

Clarification of the "Understanding of Medium- to Long-Term Price Stability"

■ The "understanding of medium- to long-term price stability" is:

- The level of inflation that each member of the Policy Board understands, when conducting monetary policy, as being consistent with price stability over the medium to long term (introduced in March 2006).
 - Previously: In terms of the year-on-year rate of change in the CPI, "in the range approximately between 0 and 2 percent, with most Policy Board members' median figures at around 1 percent" (April 2009).

■ Clarification of the "understanding"

Basic recognition

- It is a critical challenge for Japan's economy to overcome deflation and return to a sustainable growth path with price stability.

Points of clarification

- ✓ The Policy Board does not tolerate a year-on-year rate of change in the CPI equal to or below 0 percent.
- ✓ The midpoints of most Policy Board members' "understanding" are around 1 percent.

In a positive range of 2 percent or lower, and the midpoints of most Policy Board members' "understanding" are around 1 percent.

■ Importance of risk assessments

- While keeping in mind the above "understanding," will assess various risk factors, including accumulation of financial imbalances.