Not to be released until 8:50 a.m. Japan Standard Time on Tuesday, July 21, 2009.

July 21, 2009

Bank of Japan

Minutes of the Monetary Policy Meeting

on June 15 and 16, 2009

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

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, 2009, from 2:00 p.m. to 4:54 p.m., and on Tuesday, June 16, from 9:00 a.m. to 12:29 p.m.[1]

Policy Board Members Present

Mr. M. Shirakawa, Chairman, Governor of the Bank of Japan

Mr. H. Yamaguchi, Deputy Governor of the Bank of Japan

Mr. K. G. Nishimura, Deputy Governor of the Bank of Japan

Ms. M. Suda

Mr. A. Mizuno

Mr. T. Noda

Mr. S. Nakamura

Mr. H. Kamezaki

Government Representatives Present

Mr. W. Takeshita, Senior Vice Minister of Finance, Ministry of Finance[2]

Mr. C. Kawakita, Deputy Vice Minister for Policy Planning and Coordination, Ministry of Finance[3]

Mr. B. Fujioka, Vice Minister for Policy Coordination, Cabinet Office

Reporting Staff

Mr. A. Horii, Executive Director (Assistant Governor)

Mr. K. Ido, Executive Director

Mr. H. Nakaso, Executive Director

Mr. M. Amamiya, Director-General, Monetary Affairs Department

Mr. T. Kato, Senior Economist, Monetary Affairs Department

Mr. H. Toyama, Director-General, Financial Markets Department

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[1] The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on July 14 and 15, 2009 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] Mr. W. Takeshita was present on June 16.

[3] Mr. C. Kawakita was present on June 15.

Mr. K. Momma, Director-General, Research and Statistics Department

Mr. T. Sekine, Associate Director-General, Research and Statistics Department

Mr. T. Nunami, Director-General, International Department

Secretariat of the Monetary Policy Meeting

Mr. Y. Iino, Director-General, Secretariat of the Policy Board

Mr. K. Shigyoh, Director, Deputy Head of Secretarial Services for the Board, Secretariat of the Policy Board

Mr. A. Okuno, Senior Economist, Monetary Affairs Department

Mr. R. Hattori, Senior Economist, Monetary Affairs Department

I. Summary of Staff Reports on Economic and Financial Developments[4]

A. Money Market Operations in the Intermeeting Period

The Bank conducted money market operations in accordance with the guideline decided at the previous meeting on May 21 and 22, 2009.[5] The uncollateralized overnight call rate had been at around 0.1 percent.

With a view to ensuring market stability, the Bank continued to conduct money market operations in a flexible manner in response to changes in the market situation, as evidenced by its active purchases of Japanese government securities (JGSs) and CP under repurchase agreements. The Bank also continued to conduct outright purchases of CP and corporate bonds, special funds-supplying operations to facilitate corporate financing, and U.S. dollar funds-supplying operations against pooled collateral. In the Bank's outright purchases of CP and U.S. dollar funds-supplying operations against pooled collateral, the total value of bids had decreased reflecting a decline in financial institutions' demand for liquidity.

B. Recent Developments in Financial Markets

Upward pressure on interest rates in Japan's money market was moderating, but the market had remained nervous as seen in the continuation of low market liquidity and insufficient arbitrage across markets. General collateral (GC) repo rates had been more or less unchanged, but they had remained sensitive to changes in the balance between supply and demand in the market. Interest rates on term instruments showed the following developments. Yields on government bills, including those with a one-year maturity, had declined to the 0.1-0.2 percent range. Euroyen rates had also been on a moderate downward trend, but they had remained at a relatively elevated level, particularly those on term instruments with longer maturities, amid the continued lower volume of transactions. In the CP market, issuing conditions had been relatively stable due mainly to a decline in firms' demand for liquidity, and issuance rates on some CP with high ratings had been below yields on government bills.

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

[5] The guideline was as follows:

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.1 percent.

Japanese stock prices had trended upward following the rise in U.S. stock prices. The Nikkei 225 Stock Average had been moving at around 10,000 yen recently. Long-term interest rates in Japan had risen, albeit slightly, reflecting expectations for economic activity to bottom out. The benchmark rate had been moving in the 1.50-1.55 percent range recently.

