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March 25, 2026

Bank of Japan

Minutes of the Monetary Policy Meeting

on January 22 and 23, 2026

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

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A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Thursday, January 22, 2026, from 2:00 p.m. to 3:50 p.m., and on Friday, January 23, from 9:00 a.m. to 12:00 p.m.¹

Policy Board Members Present

UEDA Kazuo, Chairman, Governor of the Bank of Japan

HIMINO Ryoza, Deputy Governor of the Bank of Japan

UCHIDA Shinichi, Deputy Governor of the Bank of Japan²

NOGUCHI Asahi

NAKAGAWA Junko

TAKATA Hajime

TAMURA Naoki

KOEDA Junko

MASU Kazuyuki

Government Representatives Present

NAKATANI Shinichi, State Minister of Finance, Ministry of Finance³

MAEDA Tsutomu, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance⁴

IWATA Kazuchika, State Minister of Cabinet Office, Cabinet Office³

HAYASHI Sachihiko, Vice-Minister for Policy Coordination, Cabinet Office⁴

Reporting Staff

SHIMIZU Seiichi, Executive Director (Assistant Governor)

KAMIYAMA Kazushige, Executive Director

SUWAZONO Kenji, Executive Director

¹ The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on March 18 and 19, 2026, as "a document describing an outline of the discussion at the meeting" stipulated in Article 20, paragraph 1 of the Bank of Japan Act of 1997. Those present are referred to by their titles at the time of the meeting.

² Present via conference call.

³ Present on January 23.

⁴ Present on January 22.

NAKAMURA Koji, Executive Director⁵

OKUNO Akio, Director-General, Monetary Affairs Department

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

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

MINEGISHI Makoto, Director-General, Financial Markets Department

KAWAMOTO Takuji, Director-General, Research and Statistics Department

SUGO Tomohiro, 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

KAJITANI Tsutomu, Deputy Director, Secretariat of the Policy Board

YAGI Tomoyuki, Senior Economist, Monetary Affairs Department

KITAHARA Jun, Senior Economist, Monetary Affairs Department

ITO Yuichiro, Senior Economist, Monetary Affairs Department

⁵ Present on January 22 from 2:00 p.m. to 3:40 p.m., and on January 23 for the whole of the session.

I. Summary of Staff Reports on Economic and Financial Developments⁶

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 December 18 and 19, 2025.⁷ The uncollateralized overnight call rate had been in the range of 0.727 to 0.729 percent.

Meanwhile, in December 2025, the Bank conducted Japanese government bond (JGB) purchases of about 3.3 trillion yen per month. In January 2026, it cut down the monthly purchase amount by about 400 billion yen, to about 2.9 trillion yen per month; this was in accordance with the JGB reduction plan decided at the June 2025 meeting.

B. Recent Developments in Financial Markets

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

The Tokyo Stock Price Index (TOPIX) had risen significantly: while semiconductor stock prices in particular had moved in line with developments in U.S. stock prices, the index had also partly reflected expectations for future government policy in Japan. Yields on 10-year JGBs had risen significantly, mainly reflecting market views on future developments in economic activity and prices and in monetary and fiscal policies. The liquidity indicators in the JGB markets continued to improve on the whole. In the foreign exchange market, the yen had depreciated against both the U.S. dollar and the euro over the intermeeting period.

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 maintained solid growth on the whole, although some weakness had been seen in part. European economies continued to be relatively weak on the whole, partly reflecting that

⁶ Reports were made based on information available at the time of the meeting.

⁷ The guideline was as follows:

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

exports had seen a reactionary decline following earlier front-loading. The Chinese economy had decelerated, mainly due to the impact of tariff increases and the gradually diminishing effects of government policies, and as adjustment pressure continued in the real estate and other markets. Emerging and commodity-exporting economies other than China had improved moderately on the whole.

As for the outlook, although downward pressure stemming from the impact of trade and other policies in each jurisdiction was expected to remain for the time being, overseas economies were projected to return to a growth path, partly supported by global AI-related demand. There were high uncertainties regarding the outlook, such as the impact of trade policy in each jurisdiction, developments in global AI-related demand, and developments in the Chinese economy.

With respect to overseas financial markets, market sentiment remained at an improved level, reflecting reduced uncertainties over the outlook for the global economy. U.S. and European long-term interest rates were more or less unchanged over the intermeeting period. U.S. stock prices had risen, with concerns over valuation adjustments particularly in AI-related sectors having eased, and partly due to the impact of a rise in commodity prices. European stock prices had risen, moving in line with developments in U.S. stock prices. Meanwhile, currencies in emerging economies had appreciated overall, with some currencies appreciating on the back of economic indicators being more solid than market expectations and copper prices having risen. Crude oil prices had risen recently against the background of growing instability of the situation in Iran, after having fluctuated due to speculation over Russian and Venezuelan crude oil supplies.

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, the economic recovery -- particularly in exports -- was likely to be moderate for the time being due to the impact of trade and other policies in each jurisdiction; thereafter, however, the improving trend in the economy was likely to become more pronounced, supported by factors such as the government's economic measures and accommodative financial conditions.

