Not to be released until 8:50 a.m. Japan Standard Time on Monday, September 28, 2026.

September 28, 2026

Bank of Japan

Minutes of the Monetary Policy Meeting

on July 30 and 31, 2026

(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, July 30, 2026, from 2:00 p.m. to 4:00 p.m., and on Friday, July 31, from 9:00 a.m. to 12:04 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
TAKATA Hajime
TAMURA Naoki
KOEDA Junko
MASU Kazuyuki
ASADA Toichiro
SATO Ayano

Government Representatives Present

NAKATANI Shinichi, State Minister of Finance, Ministry of Finance[2]
MAEDA Tsutomu, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance[3]
KIUCHI Minoru, Minister of State for Economic and Fiscal Policy, Cabinet Office[4]
IWATA Kazuchika, State Minister of Cabinet Office, Cabinet Office[5]
HAYASHI Sachihiro, Vice-Minister for Policy Coordination, Cabinet Office[3]

Reporting Staff

KAMIYAMA Kazushige, Executive Director
MASAKI Kazuhiro, Executive Director (Assistant Governor)

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[1] The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on September 17 and 18, 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 on July 31.

[3] Present on July 30.

[4] Present on July 31 from 10:34 a.m. to 12:04 p.m.

[5] Present on July 31 from 9:00 a.m. to 10:33 a.m.

NAKAMURA Koji, Executive Director

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

SAKURA Kenichi, Head of Economic Research Division, Research and Statistics Department

KASAI Makoto, 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

YAGI Tomoyuki, Senior Economist, Monetary Affairs Department

KUBOTA Tomoyuki, Senior Economist, Monetary Affairs Department

KATO Naoya, Senior Economist, Monetary Affairs Department

I. Summary of Staff Reports on Economic and Financial Developments[6]

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 June 15 and 16, 2026.[7] The uncollateralized overnight call rate had been in the range of 0.976 to 0.981 percent.

Meanwhile, in June 2026, the Bank conducted Japanese government bond (JGB) purchases of about 2.7 trillion yen per month. In July 2026, it cut down the monthly purchase amount by about 200 billion yen, to about 2.5 trillion yen per month; this was in accordance with the plan for the outright purchases of JGBs decided at the June 2026 meeting.

B. Recent Developments in Financial Markets

In the money market, the uncollateralized overnight call rate had been at around 1.0 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) was more or less unchanged over the intermeeting period, albeit with fluctuations stemming from developments in prices overseas of semiconductor-related stocks and developments in crude oil prices. Yields on 10-year JGBs had increased, as a wait-and-see approach had been observed among investors, mainly in view of uncertainties over the situation in the Middle East and speculation over future fiscal and monetary policies. The liquidity indicators in the JGB markets continued to improve on the whole. In the foreign exchange market, while the yen had depreciated against the U.S. dollar, it had been more or less flat against the euro.

C. Overseas Economic and Financial Developments

Overseas economies had grown moderately on the whole, although some weakness had been seen in part, partly due to the impact of the situation in the Middle East. The U.S. economy maintained solid growth on the whole, although some weakness had been seen in

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[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 1.0 percent.

part. European economies remained resilient on the whole, but downward pressure on domestic demand had been observed, reflecting the impact of the situation in the Middle East. The Chinese economy had picked up recently, mainly supported by an increase in exports, although consumption had lacked momentum. Growth in emerging and commodity-exporting economies other than China had improved moderately on the whole, although some weakness had been seen in part.

As for the outlook, overseas economies were expected to come under downward pressure for the time being due to the impact of factors such as the situation in the Middle East. Thereafter, however, based on the assumption that the impact of the situation in the Middle East would ease, overseas economies were projected to continue growing moderately, partly supported by global AI-related demand. Regarding the outlook, attention was warranted for the time being on the future course of the situation in the Middle East and on how this would affect global financial markets and the global economy; in addition, there remained high uncertainties, for example, over developments in global AI-related demand.