The yen temporarily appreciated against the U.S. dollar, but depreciated thereafter and had recently been moving in the range of 95-100 yen to the dollar.

C. Overseas Economic and Financial Developments

The state of the global economy, after deteriorating significantly, had begun to stop worsening.

U.S. economic conditions had continued to deteriorate, but the pace of deterioration was moderating. Home prices continued to be on a declining trend, and housing investment and business fixed investment had been contracting noticeably. Meanwhile, private consumption had been on a downward trend, but the pace of decrease had moderated. Cutbacks in production had continued, and inventory adjustments were making progress. In the labor market, although the number of employees had continued to decline considerably and the unemployment rate had been rising, there were signs that the pace of decline in the number of employees was slowing. Funding conditions for firms and households had remained tight, but had improved somewhat. As for prices, the year-on-year rate of change in the consumer price index (CPI) for all items had been negative, as food prices had remained more or less unchanged and energy prices had been low. The year-on-year rate of increase in the CPI for all items less energy and food, or the core CPI, had been in the range of 1.5-2.0 percent.

Economic conditions in the euro area had continued to deteriorate, but the pace of deterioration was slowing gradually. Private consumption, business fixed investment, and housing investment had decreased. Exports had continued to decline, but the pace of decline was slowing. As for prices, the year-on-year rate of increase in the Harmonized Index of Consumer Prices (HICP) had declined. Economic conditions in the United Kingdom had also continued to deteriorate, with private consumption on a declining trend, but the pace of deterioration was moderating as adjustments in the housing market were becoming marginal.

In China, the deceleration of the economy had come to a halt: although exports had declined, domestic demand continued to show high growth. Economic conditions in the NIEs and the ASEAN countries had begun to stop worsening, as seen in the fact that exports and production had started to increase. Meanwhile, the deceleration of economic growth in India had come to a halt. As for prices, the year-on-year rate of increase in the CPI had been on a declining trend in many Asian economies.

As for global financial markets, money markets were starting to regain stability, as seen in the fact that Treasury-Eurodollar (TED) spreads and credit spreads on CP had generally decreased to their levels in the first half of 2008. On the other hand, credit spreads on corporate bonds, particularly those with low ratings, remained at high levels, even though they had been on a decreasing trend. U.S. and European stock prices had increased, reflecting greater-than-expected improvement in economic indicators and the market view that the failure of a major U.S. automaker would dispel uncertainty. Long-term interest rates in the United States and Europe had risen due not only to an increase in stock prices in these economies but also to a swing back from "flight to quality" and concerns that the supply-demand balance of government bonds would deteriorate.

D. Economic and Financial Developments in Japan

1. Economic developments

Exports had decreased substantially since fall 2008, mainly due to the deterioration in overseas economic conditions, but they had begun to turn upward, mainly due to the waning of adjustment pressures on overseas inventories. They were expected to continue recovering, mainly due to progress in adjustments in overseas inventories.

Public investment had increased reflecting the implementation of the supplementary budgets for fiscal 2008. It was likely to continue increasing for the time being due to the implementation of various economic measures.

With regard to domestic private demand, business fixed investment had declined substantially, reflecting the significant deterioration in corporate profits. It was likely to continue declining for the time being, given the severe situation in corporate profits and firms' funding and the strong sense of excessive capital stock among firms.

Private consumption had weakened, as the employment and income situation had become increasingly severe. Sales at department stores had continued to decrease significantly, reflecting further curtailment of purchases by consumers. On the other hand, the year-on-year rate of decrease in the number of new passenger-car registrations had moderated slightly, mainly due to the reduction in automobile taxes. Meanwhile, indicators of consumer sentiment had recovered slightly due to various demand-boosting policy measures in addition to the decline in retail prices. As the employment and income situation was likely to become increasingly severe, private consumption was likely to remain relatively weak for the time being, although it was expected to be underpinned by the positive effects of various measures and by the decline in prices.

Housing investment had decreased. It was expected to continue decreasing for the time being, given the sluggishness in housing starts.