Exports continued to be more or less flat as a trend, while they had been affected by

the increase in U.S. tariffs. Regarding the outlook, exports were highly likely to remain somewhat slow for the time being. This was because, although solid global AI-related demand was expected to provide some support, exports were likely to be pushed down by a reactionary decline following the front-loading ahead of the U.S. tariff increase and by the adverse effects on final demand reflecting progress in the pass-through of tariff hikes to selling prices.

Industrial production continued to be more or less flat. Regarding the outlook, it was expected to remain more or less flat as a trend. This was because, although downward pressure was likely to be exerted by a reactionary decline following the front-loading of production ahead of the U.S. tariff increase and by a decrease in final demand reflecting progress in the pass-through of tariff hikes to selling prices, domestic demand was projected to be resilient, partly due to the effects of the government's economic measures.

Corporate profits remained at high levels on the whole, although downward effects due to tariffs had been seen in manufacturing, and business sentiment had been at a favorable level. In this situation, business fixed investment had been on a moderate increasing trend. With regard to the outlook, business fixed investment was likely to continue on an increasing trend, supported by moves to clear order backlogs and by labor-saving investment to address labor shortages; that said, for the time being, downward pressure was likely to be exerted on business fixed investment from a deceleration in corporate profits in manufacturing and a rise in construction costs.

Private consumption had been resilient against the background of an improvement in the employment and income situation, although it had been affected by price rises. The consumption activity index (CAI; real, travel balance-adjusted) had increased slightly for the July-September quarter of 2025, and continued to increase on average for the October-November period, relative to that quarter, mainly for durable goods, such as automobiles and household electrical appliances. Based on anecdotal information from firms, statistics published by industry organizations, and high-frequency indicators, private consumption since December seemed to have declined slightly from the previous month. Consumer sentiment had seen a clear improvement recently, mainly on the back of a decline in the rate of increase in food prices and the rise in stock prices; more recently, however, it had been affected by concerns over a decline in inbound tourism demand due to the Chinese government's request for its citizens to refrain from traveling to Japan. Regarding the outlook,

despite being under downward pressure stemming from elevated food prices, private consumption was expected to remain resilient, supported by a rise in employee income and by the government's measures to reduce the household burden of higher energy prices.

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, albeit with fluctuations. With regard to the outlook, employee income was likely to continue to see a steady increase at its current pace for the time being, albeit with fluctuations.

As for prices, in international commodity markets, crude oil prices had been on a declining trend, albeit with fluctuations, while copper prices had seen a clear increase. Meanwhile, market prices of food had declined moderately. The year-on-year rate of increase in the producer price index (PPI) had been on a decelerating trend, mainly due to the decline in crude oil prices, and had been at around 2.5 percent recently. The year-on-year rate of increase in the services producer price index (SPPI, excluding international transportation) had been on a decelerating trend, being in the range of 2.5-3.0 percent recently, primarily because the impact of the price hikes seen in 2024 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 at around 2.5 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 likely to decelerate to a level below 2 percent in the first half of 2026, with the waning of the effects of the rise in food prices, such as rice prices, and pushed down by a decline in energy prices reflecting the government's measures to reduce the household burden of higher energy prices.

2. Financial environment

Japan's financial conditions had been accommodative.

Real interest rates had been negative. Firms' funding costs had increased. Firms' demand for funds had increased 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 in the range of 4.5-5.0 percent; that in the aggregate amount outstanding of CP and corporate bonds had been in the range of 6.5-7.0 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 1.5-2.0 percent.

3. Financial system

Japan's financial system maintained stability on the whole.

Profits of major banks had increased, owing in particular to a rise in net interest income, mainly composed of interest on domestic loans. Meanwhile, their credit costs had been at low levels. Their capital adequacy ratios remained sufficiently above the regulatory requirements.

Profits of regional banks had increased, mainly on the back of the rise in net interest income. Meanwhile, their credit costs had been at low levels. Their capital adequacy ratios remained sufficiently above the regulatory requirements.

With regard to the financial cycle, of the 14 Financial Activity Indexes (FAIXs) that comprise the heat map in the *Financial System Report*, 13 showed no significant deviation from the trends. Regarding the financial gap, the positive gap remained narrower than a while ago, and no major financial imbalances had been seen in current financial activities. However, attention continued to be warranted on developments in asset prices, such as real estate and stock prices, and it was necessary to continue paying close attention to whether financial activities would not significantly deviate from real economic activity. In addition, it was necessary to carefully monitor the impact that factors such as the trade policy in each jurisdiction, geopolitical risks, and developments in the foreign non-bank financial intermediary (NBFi) sector had on the financial system through various channels.

II. Summary of Discussions by the Policy Board on Economic and Financial Developments and the January 2026 *Outlook for Economic Activity and Prices*

A. Current Situation of Economic Activity and Prices

With regard to global financial and capital markets, members shared the view that

market sentiment remained at an improved level, reflecting reduced uncertainties over the outlook for the global economy. As background to the fact that stock prices had been renewing historical highs in many economies after the turn of 2026, one member pointed out that expectations of economic recovery had heightened rapidly due to support from both the monetary and the fiscal sides in each economy and to an expansion in investment reflecting the global IT boom.