With respect to overseas financial markets, although attention continued to be drawn to the uncertainties over the situation in the Middle East, market sentiment remained at an improved level, as robust corporate profits had been maintained. Long-term interest rates in the United States had risen, as market expectations of a policy interest rate hike had increased, given information provided by the Federal Reserve following the Federal Open Market Committee (FOMC) meeting held in June and, since the beginning of July, a resurgence of tension over the situation in the Middle East. Long-term interest rates in Europe had also risen, in line with U.S. interest rates. Although attention continued to be drawn to the uncertainties over the situation in the Middle East, stock prices in the United States and Europe were more or less unchanged over the intermeeting period, as robust corporate profits had been maintained. Meanwhile, currencies in many emerging economies had depreciated due to increased market expectations of a policy interest rate hike in the United States. Crude oil prices had risen over the intermeeting period: although prices had declined significantly for a time, reflecting the signing of the U.S.-Iran memorandum of understanding aimed at bringing the conflict in the Middle East to an end, they had seen an upturn, with tensions between the two countries growing again.

D. Economic and Financial Developments in Japan

1. Economic developments

Japan's economy had recovered moderately, although some weakness had been seen in part, partly due to the impact of the situation in the Middle East. Regarding the outlook, the economy was likely to decelerate for a time. This was because, although solid global AI-related demand and the government's various measures were likely to provide support, the economy was expected to be pushed down by a deterioration in the terms of trade reflecting the rise in energy and raw material prices.

Exports continued to be more or less flat as a trend, with downward effects from the situation in the Middle East and upward effects from global AI-related demand largely offsetting each other. Regarding the outlook, exports were likely to remain more or less flat for the time being. This was because, while solid global AI-related demand was expected to push up exports of IT-related goods and capital goods in particular, the impact of the situation in the Middle East was expected to push down exports of intermediate goods and other items.

Industrial production continued to be more or less flat from a somewhat long-term perspective. Regarding the outlook, industrial production was expected to remain more or less flat for the time being, with upward effects from the solid increase in global AI-related demand and downward effects from the situation in the Middle East offsetting each other.

Corporate profits had been at high levels against the backdrop of factors such as the solid increase in global AI-related demand. Business sentiment had been at a favorable level against the backdrop of factors such as solid global AI-related demand, while it had been affected by the situation in the Middle East. Under these circumstances, business fixed investment had been on a moderate increasing trend. Regarding the outlook, business fixed investment was likely to follow an upward trend, underpinned by factors such as moves to clear order backlogs for existing investment projects, in addition to investment in AI-related areas for capacity expansion. That said, for the time being, the growth momentum in business fixed investment was likely to remain subdued due to the impact of a slower pace of growth in corporate profits reflecting higher energy and raw material prices, a rise in construction costs, and delays in construction projects.

Private consumption had been resilient against the background of an improvement in the employment and income situation, although weakness had been seen in household sentiment. The consumption activity index (CAI; real, travel balance adjusted) had increased for the January-March quarter of 2026, and had increased substantially for the April-May period, relative to that quarter, partly due to a temporary increase in demand for durable goods (automobiles and air conditioners) stemming from institutional factors. Based on anecdotal information from firms, statistics published by industry organizations, and high-frequency indicators, private consumption in June seemed to have declined from the previous month, against the background of irregular weather, such as typhoons and heavy rains. Consumer sentiment deteriorated sharply in March and April, reflecting the unstable situation in the Middle East and a rise in inflation expectations, but this deterioration in sentiment had come to a halt since then. Regarding the outlook, while price rises were expected to weigh on real disposable income, private consumption was highly likely to be resilient for the time being, pushed up by the government's various support measures and a front-loading of demand for goods such as air conditioners, in addition to the wealth effects from higher stock prices.

Labor market conditions remained tight. Under these circumstances, the employment and income situation had improved moderately. The year-on-year rate of increase in the number of employed persons had recently accelerated to around 1 percent. Nominal wages per employee continued to increase steadily, albeit with fluctuations. With regard to the outlook, employee income was likely to continue increasing steadily, albeit with fluctuations, with corporate profits remaining on an uptrend.

