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August 5, 2025

Bank of Japan

# Minutes of the Monetary Policy Meeting

## on June 16 and 17, 2025

(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 16, 2025, from 2:00 p.m. to 3:36 p.m., and on Tuesday, June 17, from 9:00 a.m. to 12:24 p.m.[1]

**Policy Board Members Present**

**UEDA Kazuo, Chairman, Governor of the Bank of Japan**
**HIMINO Ryozo, Deputy Governor of the Bank of Japan**
**UCHIDA Shinichi, Deputy Governor of the Bank of Japan**
**NAKAMURA Toyoaki**
**NOGUCHI Asahi**
**NAKAGAWA Junko**
**TAKATA Hajime**
**TAMURA Naoki**
**KOEDA Junko**

Government Representatives Present

SAITO Hiroaki, State Minister of Finance, Ministry of Finance[2]
TERAOKA Mitsuhiro, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance[3]
SETO Takakazu, State Minister of Cabinet Office, Cabinet Office[2]
HAYASHI Sachihiro, Vice-Minister for Policy Coordination, Cabinet Office[3]

Reporting Staff

SHIMIZU Seiichi, Executive Director (Assistant Governor)
KAMIYAMA Kazushige, Executive Director
SUWAZONO Kenji, Executive Director
NAKAMURA Koji, Executive Director

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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, 2025, 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] Present on June 17.

[3] Present on June 16.

OKUNO Akio, Director-General, Monetary Affairs Department

NAGANO Teppei, Associate 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, Head of Economic Research Division, 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

KINOSHITA Takao, Director, Deputy Head of Planning and Coordination Division, 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

KITAHARA Jun, Senior Economist, Monetary Affairs Department

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

### 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 30 and May 1, 2025.[5] The uncollateralized overnight call rate had been in the range of 0.476 to 0.481 percent.

Meanwhile, the Bank had conducted Japanese government bond (JGB) purchases of about 4.1 trillion yen per month in accordance with the JGB reduction plan decided at the July 2024 meeting.

### B. Recent Developments in Financial Markets

In the money market, the uncollateralized overnight call rate had been at around 0.5 percent. The general collateral (GC) repo rate had been at around the same level as the uncollateralized overnight call rate on the whole. As for interest rates on term instruments, yields on three-month treasury discount bills (T-Bills) had increased slightly.

The Tokyo Stock Price Index (TOPIX) had increased in line with U.S. stock prices. Yields on 10-year JGBs had increased in line with U.S. long-term interest rates. In the foreign exchange market, the yen had temporarily appreciated against the U.S. dollar, on the back of dollar selling that was partly due to growing concerns over a deterioration in fiscal conditions in the United States; however, it had depreciated over the intermeeting period along with an improvement in market sentiment. The yen had also depreciated against the euro.

### C. Overseas Economic and Financial Developments

Overseas economies had grown moderately on the whole, although some weakness had been seen in part, reflecting trade and other policies in each jurisdiction. The U.S. economy had grown moderately, although some weakness had been seen in part. European economies remained relatively weak on the whole, mainly in manufacturing, although there had been some front-loading of exports in view of the imposition of tariffs. As for the Chinese economy, despite government support, the pace of improvement in the economy had been on

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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 will encourage the uncollateralized overnight call rate to remain at around 0.5 percent.

a slowing trend, with downward pressure mainly from the increase in tariffs and from adjustments in the real estate market. Emerging and commodity-exporting economies other than China had improved moderately on the whole.

As for the outlook, although trade and other policies in each jurisdiction were expected to lead to a slowdown in overseas economies, they were projected to see a gradual acceleration in their growth rate thereafter, and then grow moderately. There were high uncertainties regarding the outlook, such as the future course of policy conduct in each jurisdiction, developments in the Chinese economy, and how geopolitical tensions would unfold.

With respect to overseas financial markets, market sentiment had improved, mainly due to progress in negotiations between jurisdictions on trade policies and to solid economic indicators in the United States, although attention continued to be drawn to uncertainties over the outlook for the global economy. More recently, market sentiment had become cautious temporarily, reflecting heightened geopolitical risks in the Middle East. U.S. long-term interest rates had risen considerably, partly due to heightened vigilance against a future deterioration in supply and demand conditions in sovereign bonds, as market expectations for policy interest rate cuts by the Federal Reserve had receded. European long-term interest rates had increased slightly in line with U.S. long-term interest rates. With market sentiment improving, U.S. stock prices had risen, partly reflecting solid corporate results; more recently, however, they had declined slightly due to heightened geopolitical risks in the Middle East. European stock prices had fluctuated in both directions in line with U.S. stock prices. Meanwhile, currencies in emerging economies had appreciated, against the background of an improvement in risk sentiment that was mainly because of an agreement between the United States and China to reduce tariff rates. There had been a significant temporary increase in crude oil prices due to heightened geopolitical risks in the Middle East.

**D. Economic and Financial Developments in Japan**

1. Economic developments

Japan's economy had recovered moderately, although some weakness had been seen in part. A virtuous cycle from income to spending had been maintained in the corporate and household sectors, as the impact of U.S. tariff policy had not clearly materialized thus far. Regarding the outlook, economic growth was likely to moderate as trade and other policies in each jurisdiction led to a slowdown in overseas economies and to a decline in domestic corporate profits and other factors, although factors such as accommodative financial conditions were expected to provide support.

Exports and industrial production continued to be more or less flat as a trend, although there had been some front-loading due to the increase in U.S. tariffs. Regarding the outlook, exports and industrial production were likely to be generally under increasing downward pressure stemming from the slowdown in overseas economies, while the front-loading due to the increase in U.S. tariffs and a reactionary decline were likely to be seen.

Corporate profits had been on an improving trend. In this situation, business fixed investment had been on a moderate increasing trend. With regard to the outlook, growth momentum in business fixed investment was highly likely to slow. This was because, although moves to clear order backlogs and labor-saving investment to address labor shortages were expected to provide some support, a deterioration in the profit environment and heightened uncertainties were likely to push down business fixed investment.

