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November 5, 2025

Bank of Japan

Minutes of the Monetary Policy Meeting

on September 18 and 19, 2025

(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 Thursday, September 18, 2025, from 2:00 p.m. to 3:37 p.m., and on Friday, September 19, from 9:00 a.m. to 12:40 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

NOGUCHI Asahi

NAKAGAWA Junko

TAKATA Hajime

TAMURA Naoki

KOEDA Junko

MASU Kazuyuki

Government Representatives Present

MAEDA Tsutomu, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance

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

OKUNO Akio, Director-General, Monetary Affairs Department

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[1] The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on October 29 and 30, 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 September 19.

[3] Present on September 18.

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

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

HATTORI Ryota, Deputy Director-General, Monetary Affairs Department[4]

OHTA Yukisato, Head of Policy Infrastructure Division, Monetary Affairs Department[4]

KITAHARA Jun, Senior Economist, Monetary Affairs Department

NISHINO Kousuke, Senior Economist, Monetary Affairs Department

[4] Present on September 19.

I. Summary of Staff Reports on Economic and Financial Developments[5]

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 July 30 and 31, 2025.[6] 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 3.7 trillion yen per month in accordance with the JGB reduction plan decided at the June 2025 meeting.

B. Recent Developments in Financial Markets

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

The Tokyo Stock Price Index (TOPIX) had risen significantly, as market sentiment had improved mainly due to the determination of tariff rates for automobiles and other items, and partly reflecting solid corporate results. Yields on 10-year JGBs had been more or less flat. The liquidity indicators in the JGB markets continued to improve on the whole. In the foreign exchange market, the yen had appreciated somewhat against the U.S. dollar, reflecting factors such as weak employment-related indicators in the United States, and had been more or less flat thereafter. The yen had depreciated against the euro, as market expectations of policy interest rate cuts by the European Central Bank had subsided.

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 continued to be relatively weak on the whole, partly reflecting that exports had

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

[6] The guideline was as follows:

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

seen a reactionary decline following earlier front-loading. As for the Chinese economy, despite government support, the pace of improvement in the economy had been on a slowing trend, with downward pressure mainly from tariff increases and 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, these economies 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, despite continued attention to uncertainties over the global economy, market sentiment had improved, mainly due to progress in trade policy negotiations. U.S. long-term interest rates had declined, as market expectations of policy interest rate cuts by the Federal Reserve had increased. Despite the impact of the decline in U.S. long-term interest rates, European long-term interest rates were more or less unchanged, due to prospects of an easing of supply and demand conditions for sovereign bonds amid moves toward fiscal expansion. U.S. stock prices had risen, mainly reflecting solid corporate results and increased market expectations of policy interest rate cuts. European stock prices were more or less unchanged over the intermeeting period; they had risen in line with U.S. stock prices, but had subsequently declined as attention had been drawn to political instability in France. Meanwhile, currencies in emerging economies had been more or less flat. Crude oil prices had declined, mainly on the back of the decision by OPEC Plus to raise its oil production.

D. Economic and Financial Developments in Japan

1. Economic developments

Japan's economy had recovered moderately, although some weakness had been seen in part. 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 and a subsequent reactionary decline, due to the increase in U.S. tariffs. Regarding the outlook, exports and industrial production were likely to be negatively affected by the reactionary decline following the front-loading due to the increase in U.S. tariffs, and were expected to be under gradually increasing downward pressure stemming from the slowdown in overseas economies.

Corporate profits remained at high levels on the whole, although downward effects due to tariffs had been seen in manufacturing. 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 had been resilient 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 been more or less flat recently: while it had increased somewhat for the April-June quarter of 2025 on a quarter-on-quarter basis, the index had then declined somewhat for July, relative to that quarter. Based on anecdotal information from firms, statistics published by industry organizations, and high-frequency indicators, private consumption since August seemed to have remained more or less flat from the previous month, although there continued to be many firms that had pointed to consumers' increased thriftiness, partly due to a rise in food prices, such as rice prices. Consumer sentiment remained at a relatively low level, although it had recently picked up somewhat on the back of increased summer bonuses and the rise in stock prices. Regarding the outlook, although a rise in scheduled cash earnings -- reflecting the results of the 2025 annual spring labor-management wage negotiations and an increase in the minimum wage -- was expected to provide some support, private consumption was likely to be more or less flat, since, in addition to the rise in food prices, the slower growth in winter bonuses reflecting a decline in corporate profits would push down consumption.

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 continued to increase steadily. With regard to the outlook, employee income was likely to continue to see a steady 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 winter 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, prices of crude oil and copper had been more or less flat over the intermeeting period. The year-on-year rate of increase in the producer price index (PPI) had declined, being in the range of 2.5-3.0 percent recently, mainly due to the effects of the past 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) had declined, being at around 3 percent recently, primarily because the impact of the previous year's price hikes had dissipated, although the rate itself remained relatively high, mainly on the back of a rise in personnel expenses. With moves to pass on wage increases to selling prices continuing, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) had been in the range of 2.5-3.0 percent recently, due to the effects of the rise in food prices, such as rice prices, and other factors. Inflation expectations had risen moderately. With regard to the outlook, the year-on-year rate of increase in the CPI was expected to decelerate toward the end of fiscal 2025, as the rise in food prices, such as rice prices, was likely to dissipate and as the effects of the yen's past appreciation were expected to exert downward pressure mainly on durable goods.

