

Chart 1

Major Differences between QQE and CME

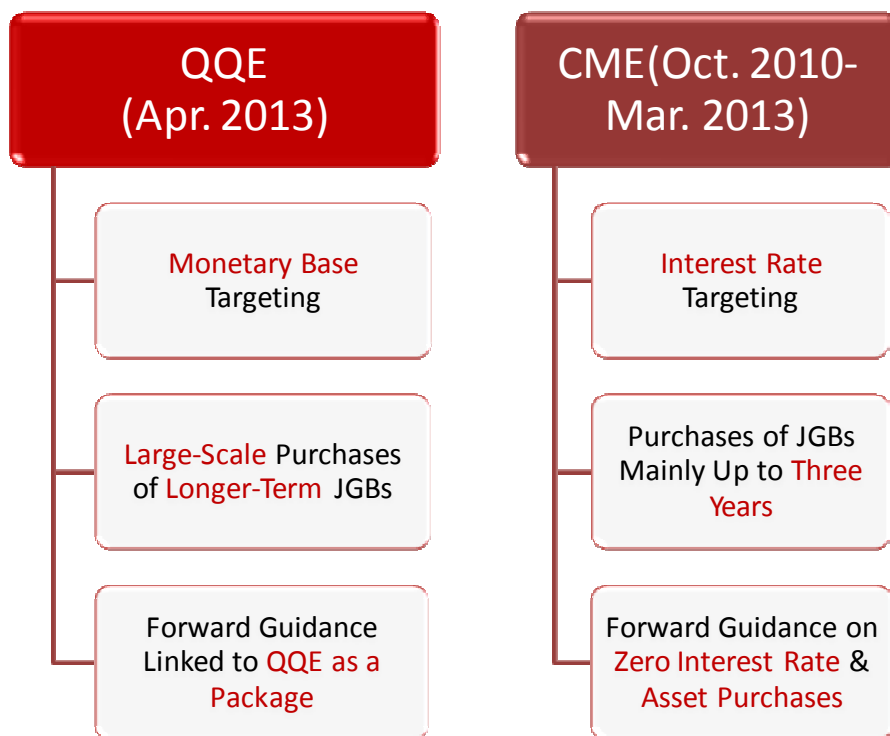


Chart 2

The Bank of Japan's Forward Guidance

The First Forward Guidance Description

The Bank will achieve the 2% target at the earliest possible time with a time horizon of about two years.

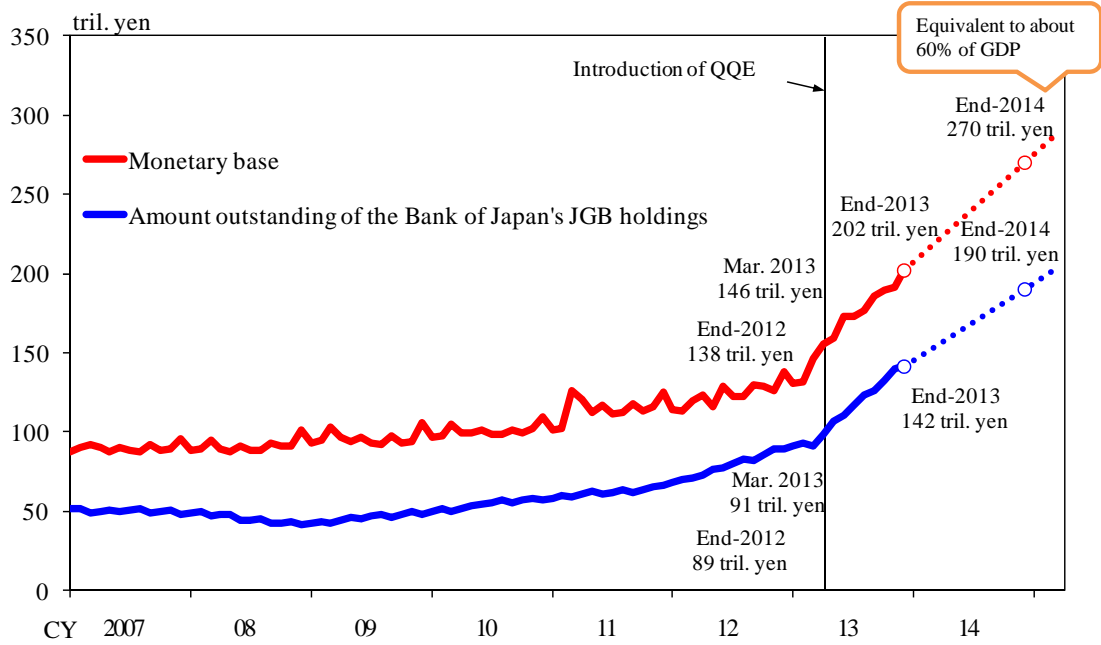
*"2%, in about two years, doubling the amount outstanding of the monetary base and JGB holdings . . ."*