Private consumption maintained its moderate increasing trend against the background of an improvement in the employment and income situation, despite weakness in consumer sentiment due to the impact of price rises and other factors. The consumption activity index (CAI; real, travel balance adjusted) had increased for the January-March quarter of 2025 on a quarter-on-quarter basis and continued to increase for April, relative to that quarter, mainly led by firmness in services consumption. Based on anecdotal information from firms, statistics published by industry organizations, and high-frequency indicators, private consumption since May seemed to have been on a moderate increasing trend, particularly in services, although there continued to be some firms that had pointed to consumers' increased thriftiness, which partly reflected a surge in rice prices. Consumer sentiment remained on a deteriorating trend, as heightened uncertainties regarding trade policies had recently exerted downward pressure, in addition to the rise in food prices, such as rice prices. Regarding the outlook, although private consumption was expected to continue to be affected for the time being by the deterioration in consumer sentiment stemming from the rise in food prices, it was projected to maintain its moderate increasing trend, as wage increases as a result of the 2025 annual spring labor-management wage negotiations continued, together with a rise in employment.

The employment and income situation had improved moderately. The number of employed persons continued to increase steadily, mainly for regular employees. Nominal wages per employee had increased clearly. With regard to the outlook, employee income was likely to continue to see a clear increase for the time being, supported by the rise in nominal wages reflecting the 2025 annual spring labor-management wage negotiations. Thereafter, as downward pressure on special cash earnings (bonuses) was likely to strengthen due to a deterioration in corporate profits, the pace of increase in employee income was projected to decelerate.

As for prices, in international commodity markets, crude oil prices had declined, stemming from speculation over the easing of supply and demand conditions of oil due to an increase in output by the Organization of the Petroleum Exporting Countries (OPEC) and other oil-producing countries, while prices of copper and wheat had been more or less flat. The year-on-year rate of increase in the producer price index (PPI) had been in the range of 4.0-4.5 percent recently, but had declined to the range of 3.0-3.5 percent for May due to the effects of the decline in crude oil prices and the yen's appreciation. The year-on-year rate of increase in the services producer price index (SPPI, excluding international transportation) remained relatively high, being at around 3.0-3.5 percent recently, mainly on the back of a rise in personnel expenses. The year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) had been at around 3.5 percent recently, as moves to pass on wage increases to selling prices continued, and as there had been effects of the past rise in import prices and of the rise in food prices, such as rice prices. Inflation expectations had risen moderately. With regard to the outlook, in the short run, the year-on-year rate of increase in the CPI was likely to remain at around the current level due to upward pressure from the rise in food prices, such as rice prices, and from a dissipation of the effects of the government's measures to reduce the household burden of higher energy prices. Thereafter, the rate of increase was expected to decelerate toward the end of 2025, albeit with fluctuations reflecting energy prices, as the impact of the rise in food prices was likely to dissipate.

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 moderately 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 had been favorable. In the corporate bond market, issuance conditions remained favorable on the whole, as developments such as a resumption of postponed issuance had been seen, although issuance spreads had expanded somewhat compared with the level before U.S. reciprocal tariffs were announced. In this situation, the year-on-year rate of increase in the amount outstanding of bank lending had been at around 2.5 percent; that in the aggregate amount outstanding of CP and corporate bonds had been at around 5 percent. Firms' financial positions had been favorable. The pace of increase in the number of bankruptcies of firms had slowed.

Meanwhile, the year-on-year rate of change in the money stock had been at around 0.5 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 market sentiment had improved, mainly due to progress in negotiations between jurisdictions on trade policies and to solid economic indicators in the United States, although attention continued to be drawn to uncertainties over the outlook for the global economy. One member pointed to a significant rise in super-long-term interest rates in major economies as a recent development that required attention. As background to this rise, the member noted the possibility that, because of continued high inflation under near full employment in many countries following the COVID-19 pandemic, fiscal expansion might have been crowding out private-sector investment and easily leading to a rise in interest rates. A different member expressed the view that the situation of government bond markets around the world had been a major topic of discussion, such as at international meetings, and that Japan's economy had entered a phase where attention was warranted on the possibility that unexpected developments in overseas markets would spread to the domestic market.

Members shared the recognition that overseas economies had grown moderately on the whole, although some weakness had been seen in part, reflecting trade and other policies in each jurisdiction. They agreed that, although trade and other policies in each jurisdiction were expected to lead to a slowdown in overseas economies, they were projected to see a gradual acceleration in their growth rate thereafter, and then grow moderately. On this basis, members shared the recognition that there were extremely high uncertainties over the future course and impact of tariff and other policies. One member expressed the opinion that, although business and household sentiment indicators had deteriorated globally, it was necessary to carefully examine upcoming data because it had been difficult to grasp the actual conditions through hard data due partly to the effects of the front-loading prior to the imposition of tariffs. Meanwhile, a few members expressed the recognition that a growing number of jurisdictions were seeking to underpin their domestic demand through expansionary fiscal policy and accommodative monetary policy to address the heightened uncertainties, and that this could ease the slowdown in the global economy to some extent. One of these members added that Japan's economy could unexpectedly experience an upturn or inflationary pressure, while Europe, the United States, and China and other emerging economies had all leaned toward accommodative policies on both the fiscal and monetary fronts. A different member pointed out that such fiscal and monetary policies would not provide a fundamental correction to the world's external imbalances and could even affect other economies. The member then noted that it was therefore necessary to continue to carefully monitor the risk of a global economic slowdown. Meanwhile, one member expressed concern that a recent heightening of geopolitical risks in the Middle East might destabilize the global economy, mainly through an increase in crude oil prices.

