Not to be released until 8:50 a.m. Japan Standard Time on Wednesday, August 5, 2026.

August 5, 2026

Bank of Japan

Minutes of the Monetary Policy Meeting

on June 15 and 16, 2026

(English translation prepared by the Bank's staff based on the Japanese original)

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A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Monday, June 15, 2026, from 2:00 p.m. to 3:57 p.m., and on Tuesday, June 16, from 9:00 a.m. to 12:12 p.m.[1]

Policy Board Members Present

HIMINO Ryozo, Chairman, Deputy Governor of the Bank of Japan[2]
UCHIDA Shinichi, Deputy Governor of the Bank of Japan
NAKAGAWA Junko
TAKATA Hajime
TAMURA Naoki
KOEDA Junko
MASU Kazuyuki
ASADA Toichiro

Government Representatives Present

NAKATANI Shinichi, State Minister of Finance, Ministry of Finance[3]
MAEDA Tsutomu, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance[4]
KIUCHI Minoru, Minister of State for Economic and Fiscal Policy, Cabinet Office[5]
HAYASHI Sachihiro, Vice-Minister for Policy Coordination, Cabinet Office[4]
MIZUTA Yutaka, Deputy Director General for Economic and Fiscal Management, Cabinet Office[6]

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[1] The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on July 30 and 31, 2026, as "a document describing an outline of the discussion at the meeting" stipulated in Article 20, paragraph 1 of the Bank of Japan Act of 1997. Those present are referred to by their titles at the time of the meeting.

[2] Ueda Kazuo, Governor of the Bank of Japan, was absent. Due to his absence, Himino Ryozo performed the duties of the chairman pursuant to Article 16, paragraph 5 of the Bank of Japan Act. Ueda Kazuo submitted his written opinion via the chairman, in accordance with Article 5, paragraph 2 of the Rules concerning Policy Board Meetings.

[3] Present on June 16.

[4] Present on June 15.

[5] Present on June 16 from 9:06 a.m. to 12:12 p.m.

[6] Present on June 16 from 9:00 a.m. to 9:05 a.m.

Reporting Staff

KAMIYAMA Kazushige, Executive Director

SUWAZONO Kenji, Executive Director

MASAKI Kazuhiro, Executive Director (Assistant Governor)

NAKAMURA Koji, Executive Director

OKUNO Akio, Director-General, Monetary Affairs Department

IDE Joji, Head of Policy Planning Division, Monetary Affairs Department

SUZUKI Koichiro, Director-General, Financial System and Bank Examination Department

MINEGISHI Makoto, Director-General, Financial Markets Department

KAWAMOTO Takuji, Director-General, Research and Statistics Department

SUGO Tomohiro, Associate Director-General, Research and Statistics Department

CHIKADA Ken, Director-General, International Department

Secretariat of the Monetary Policy Meeting

FUKUDA Eiji, Director-General, Secretariat of the Policy Board

MIURA Yukihiro, Director, Deputy Head of Planning and Coordination Division, Secretariat of the Policy Board

YAGI Tomoyuki, Senior Economist, Monetary Affairs Department

FUKUSHIMA Shunsuke, Senior Economist, Monetary Affairs Department

I. Summary of Staff Reports on Economic and Financial Developments[7]

A. Market Operations in the Intermeeting Period

The Bank had been conducting money market operations in accordance with the guideline for money market operations decided at the previous meeting on April 27 and 28, 2026.[8] The uncollateralized overnight call rate had been in the range of 0.726 to 0.728 percent.

Meanwhile, the Bank had conducted Japanese government bond (JGB) purchases of about 2.7 trillion yen per month in accordance with the JGB reduction plan decided at the June 2025 meeting.

B. Recent Developments in Financial Markets

In the money market, the uncollateralized overnight call rate had been at around 0.75 percent. The general collateral (GC) repo rate had been at around the same level as the uncollateralized overnight call rate. As for interest rates on term instruments, yields on three-month treasury discount bills (T-Bills) had increased.

The Tokyo Stock Price Index (TOPIX) had risen in line with stock prices in the United States and Europe. Yields on 10-year JGBs had increased, mainly due to inflationary pressure reflecting the situation in the Middle East and to a wait-and-see approach among investors in view of uncertainties. The liquidity indicators in the JGB markets continued to improve on the whole. In the foreign exchange market, the yen had been more or less flat against the U.S. dollar over the intermeeting period, although it had appreciated temporarily. The yen had appreciated against the euro, as the euro had depreciated against the U.S. dollar.

C. Overseas Economic and Financial Developments

Overseas economies had grown moderately on the whole, although some weakness had been seen in part, partly due to the impact of the situation in the Middle East. The U.S. economy maintained solid growth on the whole, although some weakness had been seen in part. European economies remained resilient, particularly in domestic demand, although some weakness had been seen in part. The Chinese economy had picked up recently, mainly

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[7] Reports were made based on information available at the time of the meeting.

[8] The guideline was as follows:

The Bank will encourage the uncollateralized overnight call rate to remain at around 0.75 percent.

supported by an increase in exports, although consumption had lacked momentum. Growth in emerging and commodity-exporting economies other than China had improved moderately on the whole, although some weakness had been seen in part.

As for the outlook, overseas economies were expected to come under downward pressure for the time being due to the impact of factors such as the situation in the Middle East. Thereafter, however, based on the assumption that the impact of the situation in the Middle East would ease, overseas economies were projected to continue growing moderately, partly supported by global AI-related demand. Regarding the outlook, attention was warranted for the time being on the future course of the situation in the Middle East and on how this would affect global financial markets and the global economy; in addition, there remained high uncertainties, for example, over developments in global AI-related demand and over the impact of trade policy in each jurisdiction.

With respect to overseas financial markets, although market participants continued to pay attention to uncertainties surrounding the situation in the Middle East, market sentiment had improved, partly due to robust performance by AI-related firms. Although uncertainties surrounding the situation in the Middle East remained, U.S. and European stock prices had risen over the intermeeting period, mainly due to robust performance by AI-related firms. Long-term interest rates in the United States had risen, as market expectations of a policy interest rate hike had increased, given higher inflationary pressure due to the situation in the Middle East and given solid economic indicators. Long-term interest rates in Europe had been more or less flat. Meanwhile, currencies in emerging economies had been more or less flat on the whole. Crude oil prices continued to be at high levels, with the de facto closure of the Strait of Hormuz remaining in effect, although they had declined relative to the levels seen at the time of the previous meeting, due to expectations of progress in negotiations between the United States and Iran.

D. Economic and Financial Developments in Japan

1. Economic developments

Japan's economy had recovered moderately, although some weakness had been seen in part, partly due to the impact of the situation in the Middle East. Regarding the outlook, the economy was likely to decelerate for a time. This was because, although solid global AI-related demand and the government's various measures were likely to provide support, the economy was expected to be pushed down by a deterioration in the terms of trade reflecting the surge in energy and raw material prices.

Exports continued to be more or less flat as a trend, as downward effects due to the situation in the Middle East and upward effects due to global AI-related demand had offset each other. Regarding the outlook, exports were likely to remain more or less flat for the time being. This was because, while solid global AI-related demand was expected to push up exports of IT-related goods and capital goods in particular, it was expected that a decline in exports of automobiles to the Middle East and a decline in the capacity utilization rate in the basic materials industry, both reflecting the situation in the Middle East, would push down overall exports.

Industrial production continued to be more or less flat from a somewhat long-term perspective. Regarding the outlook, industrial production was expected to remain more or less flat on the whole. This was because, although underpinned by solid global AI-related demand and resilience in business fixed investment supported by economic measures, industrial production was expected to come under downward pressure from production adjustments in the basic materials industry and other industries, reflecting the situation in the Middle East.

Corporate profits had been at high levels against the backdrop of a solid increase in global AI-related demand. Under these circumstances, business fixed investment had been on a moderate increasing trend. Regarding the outlook, the growth momentum in business fixed investment was highly likely to decelerate gradually. This was because higher energy and raw material prices and a rise in construction costs were likely to exert greater downward pressure on business fixed investment, although moves to clear order backlogs from existing investment projects were likely to provide support.