As for prices, in international commodity markets, crude oil prices had seen a rapid and significant rise due to the military conflict in the Middle East starting at the end of February. Subsequently, these prices had declined temporarily, reflecting the signing in mid-June of the memorandum of understanding aimed at bringing the conflict in the Middle East to an end, but had recently seen an upturn, due to the resurgence of tension over the situation in the Middle East. Copper prices remained elevated recently, after continuing to show a clear uptrend. Meanwhile, market prices of food had been more or less flat. The year-on-year rate of increase in the producer price index (PPI) had accelerated markedly, pushed up by a significant increase in prices of petroleum and coal products, and of chemicals and related products -- reflecting the impact of the situation in the Middle East -- as well as by a rise in prices of nonferrous metals and machinery driven by the expansion in global AI-related demand. With moves to pass on the rise in personnel expenses and other factors to selling prices continuing, the year-on-year rate of increase in the services producer price index (SPPI, excluding international transportation) had been at around 3 percent. 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 recently been at around 1.5 percent due to factors such as the effects of the government's measures to reduce the household burden of higher energy prices. Inflation expectations had risen moderately. With regard to the outlook, the year-on-year rate of increase in the CPI (all items less fresh food) was likely to be at around 2 percent for the time being, as the rise in energy prices was likely to be curbed by the government's fuel oil subsidies and its measures in summer 2026 to reduce the household burden of higher electricity and gas charges. Toward the second half of fiscal 2026, however, the rate of increase in this CPI was expected to accelerate markedly, to a level exceeding 3 percent, due to a greater upward contribution of energy prices reflecting a rise in electricity and gas charges driven by higher import prices of liquefied natural gas (LNG), as well as a higher rate of increase in the CPI (all items less fresh food and energy).

2. Financial environment

Japan's financial conditions had been accommodative.

Real interest rates had been negative, mainly in the short- to medium-term zone. Firms' funding costs had increased. Firms' demand for funds had increased 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 6.0-6.5 percent; that in the aggregate amount outstanding of CP and corporate bonds had been at around 6.5 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 2.0-2.5 percent.

3. Financial system

Japan's financial system maintained stability on the whole.

Profits of major banks had increased, mainly on the back of a rise in net interest income due to an increase in yen interest rates and domestic loans outstanding, and of a rise in net non-interest income, such as loan-related fees and commissions. Meanwhile, their credit costs had been at low levels. Under these circumstances, 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. Profits of *shinkin* banks had decreased, mainly because losses on sales of yen-denominated bonds had increased, despite the rise in net interest income. Meanwhile, regional and *shinkin* banks' credit costs had been at low levels. Under these circumstances, their capital adequacy ratios remained sufficiently above the regulatory requirements.

With regard to the financial cycle, 12 out of the 14 Financial Activity Indexes (FAIXs) that comprise the heat map were in a range that did not significantly deviate from their 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 future situation in the Middle East, the profitability of AI-related investment, 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 July 2026 *Outlook for Economic Activity and Prices*

A. Current Situation of Economic Activity and Prices

With regard to <u>global financial and capital markets</u>, members shared the view that, although attention continued to be drawn to the uncertainties over the situation in the Middle East, market sentiment remained at an improved level, as robust corporate profits had been maintained.

Members shared the recognition that <u>overseas economies</u> had grown moderately on the whole, although some weakness had been seen in part, partly due to the impact of the situation in the Middle East. Many members expressed the view that, while the situation in the Middle East remained unclear, there continued to be no large-scale disruptions in global supply chains. One member pointed out that many economies had adopted expansionary fiscal and monetary policies from 2024, partly due to concerns over the impact of U.S. tariff policy. The member continued that recently, however, there had been a turnaround in the trend of global monetary policy, shifting away from the previous trend and moving toward a policy of interest rate hikes, amid the demand shock from the expansion in AI-related demand.

Members agreed that the U.S. economy maintained solid growth on the whole, although some weakness had been seen in part. One member expressed the view that the economy was expected to recover, supported by fiscal factors -- including tax cuts and tariff revenue refunds -- and by the wealth effects from higher stock prices, mainly of AI-related firms, in addition to employment conditions heading toward a recovery amid an improvement in the terms of trade due to the United States being a net exporter of crude oil.