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. Many members pointed out that the global economy was highly likely to remain solid, considering the decline in uncertainty regarding the effects of trade policies, the expansion in AI-related demand, and other factors. One of these members expressed the recognition that, considering also that accommodative policies had been adopted around the world, on both the monetary and the fiscal front, the global economy was expected to go through a shifting phase in 2026, where momentum toward recovery starts to operate.

Members agreed that the U.S. economy maintained solid growth on the whole, although some weakness had been seen in part. Some members expressed the view that, with the impact of tariff policies remaining limited on the whole, the economy had been solid against the background of an increase in AI-related investment and an expansion in consumption by the wealthy on the back of high stock prices. One of these members pointed out that motor vehicle sales for the past two months had exceeded market expectations, recovering from the decline following the ending of subsidies for the purchase of electric vehicles, and that this served as evidence of solid consumption. In addition, a few members said that fiscal measures, such as income tax cuts, and deregulation were also expected to boost economic activity. Meanwhile, one member expressed the view that, while IT-related business fixed investment, particularly that related to AI, had led to the solidity in the U.S. economy, uncertainties remained about, for example, risks surrounding employment and the direction of monetary policy given these risks. A different member stated that the impact on consumer prices in the United States of the price pass-through of tariff hikes could begin to be pronounced, and it was therefore necessary to carefully monitor price-related data.

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

pick up moderately on the whole, supported by policy interest rate cuts by the European Central Bank, there had been disparities between individual economies, as seen in, for example, the somewhat sluggish German economy and solid southern European economies.

Members shared the view that the Chinese economy had decelerated, mainly due to the impact of tariff increases and the gradually diminishing effects of government policies, and as adjustment pressure continued in the real estate and other markets. One member expressed the recognition that, although deflationary pressure stemming from a real estate downturn remained, the possibility of a sharp deterioration in the economy was low, as the government's policy measures had provided support.

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

Members agreed that financial conditions in Japan had been accommodative. Some members noted that real interest rates in the short- to medium-term zone, on which monetary policy has a large effect, remained significantly low, and that accommodative financial conditions were maintained. In addition, some members expressed the recognition that, while not much time had passed since the policy interest rate hike in December 2025, financial conditions continued to be accommodative, considering factors such as firms' and other entities' demand for funds, financial institutions' lending attitudes, and issuance conditions for CP and corporate bonds. Regarding bank lending, one member expressed the view that, while interest rates on market rate-linked loans had risen and many financial institutions had announced plans to increase short-term prime rates and interest rates on ordinary deposits from February 2026, financial institutions' lending attitudes had been active and firms' financial positions remained favorable so far, even under these circumstances. One member pointed out that the recent high growth in bank lending was attributable to an increase in firms' appetite for investment, aiming for higher growth. In relation to this, a different member expressed the view that, as far as recent developments in lending suggested, interest payments on short- to medium-term borrowings for fixed investment funds and working capital could be covered by favorable corporate profits and increased production and sales.

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

With regard to economic activity, members shared the recognition that Japan's

economy had recovered moderately, although some weakness had been seen in part. Many members expressed the recognition that, although the effects of tariff increases continued to be observed on the export side, domestic demand, such as business fixed investment and private consumption, had been resilient. One member noted that, since around autumn 2025, it had gradually become clear that the impact of tariff policies on Japan's economy remained small relative to initial expectations. In addition, the member pointed out that, based on reports presented at the meeting of the general managers of the Bank's branches, AI-related demand in Japan had been diverse, including air-conditioning systems for data centers and semiconductor manufacturing equipment, and AI-related demand had extended across regions and industries to a greater extent than expected. This member then expressed the view that the benefits of the expansion in demand had reached not only direct exporters but also their subcontractors.

Members concurred that exports and industrial production continued to be more or less flat as a trend, while they had been affected by the increase in U.S. tariffs. With regard to inbound tourism demand, which accounts for about a quarter of services exports, one member expressed the recognition that, although the number of visitors to Japan from China had declined due to the impact of the Chinese government's request for its citizens to refrain from travelling to Japan, the impact on inbound tourism demand as a whole had so far been limited, owing to an increase in the number of visitors from other Asian economies.

Members shared the recognition 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, and with business sentiment being at a favorable level. A few members commented that business fixed investment had been solid, partly supported by the global AI boom, and firms' demand for funds had increased.

Members concurred that private consumption had been resilient against the background of the improvement in the employment and income situation, although it had been affected by price rises. Some members expressed the recognition that, while consumption of nondurable goods remained somewhat weak due to the rise in food prices, it could be assessed that overall consumption had been resilient. One member added that the weakness in nondurable goods consumption could also be attributed to factors such as demographic developments and changes in consumption preferences. The member continued that some portion of household spending had been shifting from goods consumption to

services consumption. A different member pointed out that, while the increase in food prices had pushed down consumption until recently, since the rate of increase in food prices had been gradually slowing, private consumption had picked up moderately. Meanwhile, one member said that the rise in real estate prices in recent years could be increasing non-homeowners' concerns about the future, thereby pushing down private consumption.

Members shared the view that the employment and income situation had improved moderately. One member noted that steady progress in wage growth could be confirmed from various aspects, considering factors such as the outlook regarding the 2026 annual spring labor-management wage negotiations, solid winter bonuses of major firms, and an increase in the proportion of job changers whose wages had risen. One member expressed the recognition that, while the yen's depreciation pushes up the profits and wages of large firms, it pushes down those of small and medium-sized firms. The member continued that attention was thus warranted on the possibility that this, coupled with the yen's depreciation pushing up prices, would lead to wider inequality.