Members agreed that the U.S. economy had grown moderately, although some weakness had been seen in part. A few members noted that, although signs of deceleration had been observed in soft data, including business sentiment, firmness had been observed at this point in much of the hard data, particularly for employment. One of these members expressed the opinion that tightness in the U.S. labor market would likely gradually ease as labor demand saw a moderate deceleration, generally in line with the deceleration in labor supply. A different member expressed the view that the U.S. economy was unlikely to plunge into severe recession, triggered by credit contraction as seen during past economic downturns, because the balance sheets of households, firms, and financial institutions in the United States had been mostly sound and financial conditions had been stable. In this regard, the member noted that policies, such as tariffs, that had a negative impact on economic growth had come first and had been drawing attention thus far, but recently, discussions had been made on policies that had a positive impact on economic growth, such as reducing domestic taxes. On the other hand, one member pointed out that, in light of high personnel expenses and a limited number of manufacturing workers in the labor market, the consequences of tariff policy aimed at moving manufacturers' overseas production sites back to the United States entailed high uncertainties, and that there was rather a possibility of worsening business and household sentiment and an acceleration in the pace of price rises. On this basis, the member added that close attention was warranted on future developments in economic indicators, since there was a risk of stagflation, with concerns over a surge in crude oil prices.

Members shared the recognition that European economies remained relatively weak on the whole, mainly in manufacturing, although there had been some front-loading of exports in view of the imposition of tariffs. One member expressed the view that, as the underpinning effects on European economies of the easing of Germany's debt brake would only appear in or after 2026, the economic deceleration phase in the euro area that mainly reflected reduced industrial competitiveness, U.S. tariff policy, and the increase in geopolitical risks might be prolonged.

Members shared the opinion that, despite government support, the pace of improvement in the Chinese economy had been on a slowing trend, with downward pressure mainly from the increase in tariffs and from adjustments in the real estate market. One member expressed the view that, although exports from China to countries and regions other than the United States had increased significantly since March 2025, further increases would be difficult due mainly to the slowdown in economic growth in those countries and regions, and to the spreading impact of tariff policy.

Members shared the recognition that emerging and commodity-exporting economies other than China had improved moderately on the whole.

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. Many members expressed the recognition that economic developments since the previous meeting had been generally in line with the Bank's outlook in the April 2025 *Outlook for Economic Activity and Prices* (Outlook Report). Regarding the impact of U.S. tariff policy on the real economy, some members pointed out that hard data had been resilient thus far, partly owing to the effects of the front-loading of exports prior to the increase in tariffs, although confidence indicators had shown some weakness. One of these members added that, while much of the hard data for April and May had been relatively solid, it was likely that the effects of tariff policy were yet to materialize. One member expressed the recognition that, although the direct impact of U.S. tariff policy had not been observed so far, Japan's economy had been somewhat stagnant, mainly against the background of a deterioration in sentiment reflecting elevated food prices and tariff policy.

As for the outlook for economic activity, members shared the recognition that Japan's economic growth was likely to moderate as trade and other policies in each jurisdiction led to a slowdown in overseas economies and to a decline in domestic corporate profits and other factors, although factors such as accommodative financial conditions were expected to provide support. They continued that thereafter, however, Japan's economic growth rate was likely to rise, with overseas economies returning to a moderate growth path. One member pointed out that, according to anecdotal information from a wide range of industries, including small and medium-sized firms, some had been withholding judgment about the impact of U.S. tariff policy amid the lack of information from which the future direction of the policy could be determined. On this basis, the member expressed the view that, while the impact of U.S. tariff policy would certainly exert downward pressure on firms' sentiment, the Bank needed to take some time to examine the magnitude of the impact on the real economy. A few members expressed the view that, although uncertainties remained high, there was a possibility that downward pressure on Japan's economy stemming from U.S. tariff policy would turn out to be less strong than they had expected at the time of the previous meeting. One of these members noted that, although the impact of U.S. tariff policy on such sectors as automobiles and steel warranted close attention, the degree of its transmission to industry as a whole might turn out to be more limited than expected, given developments such as a decline in the share of exports to the United States and a shift to value-added products. On the other hand, one member said that, looking at the *Financial Statements Statistics of Corporations by Industry*, while firms' earning power and capacity for raising wages had improved, it seemed, in the case of small and medium-sized firms, that it had been difficult for these firms to both raise wages and maintain business fixed investment. The member then expressed the view that Japan's economy was thus at the crossroads between making a transition to a "growth-oriented economy driven by wage increases and investment" and falling into stagflation.

Members shared the recognition that exports and industrial production continued to be more or less flat as a trend, although there had been some front-loading due to the increase in U.S. tariffs. One member noted that a pronounced decline in real exports had not been observed thus far, partly owing to the front-loading.

Members concurred that business fixed investment had been on a moderate increasing trend with corporate profits being on an improving trend. A few members expressed the view that, although developments such as investment to make up for labor shortages were likely to remain solid, a deterioration in investment stance due to uncertainties surrounding tariff policy warranted close attention. In relation to this, one of these members said that, while some firms were, for the time being, waiting to see how the situation developed, only a few firms had mentioned thus far that they had decided to cancel fixed investment. The member then expressed the recognition that it was important to thoroughly collect micro-level information, since the situation could change suddenly. A different member pointed out that, according to anecdotal information from firms, despite the impact of U.S. tariff policy, many firms would (1) continue to make high levels of business fixed investment, including investment in digital transformation and efficiency-improving investment; and (2) make solid investment to strengthen profits to address shareholders' expectations.

Members concurred that private consumption maintained its moderate increasing trend against the background of the improvement in the employment and income situation, despite weakness in consumer sentiment due to the impact of price rises and other factors. One member expressed the view that private consumption had been largely supported by factors such as government measures, expectations for wage increases, and solid inbound tourism consumption, and that this was the reason why consumption measured by macroeconomic statistics had not weakened, despite consumers' thriftiness. The member also said that, since there would likely be an increasing number of news reports on a deterioration in corporate profits due to tariff policy, close monitoring was required on how this would affect consumer sentiment.