Members shared the view that European economies remained resilient on the whole, but downward pressure on domestic demand had been observed, reflecting the impact of the situation in the Middle East.

Members shared the recognition that the Chinese economy had picked up recently, mainly supported by the increase in exports, although consumption had lacked momentum. One member pointed out that, although there remained deflationary pressure stemming from balance sheet adjustments and the sluggish real estate market, economic conditions had not changed significantly in the short term, partly due to the effects of the government's economic measures.

Members shared the view that growth in emerging and commodity-exporting economies other than China had improved moderately on the whole, although some weakness had been seen in part. One member noted that the terms of trade had improved significantly in South Korea due to the effects of the expansion in global AI-related demand. A different member said that some emerging economies had raised policy interest rates with a view to defending their currencies, which had been depreciating due to speculation over fiscal and monetary policies.

Members agreed that <u>financial conditions in Japan</u> had been accommodative. Many members expressed the recognition that Japan's financial conditions remained accommodative even after the policy interest rate hikes, considering, for example, that (1) the short-term real interest rate -- which has a large impact on economic activity -- had been negative, (2) firms' and other entities' demand for funds continued to increase, and (3) financial institutions' lending attitudes remained proactive. One of these members added that indicators of the availability of funds -- such as financial institutions' lending attitudes and firms' financial positions -- suggested that, although the degree of accommodation had been gradually weakening, financial conditions remained accommodative compared to the historical average. Some members pointed out that growth in bank lending continued to accelerate on the back of, for example, the moderate recovery in economic activity, active mergers and acquisitions of firms, and an increase in real estate lending. One member noted that, according to reports from firms since the policy interest rate hike in June 2026, although there were moves among firms to optimize cash management amid rising funding costs, there were hardly any signs thus far that the rate hikes had affected firms' investment and business activities. In relation to this, a different member expressed the view that more firms had recently started allocating their funds to growth investment. The member continued that in assessing financial conditions, it was also necessary to take into account factors such as whether financing was being implemented under disciplined investment plans, including for the recent increase in mergers and acquisitions. Meanwhile, one member said that, since June 2026, there had been a significant regime shift in financial conditions surrounding Japan, as the phase of policy interest rate cuts seen globally through 2025 had turned to a phase of interest rate hikes. In addition, referring to the 2026 Kumamoto Earthquake in late July, one member pointed out the need to closely monitor future developments, including developments at local financial institutions in the affected area, while taking into account changes in the financial environment, specifically the fact that the current loan-deposit gap at financial institutions was narrower than it had been at the time of the 2016 Kumamoto Earthquake.

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

With regard to <u>economic activity</u>, members shared the recognition that Japan's economy had recovered moderately, although some weakness had been seen in part, partly due to the impact of the situation in the Middle East. Most members expressed the view that, as reports at the July 2026 meeting of general managers of the Bank's branches suggested, AI-related demand had spread to a greater extent than initially expected, exerting upward pressure on exports and production. One of these members noted that the positive impact of the global expansion in AI-related demand had not only been observed among firms related to, for example, semiconductors and semiconductor production equipment, but had also spread to a wide range of firms that supported the infrastructure of data centers, such as firms related to equipment for generating and supplying power. A different member expressed the recognition that concerns over an economic slowdown had subsided, as the degree of deterioration in the terms of trade in the current phase had been limited compared with the period when commodity prices surged from 2022 to 2023, with export prices in Japan rising, partly driven by the demand shock from the expansion in AI-related demand. One member expressed the view that, unlike in the past, when it experienced a significant decline in domestic demand and a deceleration in inflation in the face of major external shocks, Japan's economy had been showing resilience in the face of the U.S. tariff policy implemented in 2025 and the current situation in the Middle East.