Private consumption had been resilient against the background of an improvement in the employment and income situation, although weakness had been seen in household sentiment. The consumption activity index (CAI; real, travel balance adjusted) had increased for the January-March quarter of 2026, and had also increased substantially for April, relative to that quarter, mainly for durable goods. Based on anecdotal information from firms, statistics published by industry organizations, and high-frequency indicators, the growth momentum in private consumption since May seemed to be maintained. Consumer sentiment had deteriorated sharply, reflecting the unstable situation in the Middle East and a rise in gasoline prices, but this deterioration in sentiment had recently been coming to a halt as households' inflation outlook had declined slightly. Regarding the outlook, growth in private consumption was highly likely to decelerate for the time being, mainly reflecting a decline in real purchasing power due to price rises, particularly for goods prices, although the government's economic measures introduced so far and its measures to reduce the household burden of higher energy prices were likely to provide support.

Labor market conditions remained tight. Under these circumstances, the employment and income situation had improved moderately. The year-on-year rate of increase in the number of employed persons had recently accelerated to around 1 percent. Nominal wages per employee continued to increase steadily, albeit with fluctuations. With regard to the outlook, employee income was likely to continue to see a steady increase at its current pace for the time being, albeit with fluctuations.

As for prices, in international commodity markets, crude oil prices had seen a rapid and significant rise, against the background of the growing instability of the situation in the Middle East. Subsequently, these prices had been decreasing, while continuing to fluctuate at high levels. Copper prices had followed a clear uptrend, despite being affected by the situation in the Middle East. Meanwhile, market prices of food had recently started rising, albeit slightly. The year-on-year rate of increase in the producer price index (PPI) had accelerated markedly, pushed up by a significant rise in prices of petroleum and coal products, and of chemicals and related products -- reflecting the impact of the situation in the Middle East -- as well as by an increase in prices of nonferrous metals and machinery due to the rise in global AI-related demand. The year-on-year rate of increase in the services producer price index (SPPI, excluding international transportation) had been on a decelerating trend, being at around 2.5 percent recently, due to factors such as the dissipation of the impact of the price hikes seen in the previous fiscal year, although the rate itself remained relatively high, mainly on the back of a rise in personnel expenses. With moves to pass on wage increases to selling prices continuing, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) had been above 2 percent, partly due to the effects of the rise in food prices, such as rice prices; however, the rate of increase had recently been at around 1.5 percent due to factors such as the effects of the government's measures to reduce the household burden of higher energy prices. Inflation expectations had risen moderately. With regard to the outlook, the year-on-year rate of increase in the CPI was likely to be pushed down in the short run by the government's measures to reduce the household burden of higher energy prices. However, the rate of increase in the CPI was expected to then come under upward pressure again, as the effects of price rises in energy and raw materials that reflected the situation in the Middle East and other factors were likely to spread mainly to goods prices.

2. Financial environment

Japan's financial conditions had been accommodative.

Real interest rates had been negative. Firms' funding costs had increased. Firms' demand for funds had increased on the back of, for example, the recovery in economic activity as well as mergers and acquisitions of firms. With regard to credit supply, financial institutions' lending attitudes as perceived by firms had been accommodative. Issuance conditions for CP and corporate bonds had been favorable. In this situation, the year-on-year rate of increase in the amount outstanding of bank lending had been in the range of 6.0-6.5 percent; that in the aggregate amount outstanding of CP and corporate bonds had been at around 8 percent. Firms' financial positions had been favorable. The number of bankruptcies of firms had been more or less flat.

Meanwhile, the year-on-year rate of change in the money stock had been at around 2.5 percent.

II. Summary of Discussions by the Policy Board on Economic and Financial Developments

A. Economic and Price Developments

With regard to global financial and capital markets, members shared the view that, although market participants continued to pay attention to uncertainties surrounding the situation in the Middle East, market sentiment had improved, partly due to robust performance by AI-related firms. One member noted that stock prices had been renewing historical highs in many economies, mainly because business performance was expected to improve globally due to an expansion in business fixed investment on the back of AI-related demand, and this had contributed to mitigating the deterioration in the terms of trade reflecting higher crude oil prices.

Members shared the recognition that overseas economies had grown moderately on the whole, although some weakness had been seen in part, partly due to the impact of the situation in the Middle East. As for the outlook, members agreed that overseas economies were expected to come under downward pressure for the time being due to the impact of factors such as the situation in the Middle East. They continued that, thereafter, however, based on the assumption that the impact of the situation in the Middle East would ease, overseas economies were projected to continue growing moderately, partly supported by global AI-related demand. One member expressed the recognition that concerns over a significant economic downturn reflecting the situation in the Middle East had subsided compared with a while ago, as large-scale disruptions in supply chains had not occurred, including in the NIEs and ASEAN economies, which are highly dependent on energy resources from the Middle East. The member continued that, meanwhile, many economies had been mindful of inflation risks, with crude oil prices remaining high.

Members agreed that the U.S. economy maintained solid growth on the whole, although some weakness had been seen in part. One member expressed the view that the growth rate had risen partly due to the expansion in AI-related demand and tax cuts pushing up the economy, and employment had been heading toward a recovery recently, thereby continuing to boost growth in the economy.

Members shared the recognition that European economies remained resilient, particularly in domestic demand, although some weakness had been seen in part.

Members shared the view that the Chinese economy had picked up recently, mainly supported by the increase in exports, although consumption had lacked momentum.

Members shared the recognition that growth in emerging and commodity-exporting economies other than China had improved moderately on the whole, although some weakness had been seen in part. One member noted that it was necessary to closely monitor developments in individual economies, as the level of the impact of the situation in the Middle East and how emerging economies benefited from an expansion in AI-related demand varied across these emerging economies.

Based on the above deliberations on economic and financial conditions abroad, members discussed the state of Japan's economy.

With regard to economic activity, members shared the view that Japan's economy had recovered moderately, although some weakness had been seen in part, partly due to the impact of the situation in the Middle East. Many members expressed the recognition that the risk of a significant slowdown in the economy had not materialized thus far, as evidenced by developments such as robust corporate profits supported mainly by strong AI-related demand, solid wage increases, and progress in various government measures and in securing alternative sources of raw materials. In this regard, some members expressed the view that Japan's economy had been developing generally in line with the baseline scenario presented in the April 2026 *Outlook for Economic Activity and Prices* (Outlook Report), in which the economy was expected to maintain a virtuous growth cycle, albeit at a decelerated pace. One member stated that, with overseas economies experiencing an upswing driven by the demand shock from the global expansion of AI-related demand, the deterioration in the terms of trade reflecting higher crude oil prices had been mitigated, and concerns over an economic slowdown had subsided.

As for the outlook for economic activity, members shared the recognition that Japan's economy was expected to continue growing moderately since it was likely to be underpinned by factors such as high levels of profits in the corporate sector, the government's various measures, and accommodative financial conditions, although economic growth was likely to decelerate, mainly due to the deterioration in the terms of trade reflecting higher crude oil prices. They continued that the economic growth rate was likely to rise moderately thereafter, since it was projected that the adverse effects of high crude oil prices would wane and that a virtuous cycle from income to spending would gradually intensify. Most members expressed the recognition that progress had been made since the previous meeting in securing alternative sources of supply for raw materials that are highly dependent on the Middle East, supported by various efforts made by the public and private sectors. These members continued that, given this, the possibility of supply-side constraints intensifying and thereby significantly affecting the production activity of Japanese firms had decreased. One of these members expressed the view that, while some items had been purchased at high prices to build up inventories due to uncertainties over future procurement, such moves were unlikely to have an impact on the overall economy since they had been limited to harder-to-source items, such as paint.

Members shared the recognition that exports and industrial production continued to be more or less flat as a trend. One member noted that, on the back of strong AI-related demand, industrial production had recently been driven by IT-related goods and exports to the United States and Asia had been resilient.

Members shared the recognition that business fixed investment had been on a moderate increasing trend, with corporate profits being at high levels against the backdrop of the increase in global AI-related demand.