Members shared the view that the employment and income situation had improved moderately. Pointing out that the impact from U.S. tariff policy had not been observed in the results of the 2025 annual spring labor-management wage negotiations, a few members expressed the view that, if the impact were to appear, it would begin to be reflected in winter bonuses. In relation to this, a few other members noted that, according to anecdotal information from firms, many of them would continue to raise wages to address labor shortages, despite the impact of U.S. tariff policy. On the other hand, one member expressed the view that a decline in small and medium-sized firms' capacity for raising wages was a matter of concern, given a survey suggesting that the share of small and medium-sized firms that had raised wages had declined somewhat for fiscal 2025, compared with fiscal 2024. Meanwhile, one member pointed out that, although the year-on-year rate of change in real wages per employee had been negative recently, it should also be taken into account that hourly real wages had risen, with working hours decreasing due to progress in working-style reforms. On this basis, the member expressed the view that it was necessary to closely monitor developments in the labor market from the perspective of (1) how far improvements in labor productivity had been reflected in real wages, and (2) to what extent there had been movement of labor to firms with high productivity.

As for prices, members agreed that the year-on-year rate of increase in the CPI (all items less fresh food) had been at around 3.5 percent recently, as moves to pass on wage increases to selling prices continued, and as there had been effects of the past rise in import prices and of the rise in food prices, such as rice prices. In addition, they agreed that inflation expectations had risen moderately. Some members noted that, although uncertainties regarding trade policies remained extremely high, prices had been relatively high recently compared with the Bank's outlook in the April 2025 Outlook Report, mainly reflecting the rise in food prices, such as rice prices. One of these members expressed the view that changes in price-setting behavior had likely taken hold in industries such as food and dining-out, and that whether this would spread to other industries warranted close attention. A different member commented that the rise in prices of food, including fresh food, and other items was attributable to (1) a decline in supply capacity, (2) rises in personnel expenses and other various costs, and (3) irregular weather caused by climate change. The member continued that these factors were highly likely to remain in place. On the other hand, one member was of the opinion that, although price rises for food and other items continued, prices of fresh food and rice had passed their peak, owing to an increase in the domestic supply of those items and to policy support. Meanwhile, with regard to developments in services prices, one member pointed out that the growth rate of services prices excluding housing rent and public services had recently been high. The member then expressed the view that, for services items, there was now less room for maintaining prices by quality adjustment, and that this in turn had started contributing to some extent to the rise in their selling prices. In response, a different member expressed the opinion that, despite rising nominal wages, the pass-through of such wages to services prices seemed to have plateaued, with the exception of dining-out and other services.

With regard to the outlook for prices, members shared the recognition that the effects of the past rise in import prices and of the recent rise in food prices such as rice prices -- these factors had pushed up the inflation rate -- were expected to wane gradually. One member expressed the view that, since the PPI had already stopped increasing, reflecting developments in foreign exchange rates, CPI inflation for food items would likely moderate gradually, and that rice prices could also be expected to decline due to policy effects. Members shared the view that underlying CPI inflation was likely to be sluggish, mainly due to the deceleration in Japan's economy, but was expected to increase gradually thereafter, since it was projected that a sense of labor shortage would grow as the economic growth rate rose, and that medium- to long-term inflation expectations would rise. They continued that, in the second half of the projection period of the April 2025 Outlook Report, underlying CPI inflation was likely to be at a level that was generally consistent with the price stability target. One member pointed out that the entrenched zero norm with regard to wages and prices, in which wages cannot be raised due to the difficulty in passing on higher labor remuneration to selling prices, had started to dissipate. On this basis, the member expressed the view that it was important that the momentum of wage increases be sustained even with corporate profits being pushed down by tariff policy. One member said that attention was warranted on price rises due to domestic factors such as wage increases to address labor shortages.

As for risks to economic activity and prices, members concurred that it was extremely uncertain how trade and other policies in each jurisdiction would evolve and how overseas economic activity and prices would react to them. They continued that it was therefore necessary to pay due attention to the impact of these developments on financial and foreign exchange markets and on Japan's economic activity and prices. Some members noted that, in the event that corporate profits were pushed down due to the impact of U.S. tariff policy, close attention needed to be paid to whether firms' wage- and price-setting behavior, which had been active in recent years, would remain intact. One of these members expressed the opinion that, while the overall high levels of corporate profits brought about by the past depreciation of the yen would likely act as a buffer, it was necessary to closely monitor whether pressure through the supply chain to cut costs or pressure to restrain wages would arise at individual firms. In relation to this, a different member expressed the view that the export price index on a contract currency basis had declined for two consecutive months, for April and May 2025. The member continued that attention was therefore warranted on the spread of price cuts by exporters to offset the increase in tariffs, and on developments in price competition in the U.S. market. Meanwhile, a few members pointed out that rice prices had almost doubled compared with 2024, and that this rise had spread to prices of related items. These members then expressed the view that, as prices of rice -- which is a staple food in Japan -- and other commonly and frequently purchased food items could have a greater impact on households' perceived inflation and inflation expectations, it was necessary to closely monitor developments in prices of these items.

**B. Financial Developments**

Members agreed that financial conditions in Japan had been accommodative. One member noted that stability in Japan's financial system had been maintained, and that market sentiment had also improved.

**III. Staff Reports on a Plan for the Reduction of the Purchase Amount of JGBs**

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

(1) Since the Bank started to reduce its purchase amount of JGBs in summer 2024, the functioning of the JGB markets continued on an improving trend on the whole. This was evidenced, for example, by the fact that the diffusion index (DI) for the degree of bond market functioning in the *Bond Market Survey* had consistently followed an improving trend through the turn of 2025, after hitting bottom at the beginning of 2023. After the start of April, volatility in the JGB markets had increased in response to U.S. tariff policy, and market liquidity had accordingly declined temporarily. However, the JGB markets had regained stability recently, as seen, for example, in bid-ask spreads having improved on the whole, with market sentiment heading toward improvement.