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 and corporate bonds had been favorable. In this situation, the year-on-year rate of increase in the amount outstanding of bank lending had been at around 4 percent; that in the aggregate amount outstanding of CP and corporate bonds had been in the range of 7.0-7.5 percent. Firms' financial positions had been favorable. The number of bankruptcies of firms had been more or less flat.

Meanwhile, the year-on-year rate of change in the money stock had been in the range of 1.0-1.5 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, despite continued attention to uncertainties over the global economy, market sentiment had improved, mainly due to progress in trade policy negotiations. Some members noted that U.S. stock prices continued to renew historical highs. As background to these developments, these members expressed the recognition that there were, (1) expectations for high-tech firms to perform well, reflecting an increase in AI-related demand; and (2) views that policy interest rate cuts by the Federal Reserve were likely to underpin the U.S. economy. One of these members pointed out that, while stock markets seemed to be optimistic regarding the outlook for the U.S. economy, attention was also warranted on the possibility that markets would lean toward a pessimistic view if they started to consider downward pressure from tariffs to be larger than expected.

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. As for the outlook, they concurred that, although trade and other policies in each jurisdiction were expected to lead to a slowdown in overseas economies, these economies were projected to see a gradual acceleration in their growth rate thereafter, and then grow moderately. Some members pointed out that, while some weakness had recently been seen in part, the risk of a significant slowdown in overseas economies remained not high given, for example, that the results of the trade negotiations with the United States were not so severe for many countries and regions. One member expressed the recognition that the pass-through of tariff costs to consumers had been moderate in the United States, and taking this and other factors into account, it was becoming more likely that the impact of U.S. tariff policy on the U.S. and global economies would emerge gradually over time, rather than being seen in the form of a sharp deterioration in inflation or employment.

Members agreed that the U.S. economy had grown moderately, although some weakness had been seen in part. Some members commented that, with solid corporate profits, especially among high-tech firms, business fixed investment had increased, driven mainly by AI-related investment. These members continued that private consumption had also been resilient. One of these members added that the U.S. economy was unlikely to plunge into recession, triggered by credit contraction, because the balance sheets of households, firms, and financial institutions in the United States had been mostly sound and financial conditions had been stable. On the other hand, some members expressed the view that the full negative impact of tariff policies on the U.S. economy was still unfolding, and there were uncertainties regarding the timing and magnitude of the impact. A few members expressed the recognition that, while U.S. firms and exporters to the United States had borne much of the burden of tariff costs to date, the degree of pass-through of these costs to U.S. consumers would increase gradually. In relation to this, one member stated that a significant impact on consumer prices had been avoided because U.S. firms had absorbed the tariff costs, but employment could consequently have been adversely affected. On this basis, many members, including this member, pointed out that the pace of increase in the number of employed persons slowed in July and August, and this could indicate that tariff policies were beginning to affect the U.S. labor market. A different member expressed the recognition that, given the decline in labor supply due to the effects of immigration policies, it had become more difficult to interpret data for the number of employed persons and unemployment rates. The member continued that the Bank should therefore pay particular attention to wage developments for the time being. In addition, some members expressed the recognition that the policy interest rate cut recently decided by the Federal Reserve to focus on downside risks to employment was likely to underpin the U.S. economy.

Members shared the recognition that European economies continued to be relatively weak on the whole, partly reflecting that exports had seen a reactionary decline following earlier front-loading.

Members shared the view that, despite government support, the pace of improvement in the Chinese economy had been on a slowing trend, with downward pressure mainly from tariff increases and adjustments in the real estate market.

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 July 2025 *Outlook for Economic Activity and Prices* (Outlook Report). Some members pointed out that the moderate recovery in Japan's economy was evidenced by the fact, among others, that the real GDP growth rate for the April-June quarter was 0.5 percent on a quarter-on-quarter basis and 2.2 percent on an annualized basis, registering positive growth for the fifth consecutive quarter. Many members expressed the recognition that while U.S. tariff policy had negatively affected the profits of Japanese firms, so far there were no signs that the effects had spread to Japan's economy as a whole, including business fixed investment and employment and wage developments.

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. Some members expressed the recognition that while tariff policies would inevitably put a certain degree of downward pressure on the profits of Japanese exporting firms, the high level of profits accumulated due to factors such as the yen's depreciation over the past few years should act as a buffer to some extent. While noting that it warranted attention that the impact of tariff policies was not the same for all industries, one of these members commented that, with a slowdown in the U.S. economy being expected, it was necessary to monitor whether business sentiment of Japanese firms remained at a favorable level or started to deteriorate. A different member expressed the view that Japan's economy was likely to fluctuate for a while, due to the front-loading and subsequent reactionary decline. The member continued that U.S. tariffs were, however, unlikely to derail Japan's economic activity and exert significant downward pressure on prices, as the tariffs had turned out not to be as severe as anticipated.