Production had decreased substantially since fall 2008, but it had begun to turn upward, mainly due to the waning of adjustment pressures on inventories both at home and abroad. It was expected to continue recovering, mainly due to progress in inventory adjustments both at home and abroad.

The employment and income situation had become increasingly severe, with the labor market slackening substantially and household income decreasing noticeably. Household income was likely to continue decreasing for the time being due to lagged effects of the earlier substantial decrease in corporate profits and production.

On the price front, commodity prices, which peaked in summer 2008 and dropped substantially thereafter, were showing a clear uptrend. The three-month rate of change in the domestic corporate goods price index (CGPI) had continued to be slightly below 0 percent due to the earlier fall in commodity prices and the easing of supply and demand conditions for products. The CGPI was likely to continue decreasing gradually for the time being, as supply and demand conditions for products were likely to remain slack. The year-on-year rate of change in the CPI (excluding fresh food) had declined to around 0 percent, reflecting the declines in the prices of petroleum products and the stabilization of food prices. It was expected to become negative, mainly due to the above factors and also to increasing slackness in supply and demand conditions in the overall economy.

2. Financial environment

Financial conditions had generally remained tight, although there had been signs of improvement. The overnight call rate had remained at an extremely low level, and in this situation firms' funding costs had further declined, mainly due to declines in issuance rates on CP and corporate bonds. However, the stimulative effects from low interest rates had been limited given the low level of economic activity and corporate profits. The amount outstanding of bank lending, especially to large firms, had continued to increase at a relatively fast pace, although the pace of increase was somewhat slower than at the end of 2008. Issuing conditions for CP and corporate bonds had improved further: the decline in issuance of CP had mainly reflected a weakening of firms' demand for additional liquidity, and an increasing number of firms had been issuing corporate bonds. However, issuance of corporate bonds by firms with low credit ratings had remained subdued. Many firms had continued to see their financial positions as weak and lending attitudes of financial institutions as severe, although there were some indications that firms' financial situation in these regards had stopped worsening. 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 Developments

Members concurred that overseas economic conditions had begun to stop worsening. As for the outlook, many members said that they were likely to turn upward against the background of further progress in inventory adjustments and the positive effects of fiscal and monetary policy measures. Members agreed that uncertainty surrounding the outlook for the global economy nevertheless remained high, given that the pace of improvement in the economy was likely to be only moderate and risks to the outlook were still tilted to the downside. A few members said that it would take some time to adjust various excesses that had accumulated over the past several years, and in this situation the momentum of recovery in the global economy was likely to remain only moderate.

Members discussed the state of global financial markets. Regarding U.S. financial developments, many members expressed the view that excessive anxiety in the market was dissipating, as it received calmly the outcome of some events that had caused concern, such as stress tests of the largest U.S. bank holding companies and the failure of a major U.S. automaker. They also said that U.S. financial markets remained under strain as market participants continued to be highly cautious about future developments. A few members expressed the view that since the U.S. Public-Private Investment Program was undergoing several modifications and yet to go into operation, removal of financial institutions' impaired assets from their balance sheets was being delayed and as a result, the adverse feedback loop between financial and economic activity might intensify again. Some members raised the following developments as factors behind the recent rising trend of long-term interest rates, particularly in the United States: the abatement of overly pessimistic views about global economic conditions; the swing back from "flight to quality" caused by a lessening of anxiety about financial system stability; and market concerns about the deterioration in the supply-demand balance of government bonds due to the increasing fiscal deficit. They also expressed the view that if, due to the market's skepticism about whether fiscal discipline would be maintained, long-term interest rates rose too fast relative to the pace of economic recovery, this might pose a downside risk to the outlook for the economy.