Members concurred that private consumption had been resilient against the background of the improvement in the employment and income situation, although weakness had been seen in household sentiment. Some members pointed out that a stable employment and wage environment, reflecting favorable business performance, and the effects of income transfers to households, mainly brought about by the government's measures to reduce the household burden of higher energy prices, had been supporting private consumption despite price increases. One of these members expressed the view that, with the scheduled government subsidies to address the upcoming rise in electricity charges due to higher liquefied natural gas (LNG) prices, a decrease in households' appetite for spending could be avoided.

Members shared the view that the employment and income situation had improved moderately. Many members expressed the recognition that, with corporate profits being at high levels, the wage growth rate agreed in the 2026 annual spring labor-management wage negotiations had been at around 5 percent not only for large firms but also for relatively small firms, indicating that solid wage increases had been achieved for the third consecutive year. One of these members added that, although there had been concerns that small and medium-sized firms could become cautious in raising wages due to the impact of the situation in the Middle East, the results of the annual spring labor-management wage negotiations continued to show solid responses recently, contrary to expectations. In relation to this point, one member pointed out that, given that many firms cite developments in their profits as the most important factor in wage revisions, it was necessary to continue carefully examining the impact downward pressure on corporate profits reflecting high crude oil prices had on the momentum for wage hikes. The member also noted that, as recruiting and retaining employees was another important factor in wage hikes, it was crucial to examine corporate activities and wage-setting trends from various aspects, such as the actual situation of mergers and acquisitions and discontinuations of businesses due to labor shortages, and developments in wage hikes accompanied by job changes.

As for prices, members agreed that, with moves to pass on wage increases to selling prices continuing, the year-on-year rate of increase in the CPI (all items less fresh food) had been above 2 percent, partly due to the effects of the rise in food prices, such as rice prices. They continued that, however, the rate of increase had recently been at around 1.5 percent due to factors such as the effects of the government's measures to reduce the household burden of higher energy prices. One member expressed the view that, while the rise in food prices had leveled off recently, consumer prices as a whole had been generally in line with the Bank's outlook in the April 2026 Outlook Report, considering factors such as a recent rise in the number of items increasing in price. Some members pointed out that the year-on-year rate of increase in the CPI excluding the effects of various government measures had been in the range of 2-3 percent. On this basis, these members expressed the recognition that, although such measures had the effect of influencing households' perceived inflation by adjusting the price levels of specific goods and services, they needed to be excluded when assessing the level of underlying inflation. One of these members noted that, while the inflation rate of around 1.5 percent might be close to households' perceived inflation, it was also necessary to pay attention to the fact that prices of items not covered by subsidies continued to increase at a considerably rapid pace. On this basis, the member pointed out that, considering factors such as recent price increases in business-to-business transactions, the figure of around 1.5 percent had, in a sense, masked the true state of inflation, which had started to rise.

Regarding price developments in business-to-business transactions, most members agreed that the year-on-year rate of increase in the PPI recently marked a high rate of over 6 percent, and at the upstream and midstream stages in the supply chain, the price pass-through stemming from high crude oil prices had been progressing at a relatively fast pace. One of these members pointed out that recent developments in the corporate goods price index (CGPI) clearly showed the direct effects of high crude oil prices, as seen in a surge in prices of basic chemical products in the upstream, such as naphtha and ethylene, in April 2026, followed by a notable increase in May in prices of basic materials and processed products in the midstream, such as synthetic resins and plastic products. A different member expressed the recognition that, looking at the earnings announcements of firms in the upstream and at anecdotal information, input price increases had been passed on to selling prices more quickly in the current phase than when input prices had risen in the past. One member expressed the view that price increases had already been observed at the downstream stage even for goods other than energy and food. The member continued that the price increases were, to some extent, a reflection of the pass-through of cost increases driven by the recent depreciation of the yen.

Meanwhile, members concurred that inflation expectations had risen moderately. One member pointed out that medium- to long-term inflation expectations had shown signs of shifting as indicated by, for example, the break-even inflation (BEI) rate -- which shows market participants' inflation expectations -- rising to a level above 2 percent and the spread between short- and long-term interest rates widening. One member expressed the recognition that the inflation expectations of firms and households had already risen to around 2 percent. A different member said that the year-on-year rate of increase in the CPI had recently been at around 1.5 percent, mainly due to the effects of various government measures, and this had contributed to containing a rise in people's inflation expectations. The member continued that, however, future developments in inflation expectations warranted close attention.

With regard to the outlook for prices, members shared the recognition that the year-on-year rate of increase in the CPI (all items less fresh food) was likely to accelerate to a level clearly above 2 percent, as the rise in crude oil prices was expected to push up prices, mainly of energy and goods, with moves to pass on wage increases to selling prices continuing. They continued that, thereafter, with the waning of the effects of high crude oil prices, the rate of increase was expected to decline toward around 2 percent. In addition, members agreed that, meanwhile, with a sense of labor shortage continuing to be strong, it was projected that the mechanism in which wages and prices rise moderately in interaction with each other would be maintained, and that medium- to long-term inflation expectations would rise. On this basis, most members shared the recognition that underlying CPI inflation was expected to increase gradually, coming to a level that was generally consistent with the price stability target between the second half of fiscal 2026 and fiscal 2027 and remaining at around that level thereafter. In response, one member expressed the recognition that the level of the rate of increase in the CPI, including underlying CPI inflation, already had generally reached the price stability target. Furthermore, a different member expressed the view that underlying CPI inflation already had been at a level that was generally consistent with the price stability target of 2 percent.

Regarding projections for the CPI, most members expressed the recognition that the price pass-through stemming from the rise in crude oil prices had been progressing at a relatively fast pace in business-to-business transactions, which could spread to an increase in consumer prices across a wide range of items. A few members expressed the view that, based on sources such as recent media reports on price hikes and anecdotal information from firms, it was expected that the number of items with price hikes would increase at the downstream consumer level by around summer. These members continued that the CPI was therefore highly likely to be pushed up considerably through the second half of fiscal 2026. One member stated that, if business performance and stock prices maintained a certain level of robustness, both prices hikes and inflationary pressure were likely to continue, with the effects of such robustness spilling over. Meanwhile, one member expressed the view that, even if the conflict in the Middle East ends and crude oil prices decline, inflationary pressure would remain, taking into account the higher costs, such as for shipping and storage, associated with the procurement of alternative sources of supply. In addition, a different member expressed the recognition that procurement costs for crude oil were likely to remain elevated; this was because it was likely to take time to fully ensure safe passage through the Strait of Hormuz even after the end of the conflict, and because the sources of crude oil were expected to be diversified over time to include the United States and other regions.

As for risks to economic activity and prices, members agreed that, for the time being, it was necessary to pay particular attention to the impact of the future course of the situation in the Middle East on financial and foreign exchange markets and on Japan's economic activity and prices. Members shared the view that various developments had been observed with regard to the situation in the Middle East, such as both the United States and Iran announcing that they had agreed on a memorandum of understanding regarding issues such as the cessation of the conflict. They continued that uncertainties remained nevertheless, including over the future pace of recovery in logistics.

On this basis, regarding the impact of the situation in the Middle East on Japan's economic activity, most members agreed that, while higher crude oil prices had so far been exerting downward pressure on economic activity, the risk of a significant slowdown in the economy had decreased compared with a while ago, mainly taking into account that the economy had generally been supported by factors such as high levels of corporate profits, that the effects of the government's various measures would continue to provide support, and that progress had been made in securing alternative sources of supply for raw materials that are highly dependent on the Middle East. One member pointed out that progress in securing alternative sources of supply for items such as crude oil and naphtha was now more evident in data than at the time of the April meeting. The member continued that the risk of supply-side constraints for raw materials intensifying substantially had decreased, partly due to the agreement aimed at bringing the conflict in the Middle East to an end.