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 at around 2.5 percent recently, due to the effects of the rise in food prices, such as rice prices, and other factors. One member noted that there had been signs of cost-push inflation easing; as background to this, the member pointed out that price hikes as a result of firms' efforts to make up for past increases in import prices, which had been seen in food prices in particular, had been mostly completed. One member pointed out that the rise in rice prices was triggered by supply shortages, but with the addition of demand factors during the procurement of rice harvested in autumn 2025, it was possible that the rise in prices was a result of a combination of multiple factors. On this basis, the member said that close attention continued to be warranted on whether price rises that could not be explained simply by cost-push factors emerged in other goods. A different member pointed out that, in areas such as food and energy, where there was little room to absorb increasing costs in the intermediate demand stage and a rise in import prices was significant, cost increases over the past few years had been passed on to the CPI. The member continued that, however, as such developments had led to households saving on other items, given their lack of financial leeway, the pass-through of personnel expenses to prices had so far been moderate for prices such as services prices, excluding dining-out and accommodations. A different member

pointed out that services prices continued to grow at a rate in the range of 2.5-3.0 percent when excluding public services and housing rent. The member then expressed the view that, although there had recently been moves to implement a de facto price increase by lowering the quality of services, it was likely that room for making such adjustments in quality would become smaller and moves to raise prices would in turn become widespread. With these developments in mind, this member expressed the recognition that the main driver of price rises had shifted from raw material prices to personnel expenses, and inflation had started to become stickier. In addition, one member pointed out that housing rent had risen, mainly in urban areas. The member then expressed the view that this was partly due to an increase in demand for rental housing, as there had been some postponements of home purchases due to housing prices being pushed up by the rise in material prices, reflecting inflation overseas and the yen's depreciation, and by the rise in personnel expenses. Meanwhile, members concurred that inflation expectations had risen moderately. A few members pointed out that, with the ongoing shift from the deflationary norm, many of the indicators for inflation expectations, including the BEI (break-even inflation) rate, which shows market participants' inflation expectations, had been rising toward 2 percent. One of these members added that the recent depreciation of the yen and the effects of fiscal policy had also contributed to the rise in inflation expectations. Noting that the views of economic entities, specifically firms and households, should be given due weight when assessing inflation expectations, a different member expressed the view that the inflation expectations of firms and households had reached approximately 2 percent.

B. Outlook for Economic Activity and Prices

In formulating the January 2026 *Outlook for Economic Activity and Prices* (Outlook Report), members discussed the baseline scenario of the outlook for Japan's economic activity. They shared the recognition that Japan's economy was likely to continue growing moderately, with overseas economies returning to a growth path, and as a virtuous cycle from income to spending gradually intensified, supported by factors such as the government's economic measures and accommodative financial conditions, while the economy was projected to be affected by trade and other policies in each jurisdiction.

Many members expressed the recognition that, in addition to the decline in uncertainties regarding the U.S. economy and the impact of tariff policies, the government's

economic measures were likely to push up the economy. In relation to this, one member expressed the view that, in examining the effects of fiscal spending, it was necessary to take into account factors such as the degree of import inducement and the spending propensity of households and firms. The member continued that the size of the effects of fiscal spending was theoretically different between periods of economic expansion and recession. One member pointed out that, in projecting the outlook for Japan's economy, it was also important to consider aspects such as the extent to which AI-related investment would expand with a sense of labor shortage continuing to be strong, and the extent to which macroeconomic productivity would be pushed up through corporate activities such as business succession and mergers and acquisitions.

Members shared the recognition that, although downward pressure stemming from the impact of tariff increases was expected to remain for the time being, Japan's exports and industrial production were likely to recover moderately as overseas economies returned to a growth path, partly supported by global AI-related demand.

Members shared the recognition that, supported in part by the government's economic measures and accommodative financial conditions, business fixed investment was likely to remain on an increasing trend, including labor-saving and digital-related investment to address labor shortages, and research and development (R&D) investment.

Members agreed that, although private consumption was expected to be more or less flat for the time being due to the remaining impact of price rises, it was projected to gradually return to a moderate increasing trend, with a continued rise in employee income. One member pointed out that, in addition to the past rise in food prices, housing rent had risen recently, mainly in urban areas. The member then stated that, while measures had been taken by national and local governments, developments in food prices and housing rent should be monitored carefully, given that they significantly affect the sense of economic well-being among households and their consumption behavior.

Members shared the recognition that employee income was likely to continue to see a steady increase at its current pace for the time being, albeit with fluctuations. They shared the view that, thereafter, the growth momentum in employee income was likely to increase somewhat, as the nominal wage growth rate was expected to accelerate again in reflection of the recovery in corporate profits. Many members expressed the view that, with labor market conditions continuing to be tight, the mechanism in which wages and prices rise moderately

in interaction with each other had been taking hold in Japan, and that a wide range of firms would continue to raise wages steadily in the 2026 annual spring labor-management wage negotiations, following the solid wage increases in 2025. One of these members expressed the recognition that, while it was highly likely that the upward momentum in nominal wages would be maintained, the rate of increase in energy and food prices was expected to decline gradually, and that in the CPI was also likely to decline. The member continued that it was therefore projected that the rate of change in real wages would finally turn positive and remain so.