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 and a subsequent reactionary decline, due to the increase in U.S. tariffs. One member said that overall real exports had not seen the kind of decline that deviated from the trend, although the impact of the reactionary decline following the front-loading had been seen in items such as automobile-related goods.

Members concurred that business fixed investment had been on a moderate increasing trend, with corporate profits remaining at high levels on the whole despite being affected by tariff policies. A few members noted that business fixed investment remained solid on the whole, and various surveys since the previous meeting as well as recent anecdotal information suggested no signs of firms making downward revisions to their business fixed investment plans. In relation to this, one member pointed out that anecdotal information from firms suggested that many of them continued to be committed to firmly moving ahead with investments, such as labor-saving investment, investment in digital transformation, and research and development (R&D) investment. The member then noted that an examination of the September 2025 *Tankan* (Short-Term Economic Survey of Enterprises in Japan) and other information was required to determine whether firms maintained their active business stance. Meanwhile, one member pointed out that, when assessing economic developments based on business fixed investment, attention was warranted on the fact that, particularly in the case of large-scale investments, there might be a significant time gap between when firms make their plans to invest and when they actually undertake the investment, and that the situation could change accordingly.

Members concurred that private consumption had been resilient 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. Some members expressed the recognition that although consumption of nondurable goods remained relatively weak, affected by the rise in food prices, overall consumption remained resilient, partly owing to tight employment conditions and the wealth effects arising from the rise in stock prices. One member pointed out that services consumption -- which had been favorable -- had been somewhat sluggish of late, with consumer sentiment being affected by the recent rise in prices. In response, one member expressed the view that the acceleration in price rises of food, including rice, had peaked out, and private consumption -- which had not followed a recovery path -- had finally started to see an upturn.

Members shared the view that the employment and income situation had improved moderately. A few members pointed out that, in addition to the steady increase in scheduled cash earnings, summer special cash earnings (bonuses, etc.) had also been increasing firmly, reflecting factors such as strong corporate profits in the second half of fiscal 2024. One of these members expressed the view that if such an increase in nominal wages and the downward trend in the rate of increase in consumer prices, including of food, continued, the year-on-year rate of change in real wages could be expected to turn positive and take hold through 2026. A different member expressed the view that the increase in the minimum wage for fiscal 2025, which had marked its largest rise on record, was a symbolic indication of a shift in the norm for prices, and that this would likely have an impact on the prospects for the 2026 annual spring labor-management wage negotiations. On this point, one member expressed the recognition that firms' profit projections for fiscal 2025 continued to vary considerably, depending on their size and industry. The member continued that it was therefore also necessary to closely monitor the impact of the increase in the minimum wage on the business conditions of small and medium-sized firms and small-scale business operators.

As for prices, members agreed that, with moves to pass on wage increases to selling prices continuing, the year-on-year rate of increase in the CPI (all items less fresh food) had been in the range of 2.5-3.0 percent recently, due to the effects of the rise in food prices, such as rice prices, and other factors. In addition, they agreed that inflation expectations had risen moderately. Many members expressed the recognition that price developments since the previous meeting had been generally in line with the Bank's outlook in the July 2025 Outlook Report. One of these members pointed out that, looking at prices in more detail, rice prices had been relatively high compared with expectations, while dining-out, among others, had been relatively weak. One member expressed the view that a considerable portion of the rise in food prices was due to the price of rice, but factors other than rice prices also accounted for a significant portion. A different member expressed the recognition that, although the upward trend in food price rises persisted, the rise had finally started to pass its peak, due in part to the effects of the negative year-on-year rate of change in prices of imported food ingredients in yen terms. Meanwhile, with regard to developments in services prices, a few members expressed the recognition that they continued to increase moderately, driven by a mechanism in which wages and prices interact with each other. One of these members added that the rate of increase in housing rent and public services prices had also gradually accelerated recently. In addition, a few members pointed out that the spread of price rises to a wider range of items could be confirmed by looking at, for example, the distribution of the rate of change in the price of individual items constituting the CPI and developments in the diffusion index of price changes (the share of price-increasing items minus the share of price-decreasing items).

With regard to the outlook for prices, members shared the recognition that the effects of the recent rise in food prices, such as rice prices, were expected to wane. One member expressed the view that, although the outlook for rice prices remained uncertain, the rate of increase in the CPI was likely to gradually decelerate as the price of food, including imported food ingredients, stabilized. In addition, a different member commented, in relation to the recent price increases in processed food, that it seemed that some firms had started to actively raise prices, even amid the levelling off of the rise in import prices. The member continued that given that many firms' profits had not deteriorated to the extent to which cost pass-through to prices was essential, there could be a change in the trend of price increases, depending on the future situation in consumer purchasing behavior. In response to this, one member stated that three points warranted attention: the trend of import prices and raw material prices, such as rice prices; the extent to which the pass-through of cost increases to food prices continued; and the spread of the cost pass-through to the price of items other than food. The member then expressed the recognition that there was a possibility that the price levels of branded rice would remain somewhat higher than expected, and that there seemed to be a higher likelihood that the cost pass-through to food prices would continue, taking into account data and anecdotal information. On this basis, some members, including this member, pointed out that, given that recent food price rises were also somewhat attributable to the pass-through of increased personnel expenses and distribution costs to selling prices, attention was warranted on the possibility that price rises would persist for longer than expected.