(2) Meanwhile, the reduction of the Bank's purchase amount of JGBs had likely led to enhanced market functioning through an improvement in liquidity, mainly of newly issued bonds. It could also be assessed that enhanced market functioning was brought about by an improvement in the supply and demand conditions of the cheapest-to-deliver (CTD) issues of JGB futures owing to the reduction in the Bank's repurchase amount of the CTD issues under the Securities Lending Facility (SLF). Given these initiatives, the enhancement of JGB market functioning had progressed, but the Bank's share of JGB holdings remained high and market functioning was still on its way to improvement.

The staff then reported market participants' views on the developments in and functioning of the JGB markets and a plan for the reduction of the Bank's purchase amount of JGBs, views which were collected at the Bond Market Group Meeting held on May 20 and 21, 2025.

(1) As for <u>the developments in and functioning of the JGB markets</u>, many participants pointed out that, although market liquidity had declined temporarily from early spring due to the effects of U.S. tariff policy, the functioning of the JGB markets had been on an improving trend on the whole. There were also not a few views that market functioning was still on its way to improvement, given that the amount outstanding of the Bank's JGB holdings remained high.

(2) Regarding <u>the current plan for the reduction of the Bank's purchase amount of JGBs</u>, most participants were of the opinion that the Bank should continue with the reduction as planned, in a situation where the reductions to date had steadily led to an improvement in market functioning.

(3) As for <u>the Bank's JGB purchases from April 2026</u>, many participants expressed the view that it would be appropriate to continue to reduce its purchase amount of JGBs, given the recognition that it was important for the Bank to continue making efforts to further improve market functioning. Specifically, many were of the opinion that the Bank should continue to reduce the amount of its monthly JGB purchases for about a year at the current or a somewhat slower pace, to about 1 to 2 trillion yen. Many participants also expressed the need for a framework that allowed the Bank to continue to ensure flexibility by, for example, conducting an additional interim assessment of the reduction plan.

(4) With respect to <u>other related issues</u>, many participants voiced the opinion that it was appropriate to maintain a framework that allowed the Bank to conduct unscheduled JGB

purchases or modify the amount of its purchases in each maturity segment, while taking into consideration the situation regarding market functioning and liquidity. In addition, some participants commented that, with a view to further improving market functioning, the Bank should consider implementing the following measures for JGB issues of which it held a significant share: increasing the upper limit on the reduction in the Bank's repurchase amount of JGBs under the SLF, and expanding the issues to which the reduction applied under the same facility.

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 reduction of the purchase amount 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 reduce its purchase amount of JGBs in a predictable manner, while allowing enough flexibility to support stability in the JGB markets.

(2) It was important for the Bank to continue to reduce its purchase amount of JGBs to ensure that long-term interest rates were formed more freely in financial markets. On the other hand, with the reduction of the purchase amount progressing, if the pace of the reduction was too fast, this might have an unforeseen impact on market stability.

(3) To allow it to strike a balance between these two factors, and thereby improve the functioning of the JGB markets in a manner that supported stability in the markets, it was appropriate for the Bank to slow the pace of the reduction from April 2026.

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

(a) The time frame for the plan for the reduction would be the period until March 2027.

(b) With regard to the amount and pace of the reduction, the Bank would maintain the reduction plan decided in July 2024 until January-March 2026 and cut down its monthly purchase amount by about 400 billion yen each calendar quarter in principle; from April-June 2026, it would cut down the amount by about 200 billion yen each calendar quarter in principle, so that the amount would be about 2 trillion yen in January-March 2027.

(c) 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.

(d) 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.

(e) At the June 2026 Monetary Policy Meeting, the Bank would conduct an interim assessment of the plan for the reduction of its purchase amount of JGBs. In principle, the Bank would maintain the plan for the reduction after the assessment, while it might modify the plan as appropriate, if deemed necessary after reviewing the developments in and functioning of the JGB markets. At the meeting, it would also discuss a guideline for its JGB purchases from April 2027 and announce the results.

(f) The Bank would amend the plan for the reduction of its purchase amount of JGBs at the Monetary Policy Meetings, if deemed necessary.

(g) In addition to deciding on a reduction plan, the Bank would implement measures regarding the SLF, from the viewpoint of improving liquidity in the JGB market, including an expansion of the issues of JGBs applicable to the relaxed conditions for the reduction in the Bank's repurchase amount.

## 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 reduction of the purchase amount of JGBs.

Members first exchanged views on the guideline for money market operations for the intermeeting period and agreed that it was appropriate for the Bank to maintain the guideline that it would encourage the uncollateralized overnight call rate to remain at around 0.5 percent. Many members expressed the view that, even though prices had been somewhat higher than expected, there were high uncertainties in the outlook, and that it was necessary to examine economic developments, considering the downside risks to economic activity stemming from U.S. tariff policy and the situation in the Middle East. These members continued that it was therefore appropriate for the Bank to maintain its current stance regarding the conduct of monetary policy. One member expressed the view that the Bank should, at this point, maintain accommodative financial conditions with the current interest rate level and thereby firmly support the economy, given the following: (1) even if Japan's economic activity and prices developed in line with the Bank's baseline scenario, it was likely that economic growth would moderate and that the improvement in underlying CPI inflation would be sluggish temporarily; and (2) there were high uncertainties and downside risks as negotiations between the United States and other jurisdictions on trade policies had just begun. A different member expressed the recognition that, in the current phase, the Bank should monitor the effects on economic activity and prices of the policy interest rate hike decided in January 2025.