The Second Forward Guidance Description

**The Bank will continue with QQE, aiming to achieve the 2% target, as long as necessary for maintaining it in a stable manner (based on examining risks to economic activity and prices).**

Chart 3

Monetary Base and JGB Holdings



Source: Bank of Japan.

Chart 4

Forward Guidance: The Bank of Japan and the Federal Reserve

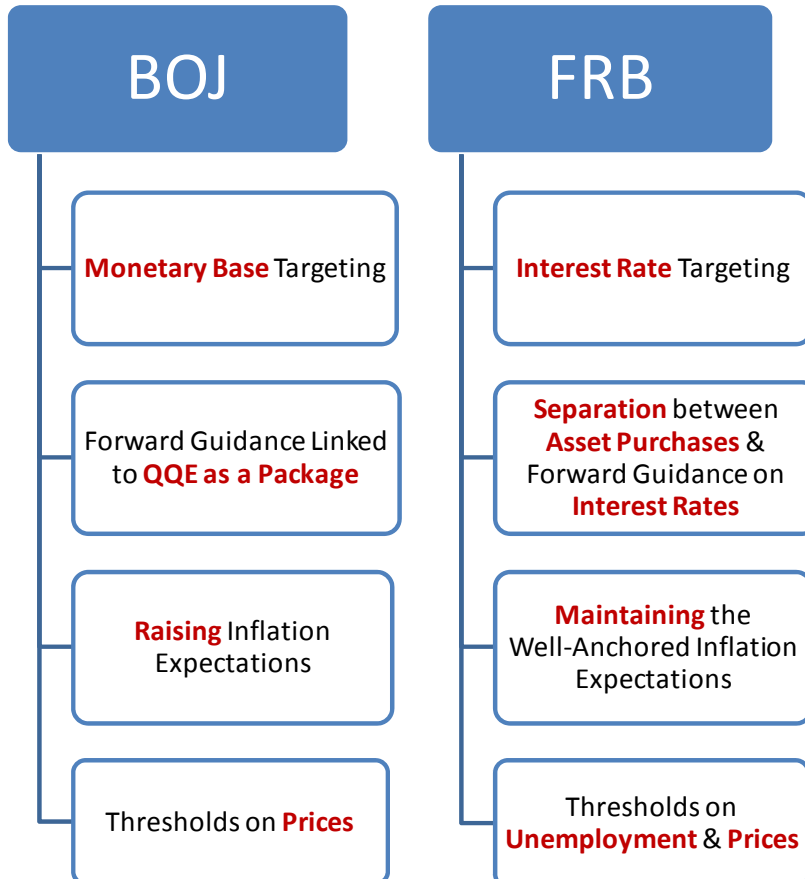
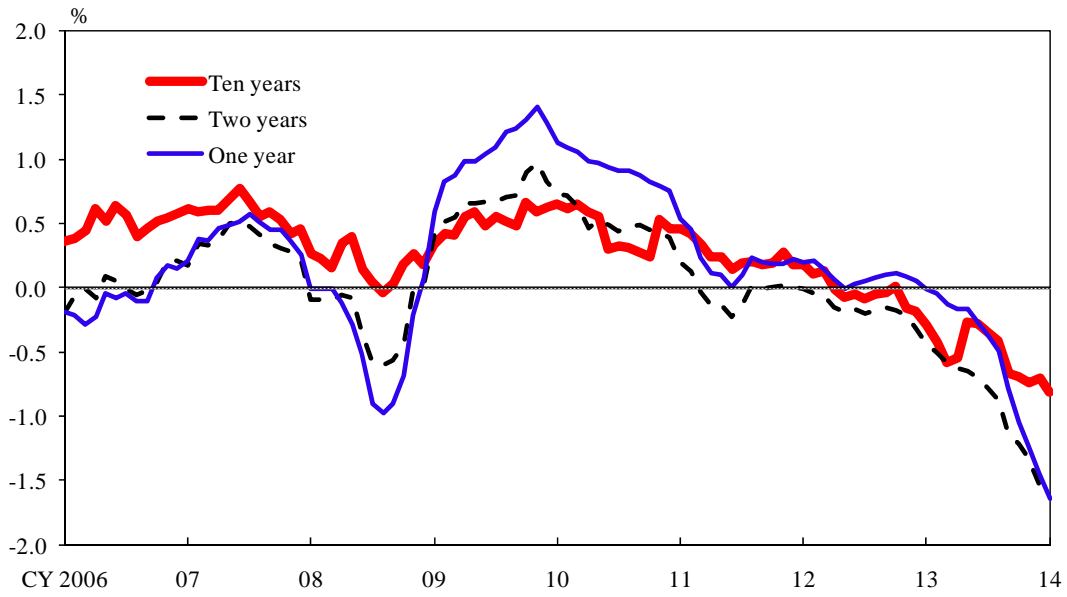