As for the impact of the situation in the Middle East on prices in Japan, most members concurred that the price pass-through stemming from high crude oil prices had been progressing at a relatively fast pace in business-to-business transactions, which could spread to an increase in consumer prices across a wide range of items. These members continued that, against this backdrop, taking into account that medium- to long-term inflation expectations also continued to rise, there was a risk of underlying inflation deviating upward to a level above the price stability target of 2 percent. Many members expressed the recognition that the impact of the rise in crude oil prices was already spreading to midstream business-to-business prices. These members continued that, in this situation, more concern was warranted about the risk that this could lead to a rise in prices, given that firms' price-setting behavior was becoming more active. Some members expressed the view that, with firms' wage- and price-setting behavior becoming more active, there was an increasing risk that more firms would start passing on to selling prices not only cost increases due to the rise in crude oil prices, but also increases in personnel expenses and shipping costs thus far, resulting in consumer prices rising higher than projected. Noting that the SPPI for motor freight transportation had recently risen significantly, one of these members pointed out that such an increase in distribution costs could affect underlying inflation, since the increase would spread widely to other prices. A different member noted that attention was warranted on whether price rises in packaging materials reflecting high crude oil prices would lead firms to raise selling prices more than was necessary to cover increases in input costs. One member expressed the recognition that, compared with the period when commodity prices surged following Russia's invasion of Ukraine, there had been some changes; for example, the employment and income situation had improved, firms' and households' inflation expectations had increased, and firms' price-setting behavior had become more active. The member continued that, considering this and other factors, such as the fact that labor market conditions had tightened to a greater extent than could be explained by the changes in the output gap, upside risks to prices were now significantly higher than they had been in that period. On this basis, the member added that there was also a risk of medium- to long-term inflation expectations in Japan rising significantly above 2 percent, since they were not as anchored to around 2 percent as in Europe and the United States.

Meanwhile, regarding spillovers from price rises to wages, a few members noted that the possibility of a wage-price spiral in Japan was not high, given the relationship between labor and management in the country. On this basis, one of these members expressed the view that, although there was no need so far for concern about a double-digit inflation rate, according to anecdotal information from firms, many of them planned to maintain their stance on solid wage increases in the spring 2027 wage negotiations, from the perspective of recruiting and retaining employees and investing in human capital, even if their business performance deteriorated due to the impact of the situation in the Middle East. The member continued that price rises could therefore exert second-round effects on wages to a certain extent.

Based on these discussions, most members expressed the view that, while the situation in the Middle East had pushed economic activity down and prices up, given the current circumstances, it was necessary to pay closer attention to the upside risks to prices than the downside risks to economic activity. In response, one member expressed the recognition that, although an agreement aimed at ending the conflict in the Middle East had been reached, looking at the supply shocks caused by the conflict, the downside risks to production and employment were greater than the upside risks to prices. The member then pointed out that the downside risks to production and employment might disrupt the virtuous cycle between wages and prices, and in the worst-case scenario, this could potentially cause Japan's economy, which appeared to have overcome a prolonged period of deflation and transitioned to an inflationary phase, to fall back into deflation again.

With regard to major risks other than those arising from the situation in the Middle East, members agreed that it was necessary to pay attention to the effects of developments in global AI-related demand and of future developments in foreign exchange rates on Japan's economic activity and prices. A few members expressed the recognition that global AI-related demand could be pushing up economic activity and prices more than expected. One of these members expressed the view that, even if crude oil prices declined in the future, it was highly possible that the upward deviation in prices would start to spread across a wider range of items, including to those other than petroleum-related goods, as supply and demand conditions for items such as semiconductor memory chips and copper tightened, reflecting demand shocks -- particularly those related to AI -- stemming from overseas developments.

B. Financial Developments

Members agreed that financial conditions in Japan had been accommodative. Many members noted that real interest rates had been negative, mainly in the short- to medium-term zone. These members continued that firms' and other entities' demand for funds had increased, and issuance conditions for CP and corporate bonds remained favorable. One of these members commented that, with inflation expectations showing signs of shifting, the negative real interest rate had led to an increase in lending and CP issuance and a rise in asset prices. Some members noted that firms' financial positions and financial institutions' lending attitudes were unchanged despite the policy interest rate hikes so far. These members continued that growth in bank lending had accelerated further, mainly due to an overall increase in demand for funds reflecting the recovery in economic activity, and to some funding needs being fueled by active mergers and acquisitions of firms. One of these members pointed out that bank lending had seen its highest growth since 2000, excluding extraordinary periods such as the COVID-19 pandemic. The member then stated that it was necessary to carefully grasp the background to this growth, including the growth in real estate lending.

III. Staff Reports on a Plan for the Outright Purchases of JGBs

The staff first explained their assessment of the developments in and functioning of the JGB markets, as follows.

(1) With progress in reducing the Bank's purchase amount of JGBs, the diffusion index (DI) for the degree of bond market functioning in the latest May 2026 *Bond Market Survey* clearly narrowed within negative territory and showed an improvement; it reached broadly the same level as in the February 2025 survey, which was the peak level seen just before the DI deteriorated significantly in negative territory triggered by the announcement of U.S. tariff policy. Inter-dealer transaction volume in the JGB cash market had followed an uptrend. Bid-ask spreads for on-the-run cash JGBs had not widened notably, even amid relatively large fluctuations in 10-year JGB yields.

(2) An improvement in market functioning had also been seen for off-the-run JGBs. In terms of the yield curve, while there was previously a dip in yields in the 7-10 year zone, where

the share of the Bank's holdings was particularly high, this distortion had recently largely dissipated, mainly because factors such as the reduction in the Bank's repurchase amount of JGBs under the Securities Lending Facility (SLF) had contributed to an increase in the amount of JGBs available in the markets. In a situation where the Bank's presence in the JGB markets was decreasing, not only for on-the-run but also for off-the-run JGBs, the usage of the SLF had been at a low level recently.

(3) Based on these developments, it could be assessed that, with progress in reducing the Bank's purchase amount of JGBs, the functioning of the JGB markets had been steadily improving.

The staff then reported market participants' views on the developments in and functioning of the JGB markets and a plan for the Bank's outright purchases of JGBs, views which were collected at the Bond Market Group Meeting held on May 21 and 22, 2026.

(1) As for the developments in the JGB markets, some participants assessed that supply and demand conditions had eased due to factors such as investors' cautious investment stance, which mainly reflected their expectations of further interest rate increases. Even in this situation, however, many participants were of the opinion that the functioning of the JGB markets had followed an improving trend; as background to this, they pointed out that the reduction in the Bank's JGB purchases and the series of measures concerning the SLF had proved to be effective.

(2) Regarding the current plan for the reduction of the Bank's purchase amount of JGBs, there were few calls for modification.

(3) As for the Bank's JGB purchases from April 2027, there were both opinions that the reduction of its purchase amount should be halted and that it should be continued. The opinion that the reduction should be halted was hardly heard in 2025, but was heard to a considerable extent in 2026, although it could not be said that this was the majority view. Participants who were of this opinion factored in that the amount outstanding of the Bank's JGB holdings and the outstanding balance of current accounts at the Bank would decrease steadily, even if the reduction of JGB purchases were to be halted; they also pointed to the impact on supply and demand conditions for JGBs if the reduction was continued. On the other hand, with respect to the opinion that the reduction of JGB purchases should be continued, there were comments that the Bank should maintain the current pace of reduction even from April 2027 onward, or that it was appropriate to slow

the pace of reduction; some participants were of the opinion that the Bank should eventually aim at making the purchase amount zero, although this was a minority view.

(4) In addition, regarding the Bank's conduct of JGB purchases, some participants commented that it was appropriate for the Bank to continue carrying out regular reviews, while others were of the opinion that there was no need for it to conduct interim assessments as it had been doing thus far, requesting a shift to making purchases "in a more autopilot manner." Meanwhile, there continued to be calls for the Bank to make nimble responses as necessary by, for example, conducting unscheduled purchases of JGBs.

On this basis, taking account of factors such as the aforementioned developments in and functioning of the JGB markets and views from market participants, the staff explained that the plan for the outright purchases of JGBs could be as follows.

(1) In principle, long-term interest rates were to be formed in financial markets, and it was appropriate for the Bank to conduct the purchases of JGBs in a predictable manner, while allowing enough flexibility to support stability in the JGB markets.

(2) With progress in reducing the Bank's purchase amount of JGBs, the functioning of the JGB markets had been steadily improving, and the need to further improve market functioning through the reduction of the Bank's purchase amount had been decreasing gradually.