Turning to the U.S. economy, members concurred that economic conditions had continued to deteriorate, but the pace of deterioration was moderating. Some members noted that the pace of decline in the number of employees was slowing and indicators of consumer and business sentiment were showing improvement. Many members expressed the view that the U.S. economy was likely to level out and start recovering, but the momentum of recovery, particularly in the household sector, would be weak. With regard to the U.S. housing market, some members said that home prices continued to decline and the recent rise in mortgage rates might prolong the adjustments in it. Some members expressed the view that the pace of recovery in private consumption would remain moderate, since the employment situation had continued worsening as evidenced by the rising unemployment rate. One of these members added that, as a result of the recent passage of the Credit Card Accountability, Responsibility, and Disclosure Act, credit card companies were likely to charge borrowers higher loan rates and reduce the size of credit lines, and this might depress private consumption. One member commented that improvement in household balance sheets might be delayed due to the recent rise in gasoline prices and mortgage rates. A different member expressed the view that commercial real estate prices might fall further, and the possible negative effects warranted attention. A few members, noting that in the United States policy actions had been implemented promptly to address the financial system instability, said that it was necessary to check whether or not the pace of U.S. economic recovery was being forecasted too conservatively based on Japan's experience after the bubble.

With regard to the economy of the euro area, most members expressed the view that economic conditions had continued to deteriorate, but the pace of deterioration was slowing gradually. Some members commented that progress in inventory adjustments had been slower than in other economies such as the United States, and the recovery in consumer sentiment had been lagging. Some members said that conditions in Central and Eastern European economies, which had remained severe, continued to pose a downside risk to the economy of the euro area.

Many members expressed the view that the deceleration of the Chinese economy had come to a halt. They noted that, although exports had been declining, fixed asset investment continued to show high growth and the deceleration in production was coming to a halt due to progress in inventory adjustments. A few members expressed the view that, since private consumption remained weak, the sustainability of the positive developments in the economy after the initial effects of fiscal expansion had disappeared was a matter that warranted attention. Some members said that economic conditions in the NIEs and the ASEAN countries had begun to stop worsening, as seen in the fact that exports, particularly to China, and production had started to increase.

Based on the above discussion on economic and financial conditions abroad, members discussed the state of Japan's economy. They concurred that Japan's economic conditions had begun to stop worsening. Many members added that this development followed significant deterioration and the level of economic activity was low. As for the outlook for the near term, members agreed on the following assessment: although domestic private demand was likely to continue weakening, exports and production were likely to continue recovering as inventory adjustments made further progress both at home and abroad; in addition, public investment was likely to continue increasing due to the implementation of various economic measures that had been formulated to date; and in the coming months, Japan's economy was therefore likely to show clearer evidence of leveling out over time. They also concurred that this view was generally in line with the projection presented in the *Outlook for Economic Activity and Prices* released at the end of April.

With regard to the outlook for economic activity in the latter half of fiscal 2009 onward, members agreed that Japan's economy was likely to start recovering with mediumto long-term expectations of future growth generally unchanged, supported partly by the positive effects of measures to stabilize the financial system and of fiscal and monetary policy measures, in addition to a recovery in overseas economies and improvements in conditions in global financial markets. However, they shared the view that, given that economic activity would be greatly influenced by developments in final demand, the outlook was attended by a significant level of uncertainty stemming mainly from developments in overseas economies and global financial markets.

Regarding developments in each demand component, members agreed that exports had begun to turn upward with the progress in adjustments in overseas inventories. They also concurred that exports were likely to continue recovering.

Some members said that business fixed investment had declined substantially, reflecting the significant deterioration in corporate profits, and it was likely to continue declining for the time being. One member said that fixed investment plans of small firms for fiscal 2009 were likely to show the largest ever rate of decline. A few members expressed the view that attention should continue to be paid to the risk that business fixed investment might decline further as a result of a possible downward revision of firms' medium- to long-term expectations of future growth.

Many members said that private consumption had weakened as the employment and income situation had become increasingly severe. A few members said that improvement was evident in sales of some durable goods and in consumer sentiment due partly to the positive effects of various policy measures and the decline in prices. Many members including these members concurred that private consumption was nevertheless likely to remain relatively weak for the time being given the possibility that the adjustment in employment and wages would intensify further. One member commented that the share of labor in income distribution had risen considerably, calculated based on the data for the January-March quarter of the *Financial Statements Statistics of Corporations by Industry, Quarterly*, and that pressures to adjust employment might increase further.

