the range of the forecasts of the majority of Policy Board members. The forecast for the CPI excludes the direct effects of the scheduled consumption tax hikes.



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

### (1) Comprehensive Monetary Policy

#### 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 sight.
- ✓ The 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 91 trillion yen (1.1 trillion U.S. dollars) by end-Dec. 2013

### (2) Loan Support Program (Total Amount: Unlimited)

#### 1. 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)\*
  - \*General features (total: 3.5 trillion yen), supporting equity investments and asset-based lending (0.5 trillion yen), supporting small-lot projects (0.5 trillion yen), the U.S. dollar lending arrangement (12 billion U.S. dollars, market interest rate)
- ✓ Duration: maximum up to four years (including rollovers)
- ✓ Loan rate: 0.1% per annum (fixed)\*\*
  - \*\*The Bank's target for the uncollateralized overnight call rate at the time of loan disbursement

#### 2. Stimulating Bank Lending Facility

- ✓ Providing funds to financial institutions upon their request up to the amount equivalent to the net increase in lending from the designated date
- ✓ Total amount: unlimited (no upper limit)
- ✓ Duration: maximum up to four years (including rollovers)
- ✓ Loan rate: 0.1% per annum (fixed)\*\*