(3) On the other hand, if the Bank's JGB holdings decreased, the amount of JGBs held by market participants would increase accordingly. It would take some time for investors in Japan, including banks and individual investors, to smoothly increase their JGB holdings. If the current pace of reduction were to be continued, this might have an unforeseen impact on market stability.

(4) From this viewpoint, the plan could be designed as follows.

(a) With regard to the amount and pace of purchases, the Bank would maintain the reduction plan decided in June 2025 until January-March 2027 and reduce the planned amount of its monthly purchases of JGBs by, in principle, about 200 billion yen each calendar quarter; from April 2027, the amount of its monthly purchases of JGBs would be about 2 trillion yen.

(b) As for the amount of purchases in each maturity segment, the Financial Markets Department would set the amount as appropriate, taking account of developments in the JGB markets.

(c) In the case of a rapid rise in long-term interest rates, the Bank would make nimble responses 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.

(d) The Bank would not conduct interim assessments of the plan for the outright purchases of JGBs in the future. However, the Bank was prepared to amend the pace of its JGB purchases at the Monetary Policy Meetings, if deemed necessary, taking into account the basic thinking on the purchases of JGBs and other factors such as developments in the JGB markets.

IV. Summary of Discussions on Monetary Policy

Members discussed monetary policy based on the above assessment of economic and financial developments as well as the staff reports on the plan for the outright purchases of JGBs.

Members first exchanged views on the guideline for money market operations for the intermeeting period.

Based on the discussions on economic and financial developments, most members shared the recognition that Japan's economy had been developing generally in line with the baseline scenario presented in the April 2026 Outlook Report and that, on the price front, there was a risk that underlying CPI inflation would deviate upward to a level above the price stability target of 2 percent. In terms of the real economy, most members shared the recognition that, while higher crude oil prices had been exerting downward pressure on economic activity, the economy had generally been supported by the high levels of corporate profits and the improvement in the employment and income situation. These members continued that the risk of a significant slowdown in the economy appeared to have decreased compared with a while ago because of the effects of the government's initiatives, including measures to reduce the household burden of higher energy prices, and of progress in securing alternative sources of supply for raw materials that are highly dependent on the Middle East. On the price front, most members concurred that there was a risk of underlying CPI inflation deviating upward to a level above the price stability target of 2 percent, given (1) the possibility that the relatively fast pace of progress in price pass-through in business-to-business transactions stemming from high crude oil prices could spread to an increase in consumer prices across a wide range of items, as well as (2) the continued rise in medium- to long-term inflation expectations. Based on this recognition, one member expressed the view that it was appropriate to adjust the policy interest rate at this meeting, taking into account the following: although the risk of heightened supply-side constraints had abated since the previous meeting, owing to progress in securing alternative sources of supply and to the agreement aimed at bringing the conflict in the Middle East to an end, the future course of the situation in the Middle East remained uncertain and the impact of the situation on logistics persisted, and thus there was a risk of price increases. Noting that import prices had also been driven up by exchange rate developments, one member added that such price increases were considered to place a burden on the business of a considerable number of firms, including small and micro firms, and that, against this backdrop, it had become more appropriate than before to adjust the degree of monetary accommodation. A different member expressed the recognition that, while Japan's real interest rates were particularly low, compared to other economies, there were concerns over further upward deviation in prices, and it was therefore necessary to adjust the level of real interest rates.

Based on the above discussions, most members shared the recognition that it was appropriate for the Bank to raise the policy interest rate by 0.25 percentage points to around 1.0 percent at this meeting, from the perspective of sustainable and stable achievement of the price stability target of 2 percent. These members also shared the recognition that the following points were appropriate: (1) in order to implement this change, the interest rate applied to the complementary deposit facility would be 1.0 percent; and (2) the basic loan rate would also be raised by 0.25 percentage points to 1.25 percent.

On this basis, most members shared the recognition that accommodative financial conditions would be maintained even if the Bank decided to raise the policy interest rate at this meeting. Some members expressed the view that, taking into consideration factors such as the level of real interest rates after raising the policy interest rate, as well as firms' and households' funding conditions, the rate hike discussed at this meeting was an adjustment within the Bank's accommodative policy, and that the policy interest rate and monetary accommodation would likely continue to firmly support Japan's economy. One of these members pointed out that gradually bringing the policy interest rate closer to the neutral level would lead to stability in economic activity and prices in the long run. In this regard, a few members said that, although accommodative financial conditions would be maintained after the change in the policy interest rate, there were some views pointing out the negative effects of policy rate hikes, and that, in this situation, it was necessary for the Bank to continue to carefully assess how financial conditions would change with the rise in interest rates. One of these members pointed out that most of the households with mortgages were in the working generation, and around half of them were families with children. The member then noted that, when considering the effects of rate hikes on households, it was necessary to assess comprehensively, based not only on differences in household attributes, but also on rises in deposit interest rates and on the effects of measures such as policies concerning the provision of free education, among others. Meanwhile, a few members expressed the recognition that raising the policy interest rate with the aim of achieving price stability would lead to stabilizing long-term interest rates, taking into account that the recent rise in long-term interest rates was mainly attributable to heightened concerns over inflation due to factors such as the effects of the situation in the Middle East.

Meanwhile, a different member expressed the view that the Bank should hold the policy interest rate steady at this point; this was because, regarding the impact of the situation in the Middle East, downside risks to production and employment were considered by the member to be greater than upside risks to prices, and, in this situation, raising the policy interest rate could suppress aggregate demand by curbing firms' business fixed investment, potentially inducing simultaneous declines in inflation and in production and employment.

As for the future conduct of monetary policy, members concurred that, given that underlying CPI inflation had been approaching 2 percent and financial conditions had been accommodative, it was appropriate that the Bank continue to raise the policy interest rate and adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions. They shared the recognition that, in this regard, it was important for the Bank to consider the timing and pace of adjustment, while closely monitoring the impact of the future course of the situation in the Middle East on Japan's economic activity and prices and examining the likelihood of realizing the baseline scenario of the outlook for economic activity and prices and the risks to the outlook. Some members expressed the view that financial conditions were expected to remain accommodative after the policy interest rate hike at this meeting. These members continued that, therefore, if economic activity and prices developed in line with its outlook, the Bank should maintain its stance to continue to raise the policy interest rate. One member expressed the recognition that, unlike in the United States and Europe, Japan's policy interest rate remained below the estimated range of the neutral interest rate, and that it was necessary to bring the policy rate closer to the neutral rate as soon as possible and thereby ensure the flexibility needed to swiftly adjust the policy rate in either direction. A different member said that, to avoid rapid and significant policy interest rate hikes in the future, the Bank should bring the policy rate closer to the neutral rate sooner. On this basis, the member expressed the view that Japan's neutral rate appeared to be at around 2 percent, and taking this into account, it was desirable to assess economic activity and prices as well as financial developments and to consider whether to raise the policy interest rate as appropriate with intervals of a few months in mind. Meanwhile, with respect to part of the description regarding the future conduct of monetary policy in the policy statement, one member noted that, given the policy interest rate adjustment at this meeting and factors such as the dispersion in estimates of the neutral rate, it was appropriate to revise the wording "real interest rates are at significantly low levels." In relation to this, a different member stated that it was reasonable to change this wording to "financial conditions have been accommodative," given that the Bank had been assessing the degree of monetary accommodation by examining not only the level of real interest rates but also a wide range of indicators related to financial conditions.

Members then discussed <u>the plan for the outright purchases of JGBs</u>.

Members concurred that, in principle, long-term interest rates were to be formed in financial markets, and that it was appropriate for the Bank to conduct the purchases of JGBs in a predictable manner, while allowing enough flexibility to support stability in the JGB markets. Based on this, they shared the recognition that, from the viewpoint of giving consideration to the predictability of the Bank's future purchases of JGBs, it was appropriate for the Bank to present the planned amount of its monthly purchases of JGBs from April 2027, in addition to the planned amount of monthly purchases until March 2027. Furthermore, members agreed that, to ensure flexibility in its plan, it was appropriate that, as in the past, in the case of a rapid rise in long-term interest rates, the Bank make nimble responses by, for example, increasing the amount of JGB purchases, which could be done regardless of the monthly schedule of JGB purchases.