As for the future conduct of monetary policy, members shared the view that, if the baseline scenario of the outlook for economic activity and prices was realized, the Bank would, in accordance with improvement in economic activity and prices, continue to raise the policy interest rate and adjust the degree of monetary accommodation. In this regard, they agreed that, considering the extremely high uncertainties regarding the future course of trade and other policies in each jurisdiction and the impact of these policies, it was important for the Bank to carefully examine factors such as developments in economic activity and prices as well as in financial markets at home and abroad, and judge whether the baseline scenario would be realized, without any preconceptions. A few members expressed the view that, taking into account the fact that wages had been solid and prices had been slightly higher than expected, the Bank would likely move on from its current wait-and-see approach and consider resuming the process of policy interest rate hikes, if trade friction was expected to progress without escalation. One member expressed the recognition that, given the high uncertainties, the Bank was considered to be in a phase of pausing its policy interest rate hikes for the time being. The member continued that, however, the Bank also needed to be able to respond in a flexible and nimble manner so that it could return again to the phase of raising its policy interest rate depending on policy developments in the United States. One member said that, with inflation being at levels higher than expected, the Bank might face a situation where it should adjust the degree of monetary accommodation decisively, even when there were high uncertainties. In response to this, a different member pointed out that there were extremely high uncertainties regarding the outlook for Japan's economic activity, and that risks remained skewed to the downside. The member then expressed the recognition that it would still take some time to be able to determine future developments in corporate profits and the direction

U.S.-Japan trade negotiations would take, and that it was therefore appropriate for the Bank to maintain the policy interest rate at its current level for the time being.

Members then discussed the plan for the reduction of the purchase amount of JGBs.

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 reduce its purchase amount 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 predictability of the Bank's future reduction of the purchase amount of JGBs, it was appropriate for the Bank to extend the time frame for its reduction plan by one year, through the end of fiscal 2026. Furthermore, members agreed that it was appropriate for the Bank to clarify the following points to ensure flexibility in its reduction plan. First, at the June 2026 Monetary Policy Meeting, the Bank would review the developments in and functioning of the JGB markets and conduct an interim assessment of the JGB reduction plan. Second, as in the past, 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 third, the Bank might amend the plan for the reduction of its purchase amount of JGBs at the Monetary Policy Meetings, if deemed necessary.

Members then considered the specific purchase amount of JGBs. First, many members shared the recognition that, although the functioning of the JGB markets had started to recover since summer 2024, when the Bank began the reduction of its purchase amount, it was still on its way to recovery. On this basis, members agreed that it was important for the Bank to continue the reduction of its purchase amount of JGBs to ensure that long-term interest rates were formed more freely in financial markets. In relation to this, many members shared the recognition that, with the reduction of the purchase amount progressing, if the pace of the reduction was too fast, this might have an unforeseen impact on market stability. These members continued that, in formulating a plan for the reduction, it was therefore necessary to strike a balance between improving market functioning and maintaining stability in the JGB markets.

Regarding the specific amount and pace of the reduction in its JGB purchases, members agreed that it was appropriate for the Bank to cut down the purchase amount by about 400 billion yen each calendar quarter in principle through March 2026, and thereby maintain the reduction plan decided in July 2024. One member noted that no particular problems had arisen over the past year that required the Bank to change its current pace of reduction. The member then expressed the opinion that, given that many market participants had a similar view, it was appropriate for the Bank to maintain the current plan.

As for the treatment of the Bank's JGB purchases from April 2026, most members expressed the recognition that, while taking into account views from market participants, it was appropriate for the Bank to slow the pace of reduction in its purchase amount and cut down the amount by about 200 billion yen each calendar quarter in principle, so that the Bank could continue to improve market functioning while supporting stability in the JGB markets. One member pointed out that, while it was desirable for the Bank to reduce its share of JGB holdings as swiftly as possible, if it proceeded too hastily with the reduction, the adjustments might end up taking more time, as was the case when the Federal Reserve had to discontinue its quantitative tightening in 2019. On this basis, the member added that, if the Bank reduced its purchase amount of JGBs significantly and then increased the amount again, this could unnecessarily increase the risk of confusion in the market. One member expressed the view that -- considering, for example, the weak recovery in Japan's economy and the JGB holding capacity of the market -- it was appropriate for the Bank to slow the pace of reduction in its purchase amount from the perspective of risk management. Furthermore, a different member was of the view that, given that the Bank had purchased a large amount of JGBs, the reduction of its purchase amount would increase the supply of JGBs to the market. The member continued that, taking this into consideration, it could be said that the market was in a phase with one of the largest supplies of JGBs compared to the past. Based on this, the member noted that, to prevent the market from becoming unstable, it was necessary for the Bank to adjust the reduction of the purchase amount, taking into account the amount of JGB supply in the past, and to carefully examine how the market responded. One member pointed out that, considering factors such as financial institutions' capacity for interest rate risk-taking, the further the reduction of the purchase amount progressed, the more significant the impact on the JGB markets would become in terms of both flow and stock. The member then suggested that, in a situation where views on this issue had varied across market participants, the Bank consider slowing the pace of reduction to some extent, as a precautionary measure. In addition, some members were of the view that, while having the perspective of ensuring a smooth exit from the past large-scale monetary easing, it might be appropriate for the Bank to proceed with the reduction of the purchase amount at a moderate pace, given clear and thorough communication with market participants.

Moreover, one member commented that it was desirable for the Bank to slow the pace of reduction in its purchase amount of JGBs from April 2026, but this did not mean that the Bank had changed its stance on monetary policy conduct. The member then pointed out that the Bank needed to communicate this point appropriately so that its stance would not be misunderstood. Moreover, a different member expressed the view that the slowing of the pace of reduction in the Bank's purchase amount was aimed at avoiding adverse effects on economic activity and prices due to rapid fluctuations in interest rates, while allowing the rates to be determined, in principle, by the market. The member continued that it would be necessary for the Bank to clearly explain that the slowing did not in any way aim at giving consideration to the fiscal situation.