Chart 5

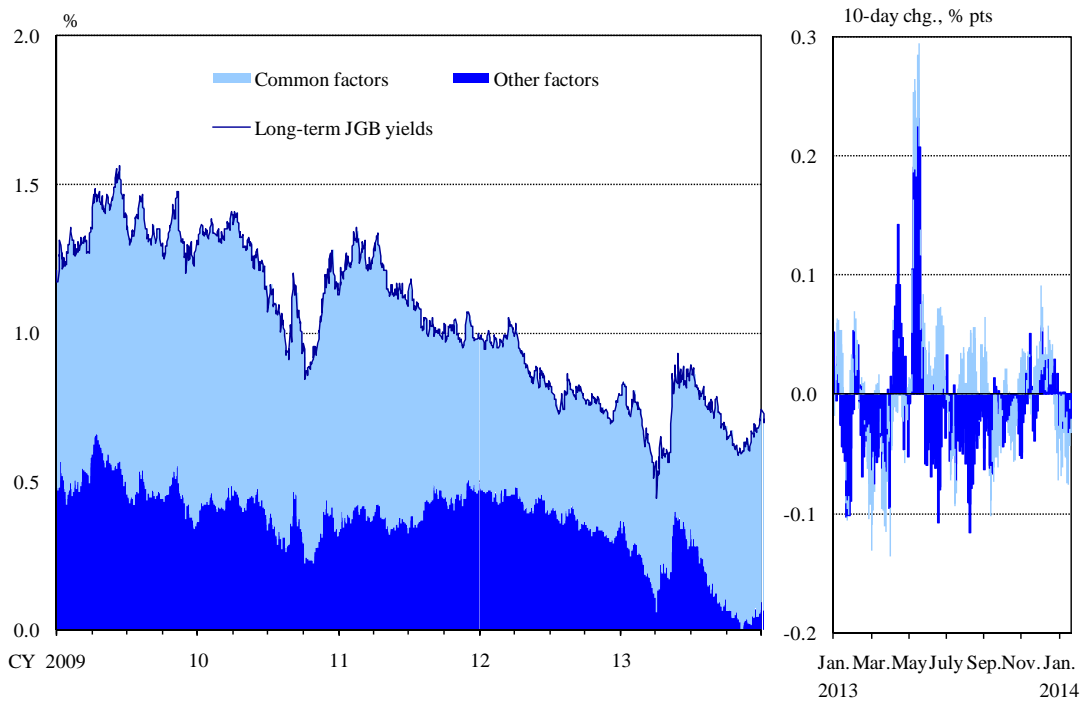
Long-Term Real Interest Rates in Japan



Note: Figures are estimates using bond yields and market participants' inflation expectations. The QUICK Bond Monthly Survey includes the tax effects from the September 2013 survey.  
Sources: Bank of Japan; Bloomberg; QUICK.