Members agreed that production had begun to turn upward, due to the progress in inventory adjustments both at home and abroad, and it was likely to continue recovering for the time being with further progress in inventory adjustments. One member, however, expressed the view that the outlook for production from the second half of fiscal 2009, when the rebound in production as a result of progress in inventory adjustments would come to an end, was highly uncertain.

Members agreed that the year-on-year rate of change in the CPI (excluding fresh food) had recently declined, reflecting the declines in the prices of petroleum products and the stabilization of food prices, and was likely to become negative, mainly due to the same factors and also to increasing slackness in supply and demand conditions in the overall economy. One member said that the difference between the number of items whose prices had risen and those whose prices had declined had been decreasing at a faster pace. Some members were of the view that, in a situation where the output gap remained significantly negative, the possibility of a decline in firms' and households' expectations about medium- to long-term inflation warranted attention. Meanwhile, a few members said that, given that some of the existing capital stock had become obsolete due to changes in industrial structure, it was possible the size of the negative output gap was being overestimated.

Members also discussed developments in commodity prices, which were showing a clear uptrend, as a factor influencing the outlook for economic activity and prices. Some members attributed higher commodity prices to the following developments: extreme pessimism about world economic conditions had eased; there were expectations that demand from China and other emerging economies would grow; and investors' risk-taking capacity had recovered. A few of these members expressed the view that there was a possibility that accommodative monetary policy implemented around the world had created excessive liquidity and had caused a speculative inflow of funds to the commodity markets. Many members said that the rise in commodity prices might be an upside risk factor for inflation. Some of these members added that if commodity prices increased too fast relative to the pace of recovery of the world economy, negative effects on Japan's economy as a result of deterioration in the terms of trade would be greater than positive ones stemming from growth in exports, and this would be a downside risk factor for economic activity in Japan.

B. Financial Developments

Members agreed that financial conditions in Japan had generally remained tight, although there had been signs of improvement. Many members noted that issuance rates on CP had declined further and an increasing number of firms had been issuing corporate bonds, suggesting that corporate financing conditions had improved somewhat. Some members, however, were of the view that, as could be seen in the fact that issuance of corporate bonds by firms with low credit ratings had remained difficult, the polarization of firms' funding conditions continued. A few members said that many firms had continued to see their financial positions as weak and lending attitudes of financial institutions as severe, although there were some indications that firms' financial situation in these regards had stopped worsening. A few members added that, as business performance had continued worsening, firms were still anxious about future financing.

III. Summary of Discussions on Monetary Policy for the Immediate Future

Regarding the guideline for money market operations for the intermeeting period ahead, members agreed that it was appropriate to maintain the current guideline that the Bank would encourage the uncollateralized overnight call rate to remain at around 0.1 percent.

As for the future conduct of monetary policy, members concurred that the Bank should be attentive to downside risks to economic activity and prices and continue to conduct monetary policy appropriately in line with measures taken so far, which could be divided into three areas: reducing the policy interest rate, ensuring stability in financial markets by providing ample liquidity, and facilitating corporate financing.

Members exchanged views regarding various temporary measures, and the consensus among them was as follows. First, swings in economic activity and prices would become greater if the measures were maintained for a long time even after economic and financial conditions improved, and the Bank had been aware of this risk in its formulation and its implementation of the measures. Second, since each measure was different in its purpose and framework and in its effects on financial markets and overall financial conditions, the future of the measures should not be examined collectively but individually. And third, the examination should be made based on a thorough assessment of developments in financial markets and in corporate financing as a whole. One member said that evaluation of the measures' effects required a comprehensive examination of not only the effects on the markets in which the Bank intervened through the measures but also effects on related markets. The member also noted the importance of taking into account the measures' role as a safety net in the evaluation of their effects. As for the effects thus far, some members -- while admitting that the measures were producing extremely strong effects, for example, a fall in issuance rates on CP with high ratings to below yields on government bills -- were of the view that the measures' role in relieving market participants' funding concerns continued to be significant given that the environment surrounding corporate financing remained severe. One member noted that the Bank's special funds-supplying operations to facilitate corporate financing had been effective in encouraging longer-term interest rates to decline, which was an objective of this measure. Some members referred to the fact that, in the Bank's purchases of CP and corporate bonds, cases where bids fell short of the Bank's offers had occurred frequently; they said that it had been expected since the measures were formulated that a recovery in market functioning would result in weaker bidding. One member expressed the opinion that the further improvement in the issuing conditions for CP and corporate bonds suggested that corporate financing taken as a whole was becoming less tight, and the Bank should therefore start considering specific ways to terminate the temporary and exceptional measures. Some members said, with regard to the Bank's communication, that given that the measures had contributed greatly to ensuring stability in financial markets and facilitating corporate financing, the Bank should, giving due consideration to market predictability, decide at an appropriate time before September 30 whether or not to terminate them.