In response to these discussions, one member expressed the opinion that, from April 2026, the Bank should continue to reduce its purchase amount of JGBs by about 400 billion yen each calendar quarter in principle. To support this opinion, the member noted that the Bank should allow long-term interest rates to be determined by the market and its participants, and that it should therefore normalize the level of the amount outstanding of its JGB holdings as soon as possible. The member then expressed the view that doing so was also important from the perspective of increasing, at the earliest possible time, the capacity in financial markets to absorb shocks. In addition, the member said that the Bank should not raise market expectations for its JGB purchases, while pointing out that -- in terms of financial institutions' capacity for interest rate risk-taking -- the important point was how JGB maturities at issuance and the issuance volume of floating-rate JGBs would turn out. Moreover, the member added that it was also important for the Bank to reduce the amount outstanding of its JGB holdings relatively early, and thereby ensure room for implementing quantitative easing on a scale that had a fairly notable impact without adversely affecting market functioning. Regarding this member's opinion, one member expressed the view that it seemed reasonable that the Bank maintain the pace of reduction in its purchase amount of JGBs at 400 billion yen with the intention of reducing the purchase amount as soon as possible since the functioning of the JGB markets was still on its way to recovery. On this basis, with due consideration to the JGB markets and in light of the timing to change the pace of reduction, this member was in favor of the plan to maintain the pace of reduction at 400 billion yen through March 2026, and to slow the pace to 200 billion yen thereafter.

Meanwhile, a few members expressed the recognition that the recent rise in the yields of super-long-term JGBs was basically due to a mismatch between supply and demand. One member pointed out that increased volatility in the super-long-term zone might spill over to the entire yield curve, thereby spreading unintended tightening effects to the market as a whole. The member then expressed the recognition that the yield curve formed under stable market conditions could be considered an important financial infrastructure, and that it was therefore necessary to ensure the stability of the market while maintaining close communication among authorities.

Members also discussed topics such as the JGB purchase amount that the Bank should aim for in the future. Some members pointed out that many market participants had indicated that the final level of the JGB purchase amount should be 1 to 2 trillion yen per month. These members then said that, as there were various issues in considering the final level, they would examine these issues carefully in preparation for the June 2026 interim assessment of the JGB reduction plan. In relation to this, one member expressed the view that the Bank should continue with a certain amount of JGB purchases from the perspective of ensuring the stability of the market, and that there was no need to hastily reduce the JGB purchase amount at the risk of sacrificing stability. In response, a different member expressed the opinion that it was desirable that the Bank gradually reduce the JGB purchase amount to zero, while this should be discussed again in a year. On the other hand, one member expressed the view that, if the Bank reduced the amount of its monthly outright purchases of JGBs to, for example, about 1 trillion yen, it was likely that developments regarding its purchases would no longer be discussed in the market. The member continued that, therefore, it might not be necessary to stick rigidly to making the purchase amount zero. Moreover, a different member expressed the recognition that, looking back over the past year, there had been changes in some aspects of the market structure, such as the supply and demand balance in the super-long-term JGB market. The member continued that, given this, it was necessary for the Bank to conduct another interim assessment in a year and discuss its future JGB purchases.

Meanwhile, one member noted that the Bank needed to consider how to set the final level of the JGB purchase amount from a long-term perspective, along with the future course of the reduction in the size of its balance sheet. A different member pointed out that excess reserves were currently at abundant levels, and that it was therefore necessary for the Bank to proceed steadily with the reduction of its purchase amount of JGBs, and thereby normalize its balance sheet. One member expressed the view that, even though excess reserves would likely decrease to some extent, considering their size when combined with the amount outstanding of banknotes issued, the Bank would need to hold a sizable amount of assets, including JGBs, to match the amount of liabilities. In response, a different member commented that the Bank should consider not only JGB purchases, but also the provision of medium- to long-term funds to the market. On this basis, some members, including this member, expressed the recognition that the Bank should consider what would be the optimal size and composition of its balance sheet from various aspects, as the central bank's balance sheet could affect Japan's economic and financial developments from both the asset and liability sides.

**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 11:58 a.m. and reconvened at 12:07 p.m.)

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

(1) The government would make progress toward achieving both economic revitalization and fiscal consolidation, based on the Basic Policy on Economic and Fiscal Management and Reform 2025.

(2) The government expected the Bank to reduce its purchase amount of JGBs as appropriate, including by making flexible responses if deemed necessary, depending on the situation, while giving due consideration to stability in the bond market and other factors.

(3) 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, paying due attention to factors such as economic developments at home and abroad, and communicating effectively with the market.

The representative from the Cabinet Office made the following remarks.

(1) The Japanese economy was recovering at a moderate pace, while there was uncertainty arising from U.S. trade policy and other factors. Due attention was warranted on

downside risks to the economy stemming from the effects of U.S. trade policy and from continued price increases.

(2) The government would do its utmost to address risks facing Japan's economy at this juncture, such as U.S. tariff measures and high prices. It would aim to establish a situation in which the real wage growth rate was around 1 percent. The government would undertake initiatives such as promoting investment and encouraging regional revitalization, and push forward with the transformation to a sustainable economy and society.

(3) The government expected the Bank to conduct monetary policy as appropriate toward achieving the price stability target of 2 percent in a sustainable and stable manner, while closely cooperating with the government. Regarding the reduction of the Bank's purchase amount of JGBs, the government expected the Bank to make flexible responses if deemed necessary, depending on the situation, while communicating with the market as appropriate.

## VI. Votes

### A. Vote on the Guideline for Money Market Operations

Based on the above discussions, to reflect the 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 unanimous 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 0.5 percent.

> Votes for the proposal: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, NAKAMURA Toyoaki, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, TAMURA Naoki, and KOEDA Junko.
>
> Votes against the proposal: None.

**B. Vote on "Plan for the Reduction of the Purchase Amount of Japanese Government Bonds"**

To reflect the majority view of the members, the chairman formulated a proposal on "Plan for the Reduction of the Purchase Amount of Japanese Government Bonds," shown in Attachment 2.