In addition, 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 July 2025 Outlook Report, underlying inflation was likely to be at a level that was generally consistent with the price stability target. Some members expressed the recognition that, given recent developments in various indicators, although underlying inflation had been rising moderately toward 2 percent, it had not yet reached 2 percent. One member pointed out that even amid a gradual decline in the actual CPI, underlying inflation had been rising steadily toward 2 percent, and indicators of inflation expectations had been entering the range of 1.5-2.0 percent recently. One member commented that while it was difficult to determine whether underlying inflation had reached 2 percent or had been sluggish, because of measurement errors or latitude in estimation, it was necessary to carefully examine whether underlying inflation remained at around 2 percent, and the Bank should monitor factors including implications from economic models. Meanwhile, a different member noted that there were various indicators that measure underlying inflation and that the Bank needed to identify and examine further each of their characteristics and usefulness. Another member said that while it was not necessarily appropriate to explain in detail all the indicators that were considered to capture underlying inflation, it was also not desirable for attention to be centered on developments in a particular monthly indicator. The member then expressed the view that the Bank needed to continue to consider appropriate ways to disseminate information about underlying inflation. A few members pointed out that underlying inflation was an extremely important concept when conducting monetary policy. Nevertheless, these members expressed the recognition that, given, for example, difficulties in accurately estimating underlying inflation, if discussions were too focused on determining the specific level of underlying inflation, the Bank could become unable to effectively communicate its basic thinking on monetary policy, which is, making monetary policy decisions as appropriate in relation to the outlook for economic activity and prices. One of these members pointed out that, in a situation where underlying inflation was fairly close to 2 percent, it was also necessary for the Bank to focus on actual inflation in its communication. In addition, a different member expressed the recognition that the outlook for fiscal 2026 presented in the July Outlook Report -- in which the year-on-year rate of increase in the CPI would temporarily be below 2 percent, due to a waning of the effects of cost-push factors, and rise again thereafter toward 2 percent -- was based on the judgement that underlying inflation had not yet reached 2 percent, although it had been rising moderately. On this basis, the member expressed the view that it would be appropriate for the Bank not to focus too much on explaining underlying inflation but to place the outlook for economic activity and prices presented in the Outlook Report at the core of its communication of policy conduct, as it had for many years.

As for risks to economic activity and prices, members concurred that it remained highly 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 expressed the view that, the determination of tariff rates for automobiles and other items as a result of negotiations with the United States was a positive development that would lead to reduced uncertainty regarding Japan's economy; nevertheless, uncertainties over the effects of trade and other policies on the economies at home and abroad remained high. One of these members, noting that the largest risk to the outlook was future developments in the U.S. economy, expressed the recognition that, although uncertainty caused by U.S. tariff policy itself was likely to decline, if inflation due to tariffs had a significantly negative impact on the U.S. economy, there would also be an inevitable impact on Japan's economy. In this regard, one member noted that the main scenario of U.S. monetary policy was to conduct gradual policy interest rate cuts toward a neutral interest rate level; however, it was necessary to keep in mind the possibility of significant policy rate cuts to a level below the neutral rate, depending on the future employment situation. In response to this point, a different member pointed out that, in a situation where concerns of an economic slowdown due to the effects of tariffs were shared globally, Europe, the United States, and China and other emerging economies had all leaned toward accommodative policies on both the fiscal and monetary fronts, as had been the case during the pandemic. The member continued that, against this backdrop, the global economy could experience higher-than-expected growth. Regarding risks to prices, a few members pointed out the possibility of longer-than-expected increases in food prices, depending on firms' price-setting behavior, while there was also the possibility of a push-down in inflation if a deterioration in household sentiment affected private consumption. One member expressed the recognition that, in addition to inflationary pressure stemming from domestic factors reflecting sustained wage increases, inflation expectations had risen; given this, among other factors, the price stability target had been more or less achieved. The member then expressed the view that there had already been a shift away from the deflationary norm, and inflation expectations had been rising; in this regard, the second-round effects of price increases were more likely to emerge, and there were upside risks to prices. Furthermore, one member expressed the view that the underlying trend in prices was highly likely to continue developing steadily toward remaining at 2 percent, and risks to prices were skewed to the upside, including the effects of future fiscal policy. In this regard, a different member said that there were no signs so far of cost-push inflation for food prices spreading to a more general rise in underlying inflation, considering the current situation in which consumer sentiment was affected by high prices and, in turn, services consumption was slightly sluggish. Moreover, the member expressed the intention to thoroughly examine future price revisions and the effects of the government's measures regarding disposable income. Meanwhile, some members expressed the recognition that if the U.S. economy decelerated more than expected, it could exert downward pressure not only on Japan's real economy, but also on prices.

B. Financial Developments

Members agreed that financial conditions in Japan had been accommodative. One member noted that stability in the financial system had been maintained, and funding conditions had been accommodative. In addition, the member said that, regarding recent developments in the JGB markets, the effects of the rise in super-long-term interest rates on interest rates of other maturities were likely limited, but close monitoring was required of the extent to which the effects spread.