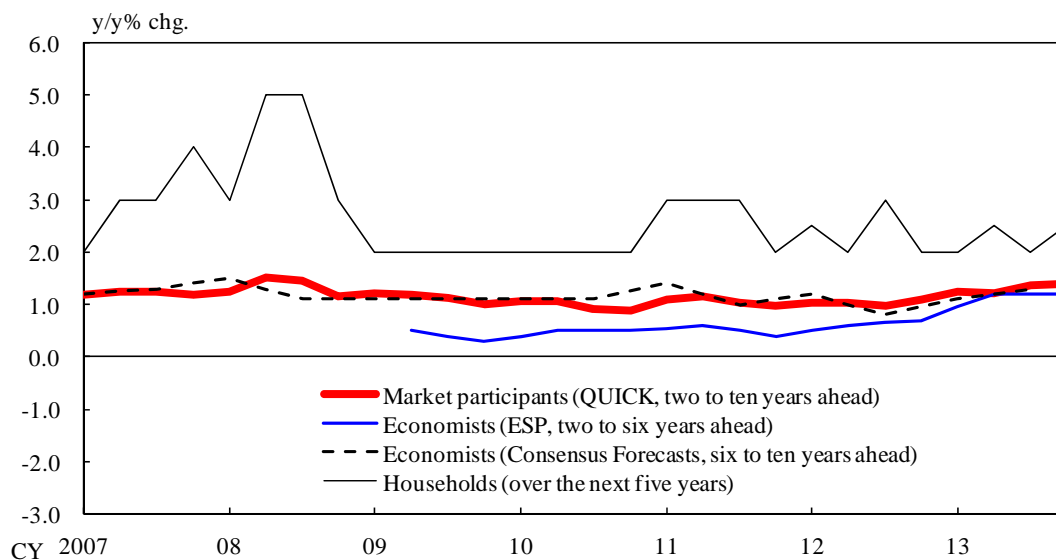
Chart 6

Decomposition of Long-Term JGB Yields



Source: Bank of Japan.

### Survey-Based Long-Term Inflation Expectations

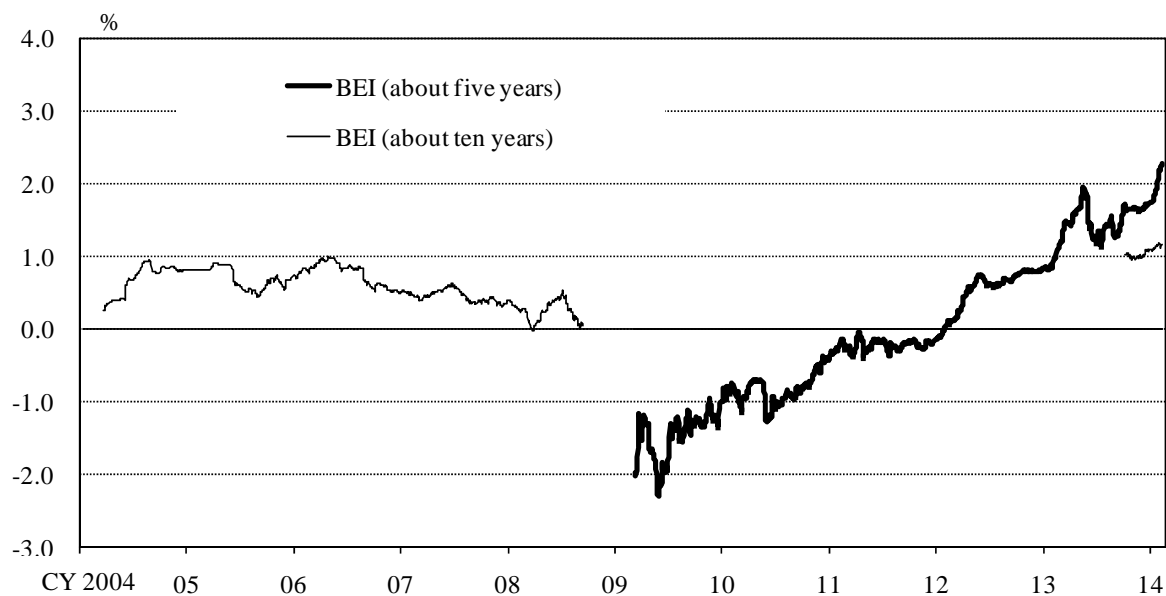


Note: Household and the ESP Forecast surveys exclude the tax effects from the June and October 2013 surveys, respectively; the QUICK Bond Monthly Survey includes the effects from the September 2013 survey. The tax effect is irrelevant for the period "six to ten years ahead" in Consensus Forecasts.

Sources: Consensus Economics Inc.; Japan Center for Economic Research (JCER); QUICK; Bank of Japan.