IV. Remarks by Government Representatives

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

(1) The government understood that the Bank continued to assess Japan's economic and price conditions, particularly price conditions, as severe, predicting that, while in the coming months the economy was likely to show clearer evidence of leveling out over time, the year-on-year rate of change in the CPI was likely to become negative, partly due to increasing slackness in supply and demand conditions in the overall economy.

(2) Strongly determined to prevent the economy from falling into a negative spiral, the government would do its utmost to swiftly put into action all the measures included in the policy package to address the economic crisis, promptly implementing the supplementary budget for fiscal 2009 and obtaining as soon as possible the Diet's approval of related bills, which were being deliberated in the Diet.

(3) The government would like the Bank to continue to support the economy from the financial side by conducting monetary policy in an appropriate and flexible manner, in

parallel with the government's policy efforts described above.

The representative from the Cabinet Office made the following remarks.

(1) Japan's economy had begun to show signs of bottoming out, as exports and production were beginning to level out.
(2) As for the outlook, although the state of the economy was likely to remain severe, it was expected that it would be supported by the weakening of adjustment pressures on inventories and also by the effects of the policy package. At the same time, however, attention should be paid to possible further deterioration in financial and employment conditions and, with the output gap widening substantially, the risk of deflation.
(3) The government would swiftly implement the policy package to address the economic crisis and other measures, in order to prevent the economy from falling into a negative spiral. The government would, by the end of June, formulate "Basic Policies 2009," which would show the path to overcome the economic crisis, identify measures to strengthen the growth potential of Japan's economy and alleviate public anxiety, and present fiscal management plans.
(4) The government would like to request the Bank to continue to support the economy by conducting monetary policy in an appropriate and flexible manner, taking account of the outlook for economic conditions, which was likely to remain severe, and also of the downside risks to the economy and prices.

V. Votes

Based on the above discussions, members agreed that it was appropriate to maintain the current guideline for money market operations, which encouraged the uncollateralized overnight call rate to remain at around 0.1 percent.

To reflect this view, the chairman formulated the following proposal and put it to the vote.

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

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

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.1 percent.

2. A public statement will be decided separately.

Votes for the proposal: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Ms. M. Suda, Mr. A. Mizuno, Mr. T. Noda, Mr. S. Nakamura, and Mr. H. Kamezaki.

Votes against the proposal: None.

VI. Discussion on the Statement on Monetary Policy

Members discussed the Statement on Monetary Policy, and put it to the vote. The Policy Board decided the text by a unanimous vote. It was confirmed that the statement would be released immediately after the meeting (see Attachment 1).

VII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of May 21 and 22, 2009 for release on June 19, 2009.

VIII. Approval of the Scheduled Dates of the Monetary Policy Meetings in July 2009-June 2010

At the end of the meeting, the Policy Board approved the dates of the Monetary Policy Meetings to be held in the period July 2009-June 2010 for immediate release (see Attachment 2).

Attachment 1

June 16, 2009

Bank of Japan

Statement on Monetary Policy

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

   The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.1 percent.

2. Japan's economic conditions, after deteriorating significantly, have begun to stop worsening. Domestic private demand has continued to weaken against the background of declining corporate profits and the worsening employment and income situation. On the other hand, exports and production have begun to turn upward, and public investment has also increased. In the coming months, Japan's economy is likely to show clearer evidence of leveling out over time. Meanwhile, financial conditions have generally remained tight, although there have been signs of improvement. CPI inflation (excluding fresh food) has recently moderated reflecting the declines in the prices of petroleum products and the stabilization of food prices, and, with increasing slackness evident in supply and demand conditions, will likely become negative.