Members then considered the specific purchase amount of JGBs. First, as for the treatment of the Bank's JGB purchases until March 2027, they agreed that it was appropriate for the Bank to maintain the reduction plan decided in June 2025 and reduce the planned amount of its monthly purchases of JGBs by, in principle, about 200 billion yen each calendar quarter. Some members expressed the recognition that there was no reason to change the plan, as the majority of market participants had supported maintaining it even amid a rise in long-term interest rates, and also in view of prioritizing the predictability of the Bank's JGB purchases.

Next, members discussed the treatment of the Bank's JGB purchases from April 2027, while taking into consideration two factors: improvement of market functioning and stability of the JGB markets. Most members pointed out that, with progress in reducing the Bank's purchase amount of JGBs, the functioning of the JGB markets had been steadily improving, and that the need to further improve market functioning through the reduction of the Bank's purchase amount had been decreasing gradually. In addition, most members shared the recognition that, if the Bank's JGB holdings decreased, the amount of JGBs held by market participants would increase accordingly. These members continued that, given that it would take some time for investors in Japan, including banks and individual investors, to smoothly increase their JGB holdings, if the current pace of reduction were to be continued, this might have an unforeseen impact on market stability. On this basis, these members expressed the view that, from April 2027, it was appropriate to halt the reduction of the Bank's purchase amount of JGBs and conduct JGB purchases of about 2 trillion yen per month. One of these members expressed the view that, even if the reduction of the Bank's purchase amount of JGBs were to be halted, the purchase amount would be below 20 percent of the issuance amount, and it was therefore unlikely that this would hamper market functioning whereby long-term interest rates were formed freely in the market. The member then commented that, even if the reduction were halted, given that the amount of the Bank's purchases prior to the Global Financial Crisis -- when unconventional monetary policy was not in place -- was just under 20 percent of the amount of JGBs issued, it could be said that the purchase amount would return to the normal level. One member noted that supply pressure in the JGB markets had been at historical levels with the reduction of the Bank's purchase amount of JGBs. The member then expressed the view that, with market functioning rapidly recovering and real interest rates in the long- and super-long-term zones being at a level comparable to those overseas, it was appropriate to halt the reduction of the purchase amount of JGBs from April 2027. A different member expressed the recognition that it was appropriate to halt the reduction of the Bank's purchase amount from the perspective of maintaining downward pressure on long-term interest rates through the stock effect from the Bank's JGB holdings as much as possible. Another member expressed the recognition that the Bank should discontinue the current framework for the reduction of its purchase amount of JGBs at the end of fiscal 2026, and that, from fiscal 2027, it should enter a phase of stably proceeding with the redemption of its JGB holdings while keeping the scale of JGB purchases at levels lower than in the past. The member then pointed out that, even in this case, for the next several years, the amount of redemption would remain at least double the amount of purchases. In relation to this, one member stated that, even if the reduction of the Bank's purchase amount of JGBs was halted, in the case where the average maturity and other conditions of its JGB purchases remained unchanged, the Bank's share of JGB holdings relative to the aggregate amount outstanding would eventually be considerably compressed due to redemption at maturity. On this basis, many members noted that, even in the case where the reduction of the purchase amount of JGBs was halted, the size of the Bank's balance sheet would steadily decrease, and that it was desirable to explain this clearly to the public.

In response to these discussions, one member expressed the opinion that the Bank should allow long-term interest rates to be determined by the market and its participants, and that the level of amount outstanding of its JGB holdings should be normalized as soon as possible. The member continued that it was therefore appropriate that the Bank reduce the amount of its monthly outright purchases of JGBs by about 200 billion yen each calendar quarter until January-March 2028 in principle. The member noted that the purpose of the Bank's past large-scale JGB purchases was monetary easing, and there was no need for such purchases under the current circumstances. The member then expressed the recognition that no disruptions had occurred in the JGB markets, and there was no reason at all to halt the reduction of the purchase amount. Furthermore, the member added that, if the intention behind the Bank's JGB purchases was perceived by the market as fiscal financing or as an attempt to lower long-term interest rates, this could lead to bias in the market and undermine the credibility of the Bank. On this point, some members expressed the recognition that it was necessary to explain clearly that a halt of the reduction of the JGB purchase amount was a measure aimed at preventing the JGB markets from becoming unstable so that economic activity would not be adversely affected and the Bank's aim was not to support government financing. In addition, one member expressed the view that, although it was necessary to support stability in the markets, it should be made clear that the Bank would discuss the specific pace of its JGB purchases from the viewpoint of avoiding sudden movements in the markets following the termination of large-scale monetary easing, and that the Bank did not aim at controlling long-term interest rates or the yield curve.

Meanwhile, a few members expressed the opinion that, while making changes to the pace of JGB purchases was not expected at this point, it was desirable that the Bank indicate the possibility of doing so in advance, taking into account such factors as market developments and the views of market participants. Based on these discussions, members agreed that it was appropriate to announce that -- although the Bank would not conduct interim assessments of the plan for the outright purchases of JGBs in the future, taking into consideration the balance between predictability and flexibility -- the Bank was prepared to amend the pace of its JGB purchases at its meetings, if deemed necessary, taking into account the basic thinking on the purchases of JGBs and other factors such as developments in the JGB markets.

Members also discussed the Bank's strategy regarding its balance sheet. One member expressed the recognition that it had been pointed out overseas that an excessively large central bank balance sheet was problematic in terms of excessive supply of money, unclear links with fiscal policy as a result of continued purchases of sovereign bonds by the central bank, and the magnitude of interest rate risks borne by the central bank. The member continued that, from this perspective, it was important to reduce the size of the Bank's balance sheet steadily. One member said that the amount of reserve balances needed in the financial system might have increased due to changes in the financial environment, such as the tightening of regulations and digitalization. The member continued that, in the future, taking into account factors such as economic and financial conditions at the time, the Bank would need to examine the appropriate size of reserve balances. A different member expressed the recognition that, if the level of the Bank's reserve balances continued decreasing, this process would enable the Bank to further deepen its specific analysis of the optimal size of its balance sheet, including the analysis of the impact on the money market. Another member expressed the view that, after the amount of the Bank's JGB holdings declined to a level generally considered appropriate, in a growing economy, it would be appropriate for the Bank to start increasing the size of its balance sheet at a pace that was generally proportionate to the nominal GDP growth rate. In addition, a few members noted that the main issue so far regarding the Bank's JGB purchases had been the size of its purchases, but the maturity composition of its purchases would become more important in the future in terms of the possible impact on its balance sheet. Based on these discussions, some members expressed the recognition that the Bank would need to take time to consider the desirable size of its balance sheet and the composition of its assets and liabilities, while taking into account changes in the amount outstanding of its JGB holdings and developments in the economic and financial environment.

V. Remarks by Government Representatives

Based on the above discussions, the government representatives requested that the chairman adjourn the meeting. The chairman approved the request. (The meeting adjourned at 11:12 a.m. and reconvened at 11:29 a.m.)

The representative from the Cabinet Office made the following remarks.

(1) The Japanese economy was recovering at a moderate pace, while it was necessary to closely monitor the impact of the situation in the Middle East.

(2) It was important for the Bank to fulfill its accountability regarding the policy interest rate hike at this meeting, while taking responsible and appropriate action in the event of excessive fluctuations in economic activity. The transition to a growth-oriented economy was crucial, and it was necessary to carefully examine the relationship between macroeconomic supply-demand conditions and price developments.

(3) Regarding the purchase of JGBs, it was necessary for the Bank to examine the macroeconomic impact of the reduction in the size of its balance sheet and to take appropriate action for market stability.

(4) The government expected the Bank to conduct monetary policy as appropriate, including the aforementioned points, based on an understanding of the initiatives taken by the Takaichi Cabinet such as strategic investments that enhanced resilience against potential crises and investments that promoted growth.

The representative from the Ministry of Finance made the following remarks.

(1) The government expected the Bank to conduct monetary policy as appropriate toward sustainable and stable achievement of the price stability target of 2 percent, while closely cooperating with the government.