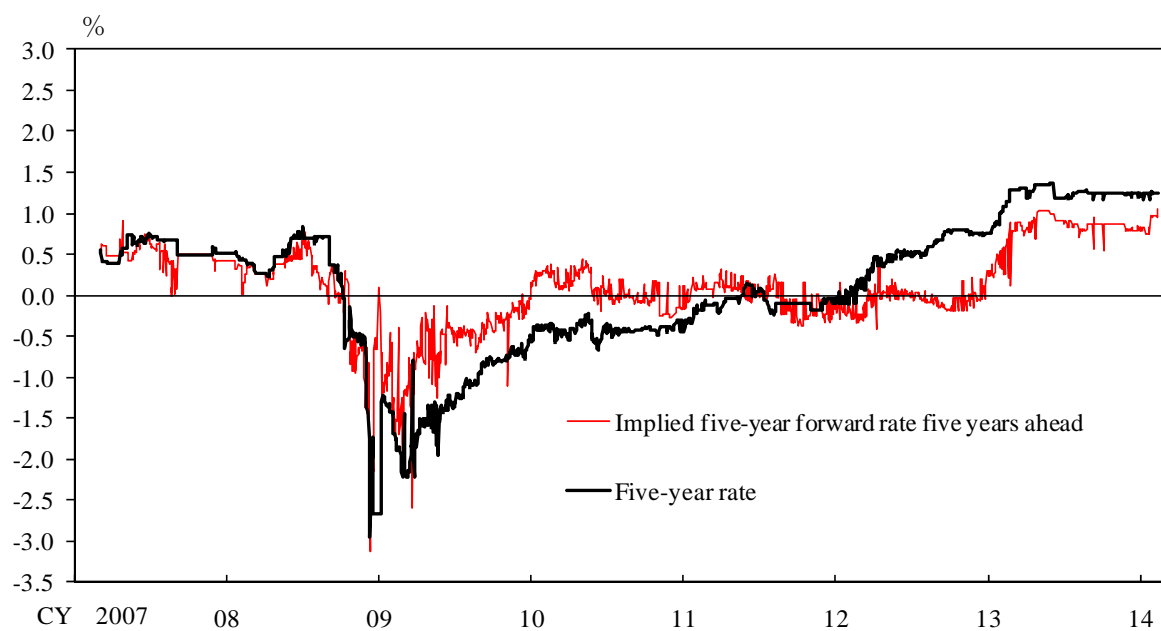
Market Data-Based Long-Term Inflation Expectations in Japan

(1) BEI Rates



Source: Bloomberg.

(2) Inflation Swap Rates

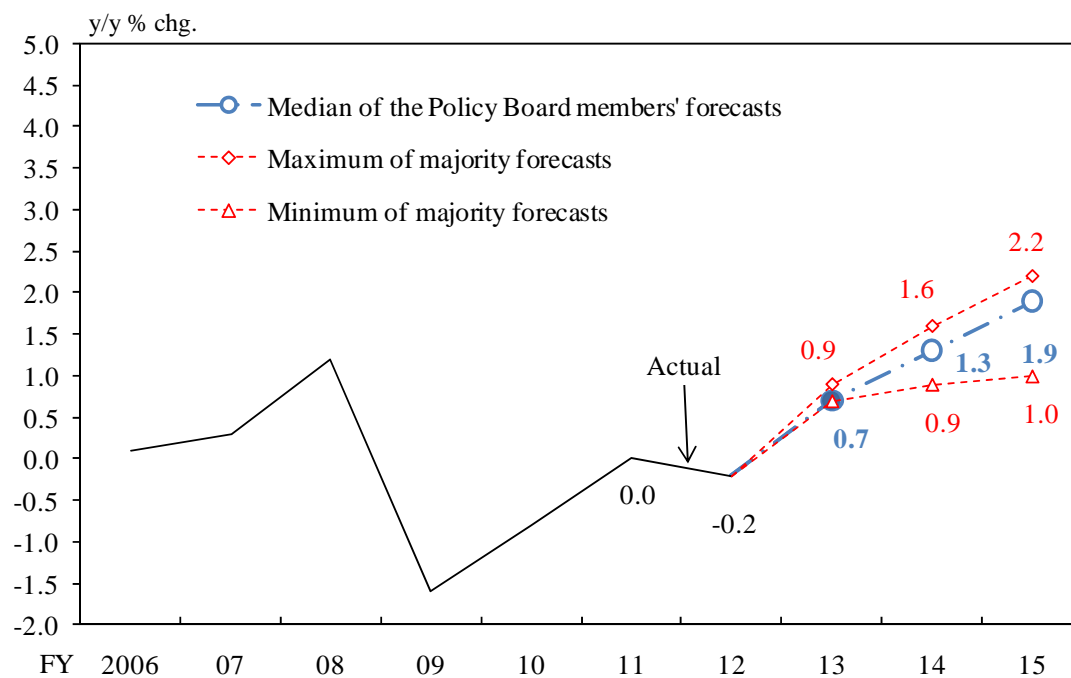


Note: Fixed interest rate of the zero coupon inflation swap.