Members agreed that exports and industrial production continued to be more or less flat as a trend. One member added that the export price index on a contract currency basis for June 2026 registered a high year-on-year growth rate of over 10 percent, mainly driven by AI-related items such as MOS memory integrated circuits and semiconductor production equipment.

Members shared the view that business fixed investment had been on a moderate increasing trend, with corporate profits being at high levels against the backdrop of factors such as the solid increase in global AI-related demand, and with business sentiment being at a favorable level while being affected by the situation in the Middle East. Some members noted that business sentiment continued to be favorable in the June 2026 *Tankan* (Short-Term Economic Survey of Enterprises in Japan) despite the adverse effects of the situation in the Middle East, and this could be attributed to factors such as firms' optimistic outlook for the pass-through of cost increases to selling prices, in addition to the expansion in AI-related demand.

Members concurred that private consumption had been resilient against the background of the improvement in the employment and income situation, although weakness had been seen in household sentiment. One member pointed to strong sales of high-end products reflecting the wealth effects from higher stock prices as one reason for the resilience in private consumption.

Members shared the view that the employment and income situation had improved moderately. Many members pointed out that the 2026 annual spring labor-management wage negotiations had resulted in a base pay increase of around 3.5 percent not only for large firms but also for relatively small firms, indicating that solid wage increases had been achieved at a wide range of firms. One of these members added that small and medium-sized firms could be considered to have raised their wages by over 3 percent partly as a defensive step reflecting labor shortages, but these wage hikes could also be attributed to the strong tendency specific to Japanese firms to keep in line with other firms in the same industry.

As for prices, members shared the recognition 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 recently been at around 1.5 percent due to factors such as the effects of the government's measures to reduce the household burden of higher energy prices. One member pointed out that, while the situation in the Middle East remained unclear, crude oil prices and the benchmark price of naphtha had declined from their peak levels reached in April. The member then noted that, while the PPI had risen reflecting an increase in import prices, the CPI remained below 2 percent, due in part to the effects of government policies. In response, a few members pointed out that the year-on-year rate of increase in the CPI, when excluding institutional factors such as the government's various measures, had recently been at the following levels: the CPI (all items less fresh food) in the range of 2.5-3.0 percent, the CPI (all items less fresh food and energy) at around 2 percent, and the CPI (all items less food and energy) at around 1.5 percent. Moreover, some members expressed the recognition that, as active price pass-through continued in business-to-business transactions, against the backdrop of high growth in import prices, clear signs of price increases had started to be seen at the consumer level. As an example, one member pointed out that the CPI for July for Tokyo's 23 wards showed moves to pass on price increases in imported food ingredients -- stemming from the yen's depreciation -- to dining-out prices, on the back of factors such as strong inbound tourism demand. Meanwhile, regarding developments in crude oil prices, one member expressed the view that the crude oil market was currently balanced, reflecting factors such as an increase in supply -- mainly due to the release of petroleum reserves in various economies and the exit of delayed tankers from the Persian Gulf -- and a decline in demand from China. The member continued that, however, once these factors dissipated, supply and demand conditions could tighten again.

Regarding price developments in business-to-business transactions, many members shared the recognition that, while the month-on-month rate of increase in the PPI had recently peaked out, the year-on-year rate of increase remained at a high level exceeding 7 percent, and that midstream price increases were being passed on downstream. Some of these members pointed out that, by item, a notable increase had been seen both in prices of petroleum products and of chemicals and related products, reflecting the impact of the situation in the Middle East, and in prices of items such as semiconductor memory chips and nonferrous metals, driven by the expansion in global AI-related demand. One member noted that the year-on-year rate of increase in the SPPI had recently been above 3 percent, particularly for motor freight transportation. On this basis, the member expressed the view that, as background to the fact that distribution costs had increased despite prices of gasoline and other items declining due to fuel oil subsidies, it was likely that there had been a substantive pass-through of increases in personnel expenses, triggered by high crude oil prices.