Based on these discussions, members shared the recognition that, comparing the projections with those in the October 2025 Outlook Report, the projected real GDP growth rates for fiscal 2025 and 2026 were somewhat higher, with the former due to higher-than-expected growth in overseas economies and the impact of the statistical revision to the GDP figures, and the latter mainly reflecting the effects of the government's economic measures. They continued that the rate for fiscal 2027, on the other hand, was somewhat lower due to the dissipation of the effects of the government's economic measures.

Members then discussed the baseline scenario of the outlook for Japan's price developments. Most members concurred that the year-on-year rate of increase in the CPI (all items less fresh food) was likely to decelerate to a level below 2 percent in the first half of 2026, with the waning of the effects of the rise in food prices, such as rice prices, and partly due to the effects of government measures to address rising prices. However, members shared the view that it was likely that the mechanism in which wages and prices rise moderately in interaction with each other would be maintained, and that underlying CPI inflation would continue rising moderately. Most members shared the recognition that, thereafter, since it was projected that a sense of labor shortage would grow as the economy continued to improve and that medium- to long-term inflation expectations would rise, it was expected that underlying CPI inflation and the rate of increase in the CPI (all items less fresh food) would increase gradually and, in the second half of the projection period of the January 2026 Outlook Report, be at a level that was generally consistent with the price stability target. In response, one member expressed the recognition that, given the sustained wage increases in recent years and the inflationary pressure stemming from domestic factors, the price stability target had been more or less achieved. In addition, a different member expressed the view that if the annual spring labor-management wage negotiations, developments in prices, and

inflation expectations evolved in line with the Bank's outlook, it could be judged as early as spring 2026 that the underlying trend in prices had reached 2 percent.

Regarding projections for the CPI (all items less fresh food), a few members expressed the view that, with the year-on-year rate of increase in the CPI falling below 2 percent temporarily, if firms raised wages by as much as in 2025, leading in turn to an increase in disposable income, a growing number of firms, including those in the services sector, could pass on higher personnel expenses to their selling prices. One of these members then pointed out that it was necessary to closely monitor how the balance between prices, household income, and private consumption evolved, including the effects of income transfers to households due to the government's economic measures. Meanwhile, many members were of the view that, as firms' price-setting behavior had been undergoing significant change, the pass-through to prices of higher import prices caused by the yen's depreciation had become pronounced in recent years. These members continued that, given this, it was necessary to pay closer attention to the effects of foreign exchange rates on prices. One of these members said that with the yen's depreciation, it appeared that even low-priced imported goods had become less likely to push down prices. The member then expressed the recognition that it had become more likely that exchange rate factors would push up prices, against the background of the rising dependence on imports that had been observed in domestic demand.

Many members expressed the recognition that, given recent developments in various indicators, underlying inflation had followed a moderate uptrend on the whole and was approaching 2 percent. One member noted that some indicators for medium- to long-term inflation expectations, including firms' inflation outlook in the *Tankan* (Short-Term Economic Survey of Enterprises in Japan), had been stable despite the recent deceleration in the CPI inflation rate. On this basis, the member commented that, while the underlying inflation rate had been at around 2 percent, its entrenchment was not sufficiently confirmed when considering factors such as the vulnerability of Japan's economy observed in the past when it had faced substantial negative shocks. This member then expressed the view that it was necessary to closely monitor factors such as the effects that the deceleration in the pace of the year-on-year increase in food prices and the government's measures to address rising prices had on the underlying trend in prices. In addition, one member noted that, in a situation where the CPI inflation rate had been decelerating due to temporary factors, indicators that capture the underlying inflation trend -- such as the wage growth rate, inflation expectations, and the

rate of increase in services prices -- warranted more attention than actual developments in price indices themselves. A different member pointed out that, given that the actual inflation rate was highly likely to fall below the underlying inflation rate, it might be necessary for the Bank to enhance its method of communication by, for example, excluding temporary institutional factors such as subsidies when explaining developments in the CPI.

Based on these discussions, most members shared the recognition that, comparing the projections with those in the October 2025 Outlook Report, the baseline scenario of the outlook for prices was more or less unchanged.

Members then discussed upside and downside risks to economic activity and prices. They shared the view that risks to the outlook included developments in overseas economic activity and prices under the impact of trade and other policies in each jurisdiction, wage- and price-setting behavior of firms, and developments in financial and foreign exchange markets, and it was necessary to pay due attention to the impact of these risks on Japan's economic activity and prices.

On this basis, members noted the following three factors as major risks to economic activity: (1) developments in overseas economic activity and prices, (2) developments in import prices, and (3) the impact of various changes in the environment surrounding Japan on firms' and households' medium- to long-term growth expectations and on Japan's potential growth rate. One member pointed out that, considering moves toward fiscal expansion, particularly in the United States and Europe, in addition to the reduced uncertainty regarding trade policies and solid IT-related demand, downside risks to overseas economies had declined compared with the assessment presented in the October 2025 Outlook Report. One member noted that AI-related investment was unlikely to become significantly unstable for the time being with major high-tech firms in particular making business fixed investment; however, attention should be paid to the risk that, if revenue did not increase in line with investment, adjustment pressure could arise, accompanied by, for example, adjustments in asset prices.