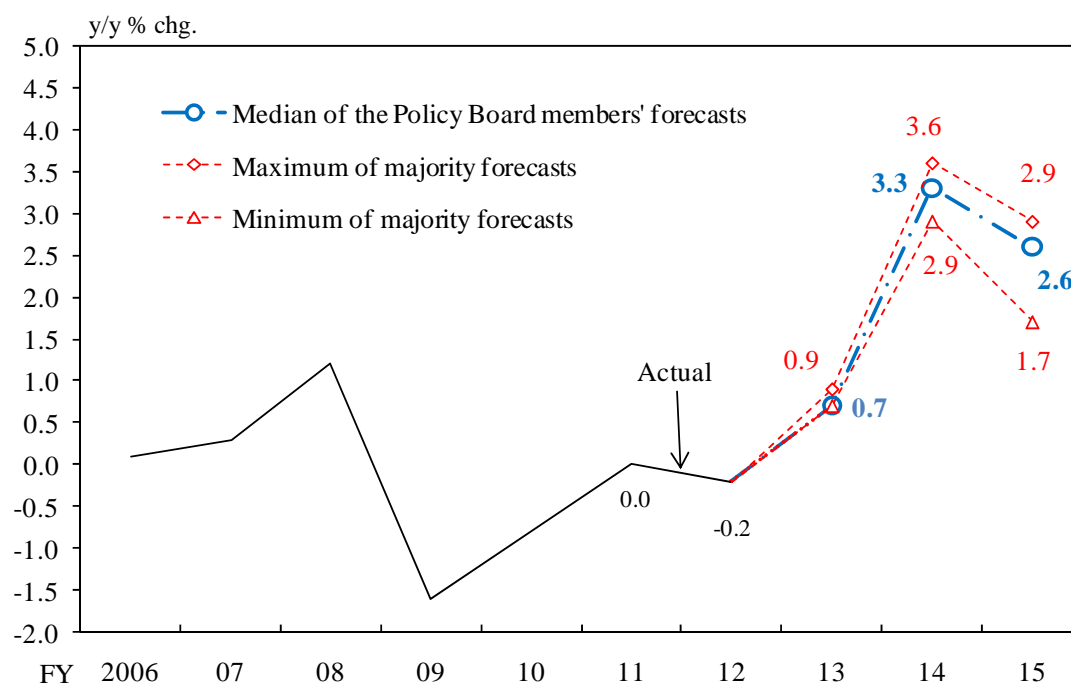
Source: Bloomberg.

The Bank of Japan's Outlook for Prices (CPI)

(1) Excluding the effects of the consumption tax hike



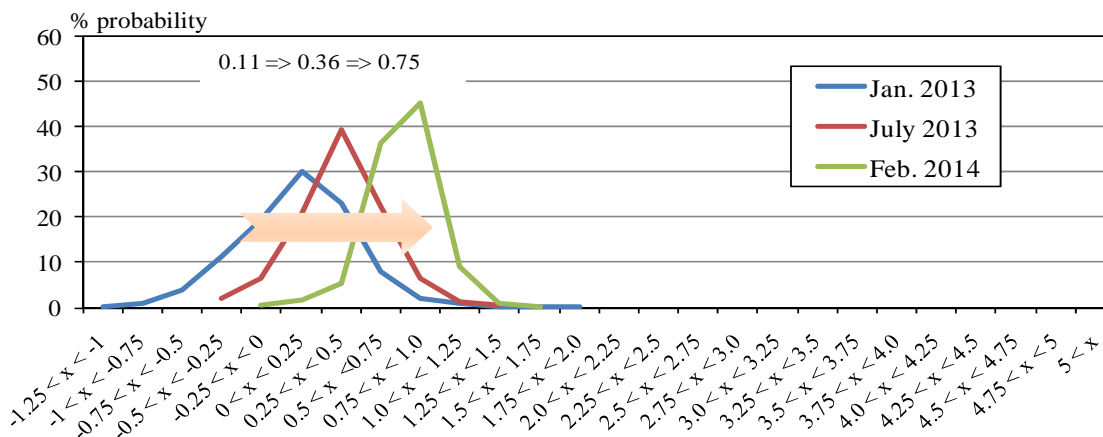
(2) Including the effects of the consumption tax hike