Meanwhile, members concurred that inflation expectations had risen moderately. Many members pointed out that sources such as the results of the June 2026 *Opinion Survey on the General Public's Views and Behavior* and the June 2026 *Tankan* showed a rise in medium- to long-term inflation expectations for both households and firms, partly reflecting the impact of the situation in the Middle East. One of these members commented that the June *Tankan* showed a significant increase in firms' forecasts for output prices, particularly in industries affected by high crude oil prices and the expansion in AI-related demand; however, in terms of the medium- to long-term inflation outlook for general prices, differences among industries were small, with inflation expectations mostly concentrated at around 2.5-3.0 percent. The member then expressed the view that this indicated that a norm of inflation above 2 percent had likely started to become widely established.

B. Outlook for Economic Activity and Prices

In formulating the July 2026 *Outlook for Economic Activity and Prices* (Outlook Report), members discussed <u>the baseline scenario of the outlook for Japan's economic activity</u>. They shared the following recognition: (1) in fiscal 2026, Japan's economy was expected to continue growing moderately, albeit at a decelerated rate -- this was because, although the rise in crude oil prices since early spring reflecting the impact of the situation in the Middle East was expected to push down economic activity, the economy was likely to be underpinned by factors such as the government's various measures and accommodative financial conditions, in addition to the increase in global AI-related demand; and (2) from fiscal 2027 onward, Japan's economic growth rate was expected to rise moderately, since it was projected that the adverse effects of high crude oil prices would wane and that the virtuous cycle from income to spending would gradually intensify.

Regarding the impact of the situation in the Middle East on Japan's economic activity, many members shared the view that the possibility of supply-side constraints intensifying due to disruptions in supply chains and thereby significantly affecting the production activity of Japanese firms had decreased, taking into account factors including progress in securing alternative sources of supply for raw materials that are highly dependent on the Middle East. Furthermore, some members expressed the recognition that higher export prices caused by the expansion in AI-related demand were likely to contribute to mitigating the deterioration in the terms of trade reflecting higher crude oil prices. Meanwhile, one member expressed the view that the Basic Policy on Economic and Fiscal Management and Reform 2026 approved by the Cabinet, which advocates "responsible and proactive public finances," was expected to raise domestic production, employment, real income, and the inflation rate. In addition, one member pointed out that, given that Japan is highly prone to natural disasters, the resilience of the economy could depend on the country's ability to respond to and recover from such disasters. On this basis, the member stated that it was also necessary to carefully examine the impact of the 2026 Kumamoto Earthquake on economic activity, prices, and financial conditions.

Members agreed that, despite the impact of the situation in the Middle East, Japan's exports and industrial production were likely to be more or less flat for the time being, pushed up by strong global AI-related demand. They shared the recognition that, thereafter, exports and industrial production were likely to increase moderately, partly supported by factors such as strong global AI-related demand, as the impact of the situation in the Middle East eased and overseas economies continued to grow moderately. One member referred to a recently released article by Federal Reserve staff and commented that since technology shocks that induce investment, such as the current AI boom, lead to an increase in U.S. imports, it was expected that such shocks would also push up Japan's exports to a certain extent.

Members shared the view that business fixed investment was expected to remain on a moderate increasing trend, as the government's economic measures and accommodative financial conditions, together with firms' moves to clear order backlogs from existing projects, were expected to provide support. They concurred that, thereafter, business fixed investment was likely to remain on an upward trend, pushed up by labor-saving investment to address labor shortages, investment in growth areas, such as AI-related areas, for capacity expansion, and investment projects to adapt to changes in the trade structure and supply chains, among other investments. Some members expressed the view that business fixed investment was expected to remain on an increasing trend, as business fixed investment plans in the June 2026 *Tankan* had been solid on the whole. On this basis, one member noted that, according to the *Survey on Planned Capital Spending* conducted by the Development Bank of Japan (DBJ), firms cited the surge in construction costs and the reviews and reassessments of investment components as being among the main factors that could negatively affect business fixed investment, rather than the rise in interest rates. On the other hand, a different member expressed the recognition that fixed investment by firms that were highly dependent on external funding could be affected not only by labor shortages in sectors such as construction and the surge in material prices, but also by the rise in real interest rates thus far. Regarding these points, some members were of the view that it was necessary to take into account various perspectives -- for example, firm attributes such as type of industry, firm size, and ratio of interest-bearing debt, and the scale of investment projects -- and carefully assess whether there would be any changes to the trend in business fixed investment.