III. Summary of Discussions on Monetary Policy

Based on the above assessment of economic and financial developments, members discussed monetary policy.

As for the stance on monetary policy conduct for the time being, members concurred that, given that real interest rates were at significantly low levels, if the outlook for economic activity and prices was realized, the Bank, in accordance with improvement in economic activity and prices, would in principle continue to raise the policy interest rate and adjust the degree of monetary accommodation. In this regard, they agreed that, considering that high uncertainties remained 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 outlook would be realized, without any preconceptions.

Based on this thinking, with respect to the guideline for money market operations for the intermeeting period, most members shared the view 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.

Some members expressed the view that, while progress in trade policy negotiations between Japan and the United States was expected to lead to reduced uncertainty regarding Japan's economy, it was necessary to monitor the impact of trade and other policies on economic activity and prices at home and abroad for the time being. These members continued that it was therefore appropriate for the Bank to maintain its current stance regarding the conduct of monetary policy. One of these members expressed the recognition that U.S. tariffs would still have an impact on Japan's economy, even after the rate was reduced to 15 percent, and the outlook for the economy remained unchanged, namely that economic growth was likely to moderate temporarily; on the price front, the inflation rate was likely to be below 2 percent in fiscal 2026, as cost-push pressure with respect to food was expected to wane. The member continued that, given this, the Bank should, at this point, maintain accommodative financial conditions with the current interest rate level and thereby firmly support the economy. One member pointed out that one characteristic of Japan's economy was that domestic demand tended to be vulnerable to negative external shocks. The member then expressed the view that, in the process of normalizing the policy interest rate, it would not be too late even if the Bank made decisions after assessing a little more hard data. A different member expressed the opinion that, although the conditions needed for raising the policy interest rate were gradually being met, a policy interest rate hike at this point, which would come as a surprise to the market, should be avoided, given that the U.S. economy could enter a deceleration phase. Another member expressed the recognition that, judging solely from the perspective of Japan's economic conditions, it might be time to consider raising the policy interest rate again, given that it had been more than six months since the last rate hike; that said, since the degree of slowdown in the U.S. economy remained uncertain, it was appropriate for the Bank to maintain its current stance regarding the conduct of monetary policy for the time being.

On the other hand, a few members expressed the view that it was desirable for the Bank to raise the policy interest rate to around 0.75 percent at this meeting. One of these members expressed the recognition that, while the concerns that had emerged following the imposition of reciprocal tariffs by the United States had been abated, it was considered that, in Japan, there had already been a shift away from the deflationary norm and the price stability target had been more or less achieved. The member continued that, given this, the Bank might return to its monetary policy stance to raise the policy interest rate, and adjust the level of real interest rates that were currently low compared with overseas economies. A different member expressed the view that the impact of the Bank's policy interest rate hikes to 0.5 percent on Japan's economy as a whole had been extremely limited. The member continued that, given that there were currently both upside and downside risks, the Bank should not immediately raise the policy interest rate to a restrictive level; that said, with risks to prices being skewed to the upside, the Bank should set the policy interest rate a little closer to the neutral rate to prevent future shocks arising from possible rapid policy interest rate hikes.

In relation to <u>the future conduct of monetary policy</u>, many members expressed the recognition that it was important for the Bank to carefully examine the likelihood that the baseline scenario for economic activity and prices would be realized, as well as both upside and downside risks, and make decisions without any preconceptions, monitoring the following three factors in particular: (1) developments in the global economy, especially the U.S. economy; (2) the impact of U.S. tariff policy on Japanese firms' profits and wage- and price-setting behavior; and (3) price developments, including food prices. One member expressed the view that it was important whether it could be predicted with some degree of certainty that the trend of wage hikes observed over the past few years would continue, based on, for example, corporate profits and prior information on the 2026 annual spring labor-management wage negotiations. One member said that, if economic activity and prices remained in line with the Bank's outlook and did not deviate considerably from the path anticipated, the Bank should adjust the policy interest rate level at somewhat regular intervals. On this basis, the member expressed the recognition that, looking ahead, a wide range of information, mainly regarding the impact of U.S. tariffs, would become available, such as (1) firms' financial results for the first half of fiscal 2025 and their financial outlook for the fiscal year, and (2) the results of the *Tankan*. A different member pointed out that, although additional insight could be gained by waiting to observe how developments in the U.S.

economy unfolded, the costs of waiting would gradually increase for prices in Japan. The member continued that it would therefore be necessary to weigh up the costs and benefits of waiting and the associated risks. In relation to this, a few members expressed the recognition that, in considering the costs and benefits of waiting, it was necessary to take into account that Japan had experienced prolonged deflation. While noting that attention was warranted on the upside risks to prices in a situation where the output gap had almost reached 0 percent, one of these members pointed out that the Bank's monetary policy required special consideration that was different from other central banks, which was to anchor inflation expectations at 2 percent. The member continued that, as long as inflation expectations were considered to be not well anchored, it was appropriate for the Bank to maintain accommodative financial conditions as much as possible.

Members also discussed the disposal of exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) held by the Bank.