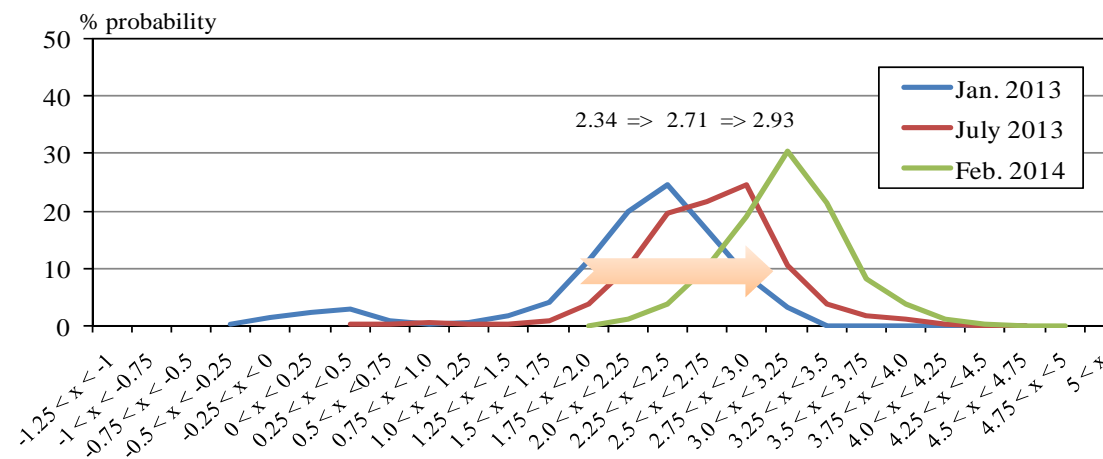
Source: Bank of Japan.