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, from April 2026, the Bank continue to reduce the amount of its monthly outright purchases of JGBs by about 400 billion yen each calendar quarter in principle, so that the amount would be about 1.3 trillion yen in January-March 2027.

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 reduction of the purchase amount of JGBs was defeated by a majority vote.

Votes for the proposal: TAMURA Naoki.

Votes against the proposal: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, NAKAMURA Toyoaki, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, and KOEDA Junko.

The chairman's proposal on the plan for the reduction of the purchase amount of JGBs was decided by a majority vote.

Votes for the proposal: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, NAKAMURA Toyoaki, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, and KOEDA Junko.

Votes against the proposal: TAMURA Naoki.

**C. Discussion on the Statement on Monetary Policy**

On the basis of the above discussions, members discussed the Statement on Monetary Policy. The chairman formulated the Statement on Monetary Policy and put it to a 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 April 30 and May 1, 2025, for release on June 20.

Attachment 1
June 17, 2025
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, to set the following guideline for money market operations for the intermeeting period:

   The Bank will encourage the uncollateralized overnight call rate to remain at around 0.5 percent.

2. Regarding the reduction of its purchase amount of Japanese government bonds (JGBs), the Bank decided, by an 8-1 majority vote, on a plan to reduce the amount of its monthly outright purchases of JGBs so that it will be about 2 trillion yen in January-March 2027. The amount will be cut down, in principle, by about 400 billion yen each calendar quarter until January-March 2026, and by about 200 billion yen each calendar quarter from April-June 2026 (see Attachment).[6] [Note]

3. Japan's economy has recovered moderately, although some weakness has been seen in part. Overseas economies have grown moderately on the whole, although some weakness has been seen in part, reflecting trade and other policies in each jurisdiction. Exports and industrial production have continued to be more or less flat as a trend, although there has been some front-loading due to the increase in U.S. tariffs. With an improving trend in corporate profits, business fixed investment has been on a moderate increasing trend. Private consumption has maintained its moderate increasing trend against the background of an improvement in the employment and income situation, despite weakness in consumer sentiment due to the impact of price rises and other factors. Housing investment has been relatively weak. Public investment has been more or less flat. Financial conditions have been accommodative. On the price front, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) has been at around 3.5 percent recently, as moves to pass on wage increases to selling prices have continued, and as there have been effects of the past rise in import prices and of the rise in food prices, such as rice prices. Inflation expectations have risen moderately.

[6] In addition to this decision, from the viewpoint of improving liquidity in the JGB market, the Bank will implement measures regarding the Securities Lending Facility, including an expansion of the issues of JGBs applicable to the relaxed conditions for the reduction in the Bank's repurchase amount.

Japan's economic growth is likely to moderate, as trade and other policies in each jurisdiction lead to a slowdown in overseas economies and to a decline in domestic corporate profits and other factors, although factors such as accommodative financial conditions are expected to provide support. Thereafter, Japan's economic growth rate is likely to rise, with overseas economies returning to a moderate growth path. With regard to the CPI (all items less fresh food), the effects of the past rise in import prices and of the recent rise in food prices such as rice prices -- these factors have pushed up the inflation rate so far -- are expected to wane. Meanwhile, underlying CPI inflation is likely to be sluggish, mainly due to the deceleration in the economy. Thereafter, however, underlying CPI inflation is expected to increase gradually, since it is projected that a sense of labor shortage will grow as the economic growth rate rises, and that medium- to long-term inflation expectations will rise. In the second half of the projection period of the April 2025 *Outlook for Economic Activity and Prices*, underlying CPI inflation is likely to be at a level that is generally consistent with the price stability target.

There are various risks to the outlook. In particular, it is extremely uncertain how trade and other policies in each jurisdiction will evolve and how overseas economic activity and prices will react to them. It is therefore necessary to pay due attention to the impact of these developments on financial and foreign exchange markets and on Japan's economic activity and prices.

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[Note] Voting for the action: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, NAKAMURA Toyoaki, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, and KOEDA Junko. Voting against the action: TAMURA Naoki. 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 400 billion yen each calendar quarter until January-March 2027 in principle. The proposal was defeated by a majority vote.

Attachment 2

**Plan for the Reduction of the Purchase Amount of Japanese Government Bonds**

In principle, long-term interest rates are to be formed in financial markets, and it is appropriate for the Bank to reduce its purchase amount of Japanese government bonds (JGBs) in a predictable manner, while allowing enough flexibility to support stability in the JGB markets. Taking this into account, the Bank will conduct the outright purchases of JGBs until March 2027 as follows.

1. The Bank will reduce the planned amount of its monthly purchases of JGBs so that it will be about 2 trillion yen in January-March 2027. The amount will be cut down, in principle, by about 400 billion yen each calendar quarter until January-March 2026, and by about 200 billion yen each calendar quarter from April-June 2026 (see Annex).

2. At the June 2026 Monetary Policy Meeting (MPM), the Bank will conduct an interim assessment of the plan for the reduction of its purchase amount of JGBs. In principle, the Bank intends to maintain the plan for the reduction after the assessment, while it may modify the plan as appropriate, if deemed necessary after reviewing the developments in and functioning of the JGB markets. At the meeting, it will also discuss a guideline for its JGB purchases from April 2027 and announce the results.

3. In the case of a rapid rise in long-term interest rates, it 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.

4. The Bank is prepared to amend the plan for the reduction of its purchase amount of JGBs at the MPMs, if deemed necessary.

Annex

**Amount of Monthly Outright Purchases of Japanese Government Bonds**

| | Amount of outright purchases of Japanese government bonds (JGBs) |
|---|---|
| April-June 2025 | About 4.1 trillion yen |
| July-September 2025 | About 3.7 trillion yen |
| October-December 2025 | About 3.3 trillion yen |
| January-March 2026 | About 2.9 trillion yen |
| 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 |

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)."