[Note] Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Ms. M. Suda, Mr. A. Mizuno, Mr. T. Noda, Mr. S. Nakamura, and Mr. H. Kamezaki.
Voting against the action: None.

3. With inventory adjustments having proceeded both at home and abroad, economic activity will be greatly influenced by developments in final demand. The Bank's baseline scenario through fiscal 2010, in which expectations of both medium- to long-term growth and inflation are assumed to remain generally unchanged, projects that the economy will start recovering and the rate of decline in prices will moderate from the latter half of fiscal 2009, supported partly by the positive effects of measures to stabilize the financial system and of fiscal and monetary policy measures, in addition to a recovery in overseas economies and improvements in conditions in global financial markets. If these developments continue, there are prospects for Japan's economy to return to a sustainable growth path with price stability in the longer run. However, the outlook is attended by a significant level of uncertainty stemming mainly from developments in overseas economies and global financial markets.

4. With regard to risk factors, those that demand attention in the area of economic activity are the continued high downside risks to the economy stemming from future developments in the global financial and economic situation, changes in medium- to long-term growth expectations, and financial conditions in Japan. Regarding the outlook for prices, there is a possibility that inflation will decline more than expected, if the downside risks to the economy materialize or medium- to long-term inflation expectations decline.

5. The Bank, paying attention for the time being to the downside risks to economic activity and prices, will continue to exert its utmost efforts as the central bank to facilitate the return of Japan's economy to a sustainable growth path with price stability.

Attachment 2

June 16, 2009

Bank of Japan

Scheduled Dates of Monetary Policy Meetings in July 2009-June 2010

	Date of MPM	Publication of MPM Minutes	Publication of Outlook Report (The Bank's View)	(Reference) Publication of Monthly Report
July 2009	14 (Tue.), 15 (Wed.)	Aug. 14 (Fri.)	--	16 (Thur.)
Aug.	10 (Mon.), 11 (Tue.)	Sep. 25 (Fri.)	--	12 (Wed.)
Sep.	16 (Wed.), 17 (Thur.)	Oct. 19 (Mon.)	--	18 (Fri.)
Oct.	13 (Tue.), 14 (Wed.)	Nov. 5 (Thur.)	--	15 (Thur.)
	30 (Fri.)	Nov. 26 (Thur.)	30 (Fri.)	--
Nov.	19 (Thur.), 20 (Fri.)	Dec. 24 (Thur.)	--	24 (Tue.)
Dec.	17 (Thur.), 18 (Fri.)	Jan. 29 (Fri.)	--	21 (Mon.)
Jan. 2010	25 (Mon.), 26 (Tue.)	Feb. 23 (Tue.)	--	27 (Wed.)
Feb.	17 (Wed.), 18 (Thur.)	Mar. 23 (Tue.)	--	19 (Fri.)
Mar.	16 (Tue.), 17 (Wed.)	Apr. 12 (Mon.)	--	18 (Thur.)
Apr.	6 (Tue.), 7 (Wed.)	May 6 (Thur.)	--	8 (Thur.)
	27 (Tue.)	May 26 (Wed.)	27 (Tue.)	--
May	20 (Thur.), 21 (Fri.)	June 18 (Fri.)	--	24 (Mon.)
June	14 (Mon.), 15 (Tue.)	To be announced	--	16 (Wed.)

Note: The time of release will be, in principle, as follows.

MPM Minutes will be released at 8:50 a.m.

Outlook for Economic Activity and Prices (Outlook Report):

"The Bank's View" in the Outlook Report will be released at 3:00 p.m., and the full text at 2:00 p.m. on the next business day.

Monthly Report of Recent Economic and Financial Developments (Monthly Report):

The Japanese original and the English translation for summary will be released at 2:00 p.m. (the English translation for the full text will be published at 4:30 p.m. on the next business day).