### Distribution of Economists' Outlook for Prices (CPI)

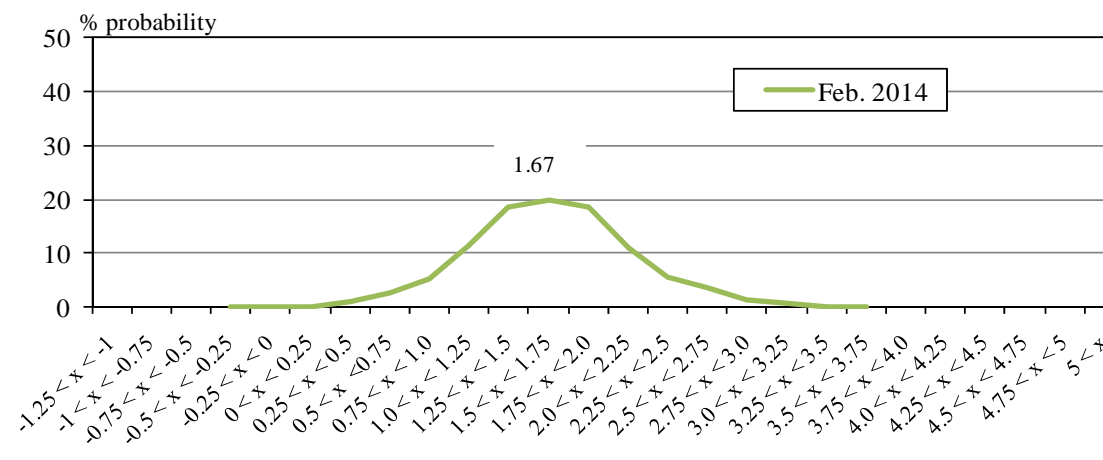
(1) FY 2013



(2) FY 2014



(3) FY 2015

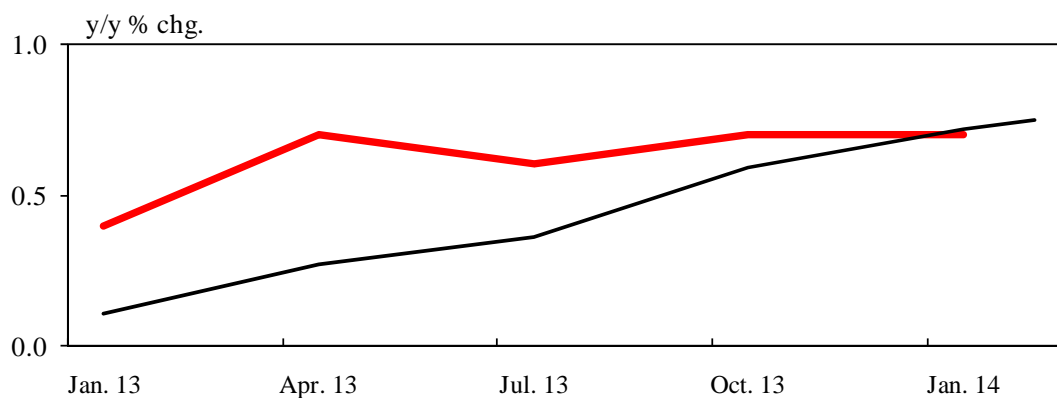


Note: For fiscal 2014 and fiscal 2015, the effects of the consumption tax hike are explicitly included in the February 2014 survey.

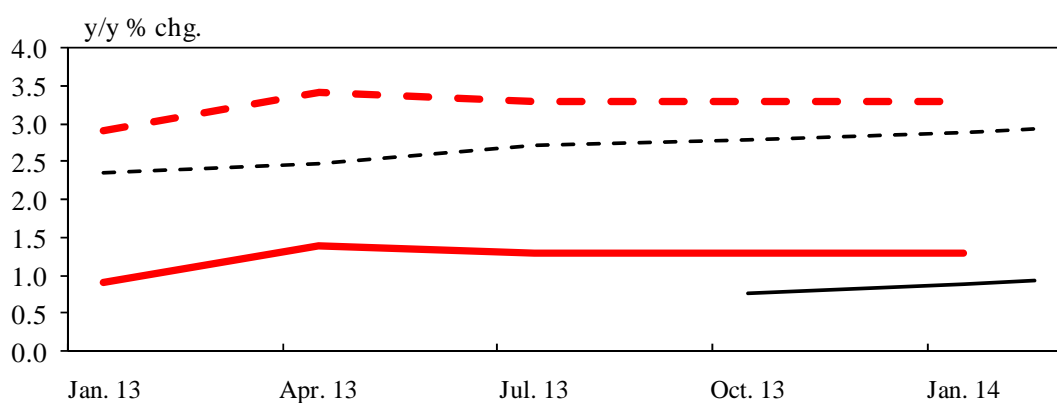
Source: Japan Center for Economic Research (JCER).

Comparison between the Bank of Japan's and Economists' Forecasts

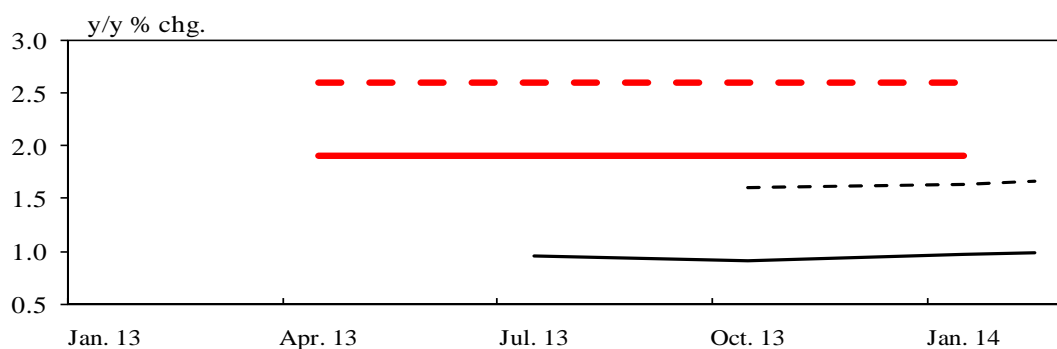
(1) FY 2013



(2) FY 2014



(3) FY 2015



- BOJ: median of the Policy Board members' forecasts, excluding the effects of the consumption tax hike
- - BOJ: median of the Policy Board members' forecasts, including the effects of the consumption tax hike
- Economists: average of forecasts, excluding the effects of the consumption tax hike
- - Economists: average of forecasts, including the effects of the consumption tax hike

Sources: Japan Center for Economic Research (JCER); Bank of Japan.