Regarding risks to prices, members concurred that, if the aforementioned risks to economic activity materialized, prices would be affected, and that the following factors warranted attention as risks specific to prices: (1) firms' wage- and price-setting behavior and its impact on inflation expectations, and (2) future developments in foreign exchange rates and import prices, including international commodity prices, as well as the extent to which

such developments would spread to domestic prices. Some members noted that attention should be paid to the point that, with firms' behavior shifting more toward raising wages and prices recently, exchange rate developments were more likely to affect prices, compared to the past, and that such moves could affect underlying CPI inflation through changes in inflation expectations. On this basis, one of these members added that, if the yen depreciated further, it was possible that the rate of increase in the CPI would decline at a slower pace and start to rise. With regard to developments in food prices, one member pointed out that elevated rice prices seemed to have made it easier for other food prices to rise. The member then expressed the view that, if rice prices did not decline significantly, the rise in overall food prices might not easily subside. One member said that, given the change in the wage norm, and with growing expectations of a recovery in overseas economies, it was necessary to pay more attention to the upside risks to prices when considering the risk balance. A different member noted that, with Japan's economy facing labor supply constraints, risks to prices had become more skewed to the upside, as seen in, for example, the pass-through to prices of the yen's depreciation, an expansion in demand driven by fiscal policies, and China's restrictions on exports to Japan. In this regard, a few members expressed the recognition that, as the year-on-year rate of increase in the CPI (all items less fresh food) was likely to decelerate, partly due to the effects of government measures to address rising prices, it was necessary to carefully examine whether this would lead to inflation expectations deviating downward from the baseline scenario. One member said that, recently, moves to cut costs had started to be seen again at some firms. The member then pointed out that, if these efforts improved productivity, this was likely to have a positive effect on wage increases in the medium to long term. This member continued that, however, attention continued to be warranted on the shorter-term effects on wages and prices, such as on possible wage hikes in fiscal 2027.

With regard to the risk balance, members shared the recognition that, judging each member's risk assessments as a whole, risks to both economic activity and prices were generally balanced.

III. Summary of Discussions on Monetary Policy

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

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 0.75 percent.

Some members expressed the recognition that, given that the policy interest rate was raised at the previous meeting held in December 2025, the Bank was currently at the stage of closely monitoring developments in economic activity and prices as well as financial conditions, including the effects of the policy change. One of these members pointed out that, with regard to the impact of policy interest rate hikes on households, it should be taken into account that (1) while the rise in interest rates would lead to an increase in nominal interest payments on housing loans, delinquency rates on housing loans had been at low levels recently, with rules such as the "5-year rule" and the "125 percent rule"; and that (2) the real burden of housing loans for those in the working generation, who are the primary borrowers, depended on wage growth rates. On this basis, the member expressed the view that, although downward pressure on consumption stemming from the rise in interest rates warranted attention, the impact on the overall financial system was likely limited, considering, for example, the analyses made in the *Financial System Reports*. In addition, regarding the impact on firms, some members expressed the recognition that financial institutions' lending attitudes and firms' financial positions had thus far stayed at favorable levels on the whole, and that the recent increase in firms' bankruptcies and discontinuations of businesses was not primarily caused by rising interest rates, according to various surveys and research. A different member added that, although some firms with super-long-term investment projects and some small and medium-sized firms might be facing a heavy interest burden, for firms as a whole, the increased interest burden had been absorbed by the current solid business conditions to a large extent. On this basis, the member noted that, if the pace of policy interest rate hikes was not too rapid, the Bank did not need to be overly concerned about the impact on firms' business performance. Meanwhile, one member said that it was desirable for the Bank to maintain the policy interest rate at this meeting, partly to assess the extent of the pass-through of tariff hikes to consumer prices in the United States. The member continued that such a decision was unlikely to increase concerns over the Bank falling behind the curve. A different member expressed the recognition that, even though upside risks to prices had increased, this did not necessitate a policy interest rate hike at every meeting, and thus it was appropriate for the Bank to maintain the current policy interest rate until the next meeting.

On the other hand, one member expressed the view that it was desirable for the Bank to raise the policy interest rate to around 1.0 percent at this meeting. The member pointed out that the price stability target had been more or less achieved and, if overseas interest rate environments changed in 2026, there was a risk that the Bank might unintentionally fall behind the curve. This member then said that Japan's real policy interest rate was at the lowest level globally, and since foreign exchange market participants pay attention to real interest rate differentials, it was also necessary from a forward-looking perspective for the Bank to adjust the significantly negative real policy interest rate relatively early.