Some members pointed out that, in July 2025, the Bank had completed the disposal of the stocks that it had purchased from financial institutions in order to ensure the stability of the financial system. These members then said that, regarding ETFs and J-REITs, of which the Bank discontinued purchases in March 2024, it could be the appropriate time to consider whether to dispose of these assets and the method of disposal. One of these members expressed the view that, given that the Bank had successfully completed the disposal of the stocks it had purchased from financial institutions, it was desirable for the Bank to start selling ETFs and J-REITs in the same way, without undue delay. A different member expressed the recognition that, in order to proceed with monetary policy normalization in a balanced manner in terms of both quantity and interest rate, the Bank might prioritize the normalization of its balance sheet at this meeting. The member then said that it might be time for the Bank to begin the disposal of ETFs and J-REITs, as time had passed since the termination of the negative interest rate policy and the start of the reduction of the purchase amount of JGBs. One member expressed the view that it was not desirable that there continued to be a significant amount of stocks that could be released to the market, and it was therefore appropriate for the Bank to begin to dispose of ETFs and J-REITs on a scale that did not have a major impact on the stock market. Meanwhile, one member said that, while risk premiums in the stock market had been normalized, those in the J-REIT market were still high. The member continued that, given this, it was desirable to moderate considerably the pace of sales of J-REITs.

In response to the members' views, the chairman requested that the staff explain possible responses regarding the disposal of ETFs and J-REITs.

The staff first explained the fundamental principles for the disposal of ETFs and J-REITs, among other factors, as follows.

(1) The "Principal Terms and Conditions for Purchases of ETFs and J-REITs" lays out the fundamental principles for the disposal of ETFs and J-REITs as follows: the Bank should (a) dispose of these assets for adequate prices, taking into account the situation such as the condition of the ETF or J-REIT market; (b) avoid incurring losses as much as possible; and (c) avoid inducing destabilizing effects on the financial markets as much as possible.

(2) Meanwhile, the Bank had gradually sold the stocks that it had purchased from financial institutions in order to ensure the stability of the financial system; it had completed disposing of all these stocks in July 2025 while avoiding a major impact on the stock market.

On this basis, the staff explained that the Bank's disposal of ETFs and J-REITs could be carried out as follows.

(1) The Bank would sell its holdings of ETFs and J-REITs as described below for the time being, mainly based on the fundamental principles for the disposal of these assets, the insights gained from its experience of disposing of the stocks purchased from financial institutions, and an examination of operational details given these insights.

  (a) The Bank would sell ETFs to the market at a pace of about 330 billion yen (book value basis) per year, based on the prices formed in the exchange market.

  (b) The Bank would sell J-REITs to the market at a pace of about 5 billion yen (book value basis) per year, based on the prices formed in the exchange market.

  (c) As for the above pace at which ETFs and J-REITs would be sold, to avoid inducing destabilizing effects on the financial markets as much as possible, the pace was set so that the proportions of their respective sales amounts to the trading values in the markets, based on market value, would be generally equivalent to the proportion for the sales of the stocks purchased from financial institutions, at about 0.05 percent. On this basis, the sales amounts based on book value were calculated by using the market-to-book ratios as of the end of March 2025.

(d) As with the sales framework for the stocks purchased from financial institutions, the Bank would adopt a framework supporting stability in the financial markets; for example, the amount of sales might be temporarily adjusted within the predetermined range, in response to changes in the condition of the financial markets.

(2) The pace of sales might be modified at future Monetary Policy Meetings after the start of the disposal of ETFs and J-REITs, based on the fundamental principles for the disposal and the experience from the sales to be conducted.

(3) The Bank would discontinue the ETF lending facility, which was introduced in December 2019, given factors such as the current usage of the facility.

(4) If the disposal of ETFs and J-REITs were to be decided at this meeting, the Bank would select a trustee (trust bank), which would conduct the disposal. The disposal would then begin once necessary operational preparations were completed.

In reaction to the staff's explanation, members shared the recognition that the proposals for the disposal of ETFs and J-REITs presented by the staff were appropriate.

Members concurred that it was appropriate for the Bank to decide to start selling ETFs and J-REITs at this timing, when it had completed the disposal of the stocks it had purchased from financial institutions and had largely concluded its examination of operational details based on the experience of this disposal. Regarding the specific pace at which ETFs and J-REITs would be sold, members agreed that, to avoid inducing destabilizing effects on the financial markets as much as possible, it was appropriate for the Bank to sell these assets at a scale generally equivalent to that of the sales of the stocks purchased from financial institutions completed in July 2025; specifically, the Bank would sell ETFs at a pace of about 330 billion yen (book value basis) per year and J-REITs at about 5 billion yen (book value basis) per year, based on the prices formed in the exchange markets. Some members noted the assumption that, with a view to giving consideration to the impact on the markets, it was appropriate for the Bank to set the sales amounts of ETFs and J-REITs so that, on a market value basis, the respective sales amounts would be at a scale generally equivalent to that of the sales amount of the stocks purchased from financial institutions, as explained by the staff. On this basis, one of these members expressed the recognition that, considering that the trading values in the markets were approximately proportionate to the sales amounts based on market value, the sales framework proposed at this meeting incorporated a mechanism for smoothing out the future impact of the sales to a certain extent, in response to changes in financial market conditions. Meanwhile, some members expressed the recognition that, as long as the Bank disposed of ETFs and J-REITs -- which it had purchased in sizable amounts to have an impact on risk premiums in the markets -- at a sufficiently moderate pace that did not have a major market impact, it was inevitable that the disposal would take considerable time. In relation to this, one member expressed the view that, regarding the pace of sales proposed at this meeting, it would likely be pointed out that, simply calculated, the disposal of ETFs and J-REITs would take more than 100 years. The member continued, however, that this would instead be reassuring, and thereby mitigate the impact on the markets. On this basis, given that the Bank would hold ETFs and J-REITs over a long period, a few members expressed the recognition that, while the effects on corporate governance warranted attention, this point was addressed, for example, by provisions for the exercise of voting rights by asset management firms that had accepted the Stewardship Code. These members continued that it was important to continue taking appropriate action through such measures.