(2) Regarding the proposals, the government expected the Bank to make decisions at this meeting as appropriate. As for the change in the policy interest rate, the government expected the Bank to explain its policy intention carefully to the market and other stakeholders, and to carefully examine factors such as the impact this change had on economic activity and prices. With respect to the purchase of JGBs, the government expected the Bank to closely monitor market developments and to make nimble responses as necessary.

VI. Votes

A. Vote on the Guideline for Money Market Operations

Based on the above discussions, to reflect the majority view of the members, the chairman formulated the following proposal on the guideline for money market operations and put it to a vote.

The Policy Board decided the proposal by a majority vote.

The Chairman's Policy Proposal on the Guideline for Money Market Operations:

The guideline for money market operations for the intermeeting period will be as follows.

> The Bank will encourage the uncollateralized overnight call rate to remain at around 1.0 percent.

Votes for the proposal: HIMINO Ryozo, UCHIDA Shinichi, NAKAGAWA Junko, TAKATA Hajime, TAMURA Naoki, KOEDA Junko, and MASU Kazuyuki.

Votes against the proposal: ASADA Toichiro.

Absent: UEDA Kazuo.

Asada Toichiro dissented, considering that, regarding the impact of the situation in the Middle East, downside risks to production and employment were greater than upside risks to prices, and it was desirable for the Bank to maintain the guideline for money market operations.

B. Vote on a Change in the Interest Rate Applied to the Complementary Deposit Facility etc.

To reflect the majority view of the members, the chairman formulated the following proposal on a change in the interest rate applied to the complementary deposit facility etc. and put it to a vote.

The Policy Board decided the proposal by a majority vote and agreed that the amendment to "Principal Terms and Conditions of Complementary Deposit Facility" should be made public promptly after the meeting.

The Chairman's Policy Proposal on a Change in the Interest Rate Applied to the Complementary Deposit Facility etc.:

The interest rate applied to the complementary deposit facility will be as follows, and the "Principal Terms and Conditions of Complementary Deposit Facility" will be amended.

The interest rate applied to the complementary deposit facility will be 1.0 percent per annum.

Votes for the proposal: HIMINO Ryozo, UCHIDA Shinichi, NAKAGAWA Junko, TAKATA Hajime, TAMURA Naoki, KOEDA Junko, and MASU Kazuyuki.

Votes against the proposal: ASADA Toichiro.

Absent: UEDA Kazuo.

Asada Toichiro dissented for the same reason as he opposed the proposal regarding the guideline for money market operations.

C. Vote on a Change in the Basic Discount Rate and the Basic Loan Rate

To reflect the majority view of the members, the chairman formulated the following proposal on a change in the basic discount rate and the basic loan rate and put it to a vote.

The Policy Board decided the proposal by a majority vote.

The Chairman's Policy Proposal on a Change in the Basic Discount Rate and the Basic Loan Rate:

The basic discount rate for discounting of bills pursuant to Article 33, paragraph 1, item (i) of the Bank of Japan Act and the basic loan rate for loans made pursuant to Article 33, paragraph 1, item (ii) of the Act will be as follows.

The basic discount rate and the basic loan rate will be 1.25 percent per annum.

Votes for the proposal: HIMINO Ryozo, UCHIDA Shinichi, NAKAGAWA Junko, TAKATA Hajime, TAMURA Naoki, KOEDA Junko, and MASU Kazuyuki.

Votes against the proposal: ASADA Toichiro.

Absent: UEDA Kazuo.

Asada Toichiro dissented for the same reason as he opposed the proposal regarding the guideline for money market operations.

D. Vote on the Plan for Outright Purchases of JGBs

To reflect the majority view of the members, the chairman formulated a proposal on the plan for the Bank's outright purchases of JGBs, shown in Attachments 3 and 4.

Tamura Naoki, however, considered that the Bank should allow long-term interest rates to be determined by the market and its participants, and proposed that the Bank reduce the amount of its monthly outright purchases of JGBs by about 200 billion yen each calendar quarter until January-March 2028 in principle.

The proposals submitted by the chairman and Tamura Naoki were put to a vote in the order of Tamura Naoki's proposal, followed by the chairman's proposal.

Tamura Naoki's proposal on the plan for the outright purchases of JGBs was defeated by a majority vote.

Votes for the proposal: TAMURA Naoki.

Votes against the proposal: HIMINO Ryozo, UCHIDA Shinichi, NAKAGAWA Junko, TAKATA Hajime, KOEDA Junko, MASU Kazuyuki, and ASADA Toichiro.

Absent: UEDA Kazuo.

The chairman's proposal on the plan for the outright purchases of JGBs was decided by a majority vote.

Votes for the proposal: HIMINO Ryozo, UCHIDA Shinichi, NAKAGAWA Junko, TAKATA Hajime, KOEDA Junko, MASU Kazuyuki, and ASADA Toichiro.
Votes against the proposal: TAMURA Naoki.
Absent: UEDA Kazuo.

E. Discussion on the Statements Entitled "Change in the Guideline for Money Market Operations" and "Plan for the Outright Purchases of Japanese Government Bonds"

On the basis of the above discussions, members discussed two statements: one regarding the change in the guideline for money market operations, and one regarding the Bank's outright purchases of JGBs. Takata Hajime expressed opposition to the description regarding the outlook for prices in the former, considering that the level of the rate of increase in the CPI, including underlying CPI inflation, already had generally reached the price stability target. Tamura Naoki also expressed opposition to the description regarding the outlook for prices, considering that underlying CPI inflation already had been at a level that was generally consistent with the price stability target.

Based on this discussion, the chairman formulated the statements "Change in the Guideline for Money Market Operations" -- which included a note explaining that Takata Hajime and Tamura Naoki had each opposed a part of the text -- and "Plan for the Outright Purchases of Japanese Government Bonds," and put them to a vote. The Policy Board decided the text of each by a unanimous vote. It was confirmed that the statements would be released immediately after the meeting (see Attachments 1-4).

VII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of April 27 and 28, 2026, for release on June 19.

Attachment 1
June 16, 2026
Bank of Japan

Change in the Guideline for Money Market Operations

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by a 7-1 majority vote, to set the following guideline for money market operations for the intermeeting period: [Note]

   The Bank will encourage the uncollateralized overnight call rate to remain at around 1.0 percent.[9]

2. In accordance with the change in the guideline for money market operations, the Bank decided, by a 7-1 majority vote, to change the interest rates applied to its measures.[10] [Note]

   (1) Interest rate applied to the complementary deposit facility

   The interest rate applied to the complementary deposit facility (the interest rate applied to current account balances held by financial institutions at the Bank, excluding required reserve balances) will be 1.0 percent.[11]

   (2) Basic loan rate[12]

   The basic loan rate applicable under the complementary lending facility will be 1.25 percent.

3. Japan's economy has recovered moderately, although some weakness has been seen in part, partly due to the impact of the situation in the Middle East (see Attachment 2). While higher crude oil prices have been exerting downward pressure on economic activity, the economy has generally been supported by factors such as high levels of corporate profits and an

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9 The new guideline for money market operations will be effective from June 17, 2026.

10 The new interest rate applied to the complementary deposit facility and the new basic loan rate will be effective from June 17, 2026.

11 The interest rates applied to the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas and the Funds-Supplying Operations to Support Financing for Climate Change Responses continue to be the interest rate applied to the complementary deposit facility.

12 The basic loan rate is stipulated in Article 15, paragraph 1, item (ii) of the Bank of Japan Act. The basic discount rate in item (i) in the same paragraph also will be 1.25 percent (discounting of bills is currently suspended).

improvement in the employment and income situation. Meanwhile, the risk of a significant slowdown in the economy appears to have decreased compared with a while ago. This is mainly because the effects of the government's various measures including those to reduce the household burden of higher energy prices will continue to provide support, and progress has been made in securing alternative sources of supply for raw materials that are highly dependent on the Middle East. Against this backdrop, Japan's economy has been developing generally in line with the baseline scenario, which expects that the economy will continue growing moderately, albeit at a decelerated rate.