As for the future conduct of monetary policy, members concurred that, given that real interest rates were at significantly low levels, if its outlook for economic activity and prices was realized, it was appropriate that the Bank, in accordance with improvement in economic activity and prices, continue to raise the policy interest rate and adjust the degree of monetary accommodation. On this basis, members shared the view that, with the price stability target of 2 percent, the Bank would conduct monetary policy as appropriate, in response to developments in economic activity and prices as well as financial conditions, from the perspective of sustainable and stable achievement of the target. With regard to the pace of adjusting the degree of monetary accommodation, most members expressed the recognition that it was desirable for the Bank to make decisions as appropriate at each Monetary Policy Meeting without having a specific pace in mind, carefully examining developments in economic activity and prices as well as financial conditions. One of these members expressed the view that the level of the natural rate of interest would have to be approximated by examining the response of economic activity, prices, and financial conditions to changes in short-term interest rates. The member continued that this did not, however, imply a slowdown in the pace of policy interest rate hikes; rather, the pace would be determined as a result of the Bank's continued monitoring of the response of economic activity, prices, and financial conditions and its assessment of the natural rate of interest. One member pointed out that, considering the recent depreciation of the yen, current financial conditions were still considerably accommodative. The member then commented that the underlying trend in prices had been steadily approaching 2 percent, and it would be necessary for the Bank to continue to adjust the degree of monetary accommodation at the appropriate time. One member stated that, particularly given that it seemed unlikely for the real economy to overheat and fall into extremely high inflation, it could not be said that the risk of the Bank

falling behind the curve had necessarily become more evident recently. The member continued that it was, however, becoming even more important for the Bank to conduct monetary policy carefully and in a timely manner. A different member noted that, given that addressing rising prices was an urgent priority in Japan, the Bank should not take too much time examining the impact of raising the policy interest rate, and should proceed with the next step, a rate hike, without missing the appropriate timing. One member expressed the recognition that it was appropriate for the Bank to raise the policy interest rate at intervals of a few months, while examining the impact of rate hikes on firms' and households' behavior through anecdotal information and assessing the current policy interest rate relative to the neutral rate. On this basis, the member expressed the view that the depreciation of the yen and the rise in long-term interest rates, both of which had been observed recently, largely reflected fundamentals, such as inflation expectations. This member then pointed out that, in this situation, the only prescription from the monetary policy side was to raise the policy interest rate in a timely and appropriate manner.

With regard to the future conduct of monetary policy, members also discussed how they should consider the neutral interest rate. Many members expressed the view that, in the second half of the projection period of the January 2026 Outlook Report, underlying CPI inflation was expected to be at a level that was generally consistent with the price stability target. These members continued that, at that time, it would be desirable for the policy interest rate to be roughly close to the neutral rate. In this regard, many members pointed out that it was difficult to identify the neutral interest rate level in advance, and the Bank would therefore need to continue attempting to identify the level of the neutral rate, while carefully examining the effects of each rate hike on economic activity and prices. One of these members added that, in attempting to identify the neutral interest rate level, it was important to examine changes in the spending behavior of firms and households resulting from policy interest rate hikes, not only through statistical data but also through anecdotal information from firms. One member expressed the recognition that the neutral interest rate was an important concept from a theoretical perspective, but that in the case of Japan, there was room for debate over the efficacy of deriving estimates from data from the prolonged deflationary period. The member continued that, when estimating Japan's neutral interest rate, it was harder to apply the assumptions that were appropriate for estimations for a large country like the United States; in this respect, attention was also warranted on the fact that estimates of Japan's neutral

interest rate were susceptible to overseas interest rate environments, particularly in the United States. Meanwhile, a different member said that, while the Bank naturally would not make monetary policy decisions based solely on estimates of the neutral interest rate, it was expected that these estimates would increasingly become a topic of discussion, in a situation where the achievement of the price stability target was approaching. The member continued that it was therefore desirable for the Bank to continue communicating with the public regarding the neutral rate, while refining its dissemination of information as necessary.

Members also discussed recent developments in long-term interest rates and the Bank's response in light of these developments. Many members expressed the recognition that the recent rise in long-term interest rates was attributable to both an increase in expected short-term interest rates, stemming from the rise in underlying inflation, and an increase in term premiums. Some of these members pointed out that the increase in term premiums could have reflected market views on fiscal policy. One member stated that, while the rise in long-term interest rates over the past few years could be regarded as part of the normalization of the JGB markets and a factoring in of the achievement of the price stability target, the developments seen over the past two weeks or so had been a one-sided steepening of the yield curve, which warranted attention. Some members noted that there was a larger impact on the super-long-term JGB market, where liquidity is low; specifically, yields of super-long-term JGBs had risen significantly, partly because of the approaching end of the fiscal year. These members then expressed the recognition that it was necessary to continue paying close attention to whether these developments would spread across the JGB markets as a whole. Meanwhile, one member expressed the view that upward pressure on risk premiums, stemming from factors such as fiscal conditions and inflation, had been partly offset by the stock effect, namely, downward pressure on long-term interest rates from the Bank's JGB holdings. In relation to this, a few members pointed out that, even if the amount outstanding of the Bank's JGB holdings were the same, the extent of the stock effect generated in the process of reducing the Bank's JGB purchases and that generated in the process of increasing purchases might not necessarily be identical, and the stock effect could be asymmetrical. These members continued that this was because the way in which the effects materialize through expectations could differ. With regard to the Bank's stance on its JGB purchase operations in light of developments in long-term interest rates, a few members expressed the view that, from the perspective of encouraging the stable formation of interest rates, it was