Members then agreed that, in disposing of ETFs and J-REITs, it was appropriate for the Bank to adopt a flexible framework supporting stability in the financial markets, which, for example, enabled a temporary adjustment in the sales amount or a suspension of sales, in response to changes in financial market conditions, as with the sales framework for the stocks purchased from financial institutions.

Moreover, members shared the recognition that the pace of sales, in terms of the amount per year, might be modified at future Monetary Policy Meetings after the start of the disposal of ETFs and J-REITs, based on the fundamental principles for the disposal and the experience from the sales to be conducted. In relation to this, one member expressed the view that, from the perspective of predictability, it was desirable that modifications to the pace of sales be limited to cases of considerable changes in circumstances; it was therefore appropriate for the Bank to, in principle, dispose of these assets in a straightforward manner, in line with the method to be decided at this meeting.

IV. 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 11:44 a.m. and reconvened at 11:59 a.m.)

The representative from the Cabinet Office made the following remarks.

(1) The Japanese economy was recovering at a moderate pace, while the effects caused from the U.S. trade policies and so on had been seen in some areas. That said, due attention was warranted on risks from factors such as the effects of continued price increases.
(2) The government would implement the agreement reached in tariff negotiations between Japan and the United States. Meanwhile, it would do its utmost to ensure sound economic and fiscal management, while taking necessary measures with respect to the tariff measures that were still in place. In addition, the government would press forward with efforts to achieve growth in real wages and an increase in the minimum wage.
(3) Regarding the Bank's sales of ETFs and J-REITs, the government expected the Bank to make flexible responses if deemed necessary, depending on the situation, while communicating with the market as appropriate. 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.

The representative from the Ministry of Finance made the following remarks.
(1) In formulating the budget for fiscal 2026, the government would work toward achieving both economic revitalization and fiscal consolidation, in line with the Basic Policy on Economic and Fiscal Management and Reform 2025.
(2) Regarding the basic principles for the disposal of ETFs and J-REITs, the government expected the Bank to make decisions as appropriate, while closely monitoring market conditions and making flexible responses if deemed necessary.
(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.

V. Votes

A. Vote on the Guideline for Money Market Operations

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

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.

However, Takata Hajime considered that there had been a shift away from the deflationary norm and the price stability target had been more or less achieved, and Tamura Naoki considered that, with risks to prices becoming more skewed to the upside, the Bank should set the policy interest rate a little closer to the neutral rate. They each proposed separately the following.

Takata Hajime and Tamura Naoki's Policy Proposals 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 0.75 percent.

Takata Hajime and Tamura Naoki's policy proposals on the guideline for money market operations were defeated by majority votes.

Votes for the proposals: TAKATA Hajime and TAMURA Naoki.
Votes against the proposals: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, KOEDA Junko, and MASU Kazuyuki.

The chairman's policy proposal on the guideline for money market operations was decided by a majority vote.

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

B. Vote on Establishment of "Basic Principles for Disposal of ETFs and J-REITs"

To reflect the view of the members, the chairman formulated a proposal on establishment of the "Basic Principles for Disposal of ETFs and J-REITs," shown in Annex, and put it to a vote.

The Policy Board decided the proposal by a unanimous vote.

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

Votes against the proposal: None.

C. Vote on Amendment to "Special Rules for Lending of ETFs"

To reflect the view of the members, the chairman formulated a proposal on amendment to the "Special Rules for Lending of ETFs" and put it to a vote.

The Policy Board decided the proposal by a unanimous vote.

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

Votes against the proposal: None.

D. 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).

VI. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of July 30 and 31, 2025, for release on September 25.

Attachment 1

September 19, 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 7-2 majority vote, to set the following guideline for money market operations for the intermeeting period: [Note]

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

2. With regard to exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) it holds, the Bank decided, by a unanimous vote, to sell these assets to the market in accordance with the fundamental principles for their disposal, which include the principle to avoid inducing destabilizing effects on the financial markets. The scale of the sales will generally be equivalent to that for the "stocks purchased from financial institutions" (see Attachment 2).[7,8]

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 and a subsequent reactionary decline, due to the increase in U.S. tariffs. Corporate profits have remained at high levels on the whole, although downward effects due to tariffs have been seen in manufacturing. Business fixed investment has been on a moderate increasing trend. Private consumption has been resilient against the background of an improvement in the employment and income situation, 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, with moves to pass on wage increases to selling prices continuing, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) has been in the

[7] In order to ensure the stability of the financial system, the Bank purchased stocks from financial institutions from 2002 to 2004 and from 2009 to 2010. Thereafter, the Bank sold the purchased stocks at a constant pace, completing their disposal in July 2025.