On the price front, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) has recently been at a level below 2 percent due to factors such as the effects of the government's measures to reduce the household burden of higher energy prices. However, the price pass-through stemming from the rise in crude oil prices has been progressing at a relatively fast pace in business-to-business transactions, which could spread to an increase in consumer prices across a wide range of items. Against this backdrop, taking into account that medium- to long-term inflation expectations have also continued to rise, there is a risk of underlying CPI inflation deviating upward to a level above the price stability target of 2 percent.

Japan's financial conditions have been accommodative. Real interest rates have been negative, mainly in the short- to medium-term zone. Firms' and other entities' demand for funds has increased. Issuance conditions for CP and corporate bonds have also remained favorable.

In view of these developments in economic activity and prices as well as financial conditions, the Bank judged it appropriate to adjust the degree of monetary accommodation from the perspective of sustainable and stable achievement of the price stability target of 2 percent. Accommodative financial conditions are expected to be maintained after the change in the policy interest rate, continuing to firmly support economic activity.

4. As for the future conduct of monetary policy, given that underlying CPI inflation has been approaching 2 percent and financial conditions have been accommodative, the Bank will continue to raise the policy interest rate and adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions. In this regard, it will consider the timing and pace of adjustment, while closely monitoring the impact of the future course of the situation in the Middle East on Japan's economic activity and prices and examining the likelihood of realizing the baseline scenario of the outlook for economic activity and prices and the risks to the outlook. With the price stability target of 2

percent, the Bank will conduct monetary policy as appropriate from the perspective of sustainable and stable achievement of the target.

[Note] Voting for the action: HIMINO Ryozo, UCHIDA Shinichi, NAKAGAWA Junko, TAKATA Hajime, TAMURA Naoki, KOEDA Junko, and MASU Kazuyuki. Voting against the action: ASADA Toichiro. Absent: UEDA Kazuo. Asada Toichiro dissented, considering that, regarding the impact of the situation in the Middle East, downside risks to production and employment were greater than upside risks to prices, and it was desirable for the Bank to maintain the guideline for money market operations.

Attachment 2

Economic Activity and Prices in Japan: Current Situation and Outlook

1. Japan's economy has recovered moderately, although some weakness has been seen in part, partly due to the impact of the situation in the Middle East. Overseas economies have grown moderately on the whole, although some weakness has been seen in part. Exports and industrial production have continued to be more or less flat as a trend. Corporate profits have been at high levels against the backdrop of a solid increase in global AI-related demand. Under these circumstances, business fixed investment has been on a moderate increasing trend. Private consumption has been resilient against the background of an improvement in the employment and income situation, although weakness has been seen in household sentiment. On the other hand, housing investment has been on a declining trend. Public investment has continued to be more or less flat. Meanwhile, labor market conditions have remained tight. Financial conditions have been accommodative. On the price front, with moves to pass on wage increases to selling prices continuing, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) had been above 2 percent, partly due to the effects of the rise in food prices, such as rice prices; however, the rate of increase has recently been at around 1.5 percent due to factors such as the effects of the government's measures to reduce the household burden of higher energy prices. Inflation expectations have risen moderately.

2. Japan's economic growth is likely to decelerate, since the rise in crude oil prices reflecting the impact of the situation in the Middle East is expected to push down corporate profits and households' real income through factors such as a deterioration in the terms of trade. However, the economy is expected to continue growing moderately, albeit at a decelerated rate, since it is likely to be underpinned by factors such as the government's various measures and accommodative financial conditions, in addition to developments such as continued high levels of profits in the corporate sector. Japan's economic growth rate is likely to rise moderately thereafter, since it is projected that the adverse effects of high crude oil prices will wane and that a virtuous cycle from income to spending will gradually intensify. The year-on-year rate of increase in the CPI (all items less fresh food) is likely to accelerate to a level clearly above 2 percent, as the rise in crude oil prices is expected to push up prices, mainly of energy and goods, with moves to pass on wage increases to selling prices continuing. Thereafter, with the waning of the effects of high crude oil prices, the rate of increase is expected to decline toward around 2 percent. Meanwhile, with a sense of labor shortage continuing to be strong, it is

projected that the mechanism in which wages and prices rise moderately in interaction with each other will be maintained, and that medium- to long-term inflation expectations will rise. In this situation, underlying CPI inflation is expected to increase gradually, coming to a level that is generally consistent with the price stability target between the second half of fiscal 2026 and fiscal 2027 and remaining at around that level thereafter. [Note]

3. There are various risks to the outlook. For the time being, it is necessary to pay particular attention to the impact of the future course of the situation in the Middle East on financial and foreign exchange markets and on Japan's economic activity and prices. In addition, it is necessary to pay attention to the effects of developments in global AI-related demand and of future developments in foreign exchange rates on Japan's economic activity and prices.

[Note] Takata Hajime opposed the description regarding the outlook for prices, considering that the level of the rate of increase in the CPI, including underlying CPI inflation, already had generally reached the price stability target. Tamura Naoki opposed the description regarding the outlook for prices, considering that underlying CPI inflation already had been at a level that was generally consistent with the price stability target.

Attachment 3

June 16, 2026

Bank of Japan

Plan for the Outright Purchases of Japanese Government Bonds

At the Monetary Policy Meeting (MPM) held today, the Policy Board of the Bank of Japan reviewed the developments in and functioning of the Japanese government bond (JGB) markets and discussed its approach to future JGB purchases.

In principle, long-term interest rates are to be formed in financial markets, and it is appropriate for the Bank to conduct the purchases of JGBs in a predictable manner, while allowing enough flexibility to support stability in the JGB markets.

Based on this thinking, with a view to improvement of market functioning and stability of the JGB markets, the Bank decided, by a 7-1 majority vote, to conduct the outright purchases of JGBs as follows. [Note]

1. The Bank will reduce the planned amount of its monthly purchases of JGBs by, in principle, about 200 billion yen each calendar quarter until January-March 2027. From April 2027, the amount of its monthly purchases of JGBs will be about 2 trillion yen (see Attachment 4).

2. In the case of a rapid rise in long-term interest rates, the Bank 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.

3. The Bank will not conduct interim assessments of the plan for the outright purchases of JGBs in the future. However, the Bank is prepared to amend the pace of its JGB purchases at the MPMs, if deemed necessary, taking into account the basic thinking on the purchases of JGBs and other factors such as developments in the JGB markets.

[Note] Voting for the action: HIMINO Ryozo, UCHIDA Shinichi, NAKAGAWA Junko, TAKATA Hajime, KOEDA Junko, MASU Kazuyuki, and ASADA Toichiro. Voting against the action: TAMURA Naoki. Absent: UEDA Kazuo. Tamura Naoki considered that the Bank should allow long-term interest rates to be determined by the market and its participants, and proposed that the Bank reduce the amount of its monthly outright purchases of JGBs by about 200 billion yen each calendar quarter until January-March 2028 in principle. The proposal was defeated by a majority vote.

Attachment 4

Amount of Monthly Outright Purchases of Japanese Government Bonds

	Amount of outright purchases of Japanese government bonds (JGBs)
April-June 2026	About 2.7 trillion yen
July-September 2026	About 2.5 trillion yen
October-December 2026	About 2.3 trillion yen
January-March 2027	About 2.1 trillion yen
From April 2027 onward	About 2 trillion yen

Note: The schedule for the outright purchases of JGBs, including the purchase size per auction by residual maturity and dates, will continue to be announced in the "Quarterly Schedule of Outright Purchases of Japanese Government Bonds (Competitive Auction Method)."

(Reference) Expected Amount Outstanding of the Bank's JGB Holdings

	Amount outstanding of the Bank's JGB holdings	Percent reduction from end-June 2024 (Compared to before the reduction)
End-March 2027	About 480 trillion yen	About 17%
End-March 2028	About 430-440 trillion yen	About 24-25%
End-March 2029	About 390-400 trillion yen	About 31-32%
End-March 2030	About 350-370 trillion yen	About 36-39%

Notes: 1. Figures are estimated assuming that the monthly purchase amount will be maintained at about 2 trillion yen. Based on face value.

2. The composition of purchases by residual maturity, etc. is assumed to remain broadly unchanged.