appropriate for the Bank to respond in line with its current thinking that (1) in principle, long-term interest rates were to be formed in financial markets; and (2) in an exceptional situation where long-term interest rates rose rapidly in a manner that differed from normal market developments, the Bank would nimbly conduct operations and other measures. One member added that, given higher volatility in the JGB markets, especially for super-long-term, and continued concerns about supply and demand conditions, it would be necessary in exceptional circumstances to consider a flexible response, including increasing the amount of JGB purchases. In relation to this, some members, including this member, expressed the recognition that it was important that market credibility regarding medium- to long-term fiscal consolidation be sustained. A different member noted that, while the exact timing and scale could not be determined, the possibility of a rise in volatility in Japan's bond markets, as seen recently, could be anticipated. In this regard, the member expressed the view that, when there is a rise in volatility, it is important for a central bank to examine whether market functioning is maintained. This member continued that it was crucial that the Bank continue its efforts to promote understanding of its measures, which it adopts in accordance with its role and policy objectives. Based on these discussions, members shared the recognition that it was important for the Bank to carefully monitor developments in the JGB markets, in close cooperation with the government, based on their respective roles.

IV. Remarks by Government Representatives

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

- (1) The government was closely monitoring recent fluctuations in global and Japanese markets with utmost vigilance.
- (2) In the budget for fiscal 2026, the government kept the degree of overall budgetary dependence on government bonds at its lowest level since the global financial crisis subsided. The government would work to obtain approval from the Diet for the budget at the earliest possible time.
- (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 the effects of U.S. trade policy had been seen mainly in the automotive industry.
- (2) Embracing an approach of "responsible and proactive public finances," the Takaichi Cabinet would do its utmost to build a "strong Japanese economy" by, for example, undertaking initiatives related to comprehensive economic measures.
- (3) Toward achieving both strong economic growth and stable inflation, it was extremely important that monetary policy be conducted as appropriate.
- (4) 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 carefully examining economic and price developments and closely cooperating with the government in accordance with the spirit of the Bank of Japan Act and of the joint statement of the government and the Bank.

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 0.75 percent.

Takata Hajime, however, considered that the price stability target had been more or less achieved and that, with overseas economies being in a recovery phase, risks to prices in Japan were skewed to the upside. On this basis, he formulated the following proposal.

Takata Hajime's Policy Proposal on the Guideline for Money Market Operations:

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

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

Takata Hajime's policy proposal on the guideline for money market operations was defeated by a majority vote.

Votes for the proposal: TAKATA Hajime.

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

Votes against the proposal: TAKATA Hajime.

B. Discussion on 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).

VI. Discussion regarding the Outlook Report

Members discussed the draft of "The Bank's View" in the January 2026 Outlook Report (consisting of "The Bank's View" and "The Background") and formed a majority view.

Takata Hajime, however, formulated a proposal that included the following points. First, with respect to the outlook for prices, he proposed the description stating that, "the level of the rate of increase in the CPI, including underlying CPI inflation, already seems to have generally reached the price stability target." Second, with regard to risks to the outlook, he proposed the description, "while risks to the outlook include developments in overseas economic activity and prices under the impact of trade and other policies in each jurisdiction, wage- and price-setting behavior of firms, and developments in financial and foreign exchange markets, since the overseas environment is expected to be, during 2026, in a shifting phase toward recovery, risks regarding the extent to which the overseas environment's shift toward recovery will spread to prices in Japan are projected to be skewed to the upside." The proposal was then put to a vote, and was defeated by a majority vote.

Votes for the proposal: TAKATA Hajime.

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

Tamura Naoki formulated a proposal that consisted of the following points. First, with respect to the outlook for underlying CPI inflation, he proposed the description stating that "from the start of fiscal 2026, underlying CPI inflation is likely to be at a level that is generally consistent with the price stability target." Second, with regard to medium- to long-term inflation expectations, he proposed the description, "medium- to long-term inflation expectations have been rising moderately, and have been at around 2 percent." The proposal was then put to a vote, and was defeated by a majority vote.

Votes for the proposal: TAMURA Naoki.

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

To reflect the majority view, the chairman formulated a proposal on "The Bank's View" and put it to a vote. The Policy Board decided the text of "The Bank's View" by a majority vote. It was confirmed that "The Bank's View" would be released immediately after the meeting. It also was confirmed that the full text of the Outlook Report would be made public on January 26.

Votes for the proposal: UEDA Kazuo, HIMINO Ryoza, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, KOEDA Junko, and MASU Kazuyuki.

Votes against the proposal: TAKATA Hajime and TAMURA Naoki.

VII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of December 18 and 19, 2025, for release on January 28, 2026.

Statement on Monetary Policy

At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by an 8-1 majority vote, to set the following guideline for money market operations for the intermeeting period: ^[Note]

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

^[Note] Voting for the action: UEDA Kazuo, HIMINO Ryozi, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, TAMURA Naoki, KOEDA Junko, and MASU Kazuyuki. Voting against the action: TAKATA Hajime. Takata Hajime considered that the price stability target had been more or less achieved and that, with overseas economies being in a recovery phase, risks to prices in Japan were skewed to the upside. He 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 1.0 percent. The proposal was defeated by a majority vote.