[8] The Bank will also discontinue the ETF lending facility, which was introduced in December 2019, given factors such as the current usage of the facility.

range of 2.5-3.0 percent recently, due to the effects of the rise in food prices, such as rice prices, and other factors. Inflation expectations have risen moderately.

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 recent rise in food prices, such as rice prices, 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 July 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 remains highly 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.

[Note] Voting for the action: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, KOEDA Junko, and MASU Kazuyuki. Voting against the action: TAKATA Hajime and TAMURA Naoki. Takata Hajime considered that there had been a shift away from the deflationary norm and the price stability target had been more or less achieved. Tamura Naoki considered that, with risks to prices becoming more skewed to the upside, the Bank should set the policy interest rate a little closer to the neutral rate. They proposed that the Bank set the guideline for money market operations as follows: the Bank would encourage the uncollateralized overnight call rate to remain at around 0.75 percent. The proposals were defeated by majority votes.

Attachment 2

Disposal of ETFs and J-REITs

At the Monetary Policy Meeting (MPM) held in March 2024, the Policy Board of the Bank of Japan changed the monetary policy framework, judging that it was within sight that the price stability target of 2 percent would be achieved in a sustainable and stable manner. As part of the change, the Bank decided to discontinue purchases of exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs). Thereafter, the Bank has considered the details of the disposal of these assets.

The "Principal Terms and Conditions for Purchases of ETFs and J-REITs" lays out fundamental principles for the disposal of ETFs and J-REITs as follows: the Bank should (1) dispose these assets for adequate prices, taking into account the situation such as the condition of the ETF or J-REIT market, (2) avoid incurring losses as much as possible, and (3) avoid inducing destabilizing effects on the financial markets as much as possible.

Based on these fundamental principles and its experience of the smooth conduct of sales of the "stocks purchased from financial institutions," the Bank decided to sell its holdings of ETFs and J-REITs for the time being at a scale generally equivalent to that of the sales of the "stocks purchased from financial institutions" (the sales amounts of ETFs and J-REITs will account for about 0.05 percent of the trading values in the markets) as described below.

1. The Bank will sell ETFs to the market at a pace of about 330 billion yen per year, based on the prices formed in the exchange market.[9]

2. The Bank will sell J-REITs to the market at a pace of about 5 billion yen per year, based on the prices formed in the exchange market.[10]

3. Under the pace of sales described above, the Bank will sell each ETF and J-REIT at the amount approximately proportionate to the share of each asset in its holdings, with consideration to spreading out the timing of the sales.

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[9] The sales amount is based on book value. Based on market value, the amount is about 620 billion yen as of the end of March 2025, which is roughly equivalent to the annual sales amount of the stocks purchased from financial institutions. (The sales amount of ETFs accounts for about 0.05 percent of the trading value in the Tokyo Stock Exchange Prime Market.)

[10] The sales amount is based on book value. Based on market value, the amount is about 5.5 billion yen as of the end of March 2025. (The sales amount of J-REITs accounts for about 0.05 percent of the trading value in the Tokyo Stock Exchange REIT Market.)

The Bank will select a trustee, who will conduct the disposal of ETFs and J-REITs. The disposal will begin once necessary operational preparations are completed (see Annex for the "Basic Principles for Disposal of ETFs and J-REITs").

The pace of sales may be modified at future MPMs after the start of the disposal of ETFs and J-REITs, based on the fundamental principles and the experience from the sales to be conducted.

Annex

Basic Principles for Disposal of ETFs and J-REITs

Pursuant to the provisions of Paragraph 8. (3) of the "Principal Terms and Conditions for Purchases of ETFs and J-REITs," the basic principles for the disposal of exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) shall be as follows:

1. Framework of disposal

   ETFs and J-REITs shall be disposed by means of sales to the market, based on the prices formed in the exchange market.

2. Method of sales

   (1) Details of sales of ETFs and J-REITs shall be as follows:

      (a) ETFs shall be sold at a pace of about 330 billion yen (book value basis) per year, with consideration to spreading out the timing of the sales.

      (b) J-REITs shall be sold at a pace of about 5 billion yen (book value basis) per year, with consideration to spreading out the timing of the sales.

      (c) Under the pace of sales stipulated in (a) and (b), the sales amount of each ETF and J-REIT shall be approximately proportionate to the share of each asset in the Bank's holdings, although the Bank shall set a limit to the total number of units sold per business day for each J-REIT, taking into account the market liquidity of each J-REIT.

   (2) Under the set of principles stipulated in (1) above, the trustee may temporarily adjust the amount of sales within the range set in prior consultation with the Bank, in response to changes in the condition of the financial markets. The trustee may suspend the sales, especially in the event of a considerable fall in relevant price indexes.

(Supplementary Provision)

The basic principles shall become effective on the date determined by the Governor.