Members shared the recognition that private consumption was expected to be more or less flat due to the impact of price rises, particularly in energy prices, although it was likely to be underpinned by income transfers to households through the government's various measures, in addition to wage increases and the wealth effects from higher stock prices. They agreed that, thereafter, with nominal wages expected to continue increasing steadily and the pace of price rises expected to moderate gradually, private consumption was projected to return to a moderate increasing trend. One member expressed the recognition that the possibility of consumption being dampened by expected price increases was low, given that wages had increased by around 3 percent on a year-on-year basis and that the extent of income transfers to households had been significant, such as through the government's measures to reduce the household burden of higher energy prices and the provision of free education. A different member expressed the view that, while the burden of mortgage repayments was mostly borne by the working generation, interest rate increases were not necessarily expected to reduce their consumption overall given, for example, that wage growth of employees in their 30s -- the generation that typically purchases homes -- was relatively high, and that the holding of financial assets that generate interest tends to increase with age.

Members agreed that employee income was likely to continue increasing steadily, albeit with fluctuations, with corporate profits remaining on an uptrend. Some members expressed the view that, considering expectations formed over the past few years that a base pay increase of 3 percent or more would be agreed at the annual spring labor-management wage negotiations, such wage growth was highly likely to continue.

Based on these discussions, members shared the recognition that, comparing the projections with those in the April 2026 Outlook Report, the projected real GDP growth rates were more or less unchanged throughout the projection period.

Members then discussed <u>the baseline scenario of the outlook for Japan's price developments</u>. They agreed that the year-on-year rate of increase in the CPI (all items less fresh food) was likely to accelerate to a level clearly above 2 percent from the second half of fiscal 2026. They continued that, this was because, with moves to pass on wage increases to selling prices continuing, the rise in crude oil prices to date was expected to push up prices, mainly of energy and goods, and the rise in the prices of semiconductors and other items, reflecting the increase in global AI-related demand, and the recent depreciation of the yen were likely to lead to an increase in prices, mainly of durable goods. They added that, thereafter, with the waning of the effects of high crude oil prices, the rate of increase in the CPI was expected to decline toward around 2 percent in the second half of the projection period. In addition, members agreed that, meanwhile, with a sense of labor shortage continuing to be strong, it was projected that the mechanism in which wages and prices rise moderately in interaction with each other would be maintained, and that medium- to long-term inflation expectations would rise. On this basis, most members shared the recognition that underlying CPI inflation was expected to increase gradually, coming to a level that was generally consistent with the price stability target between the second half of fiscal 2026 and fiscal 2027 and remaining at around that level thereafter. In response, one member expressed the recognition that the level of the rate of increase in the CPI, including underlying CPI inflation, had already generally reached the price stability target, given that the deflationary norm had been dispelled and wages had increased. Furthermore, a different member expressed the view that underlying CPI inflation had already been at a level that was generally consistent with the price stability target, considering developments in, for example, the CPI excluding the government's various measures and other institutional factors, the month-on-month rate of increase in the CPI (all items less fresh food and energy, seasonally adjusted) since early spring 2026, and firms' and households' inflation expectations.

Regarding projections for the CPI, many members expressed the recognition that the price pass-through stemming from high crude oil prices had been progressing at a relatively fast pace in business-to-business transactions, which, according to sources such as firms' announcements regarding price rises, was highly likely to spread to an increase in consumer prices across a wide range of items from the summer. As background to these developments, one member expressed the view that the current situation in the Middle East had been providing firms with a clear justification for raising prices, and that consumption activity had been resilient, supported by wage increases over the past few years and the government's various income transfer measures. A different member noted that, given factors such as the rise in domestic distribution costs and the increase in the prices of packaging materials and food trays, the price hikes in final consumer goods were expected to accelerate again toward early autumn. Some members expressed the recognition that, given that supply and demand conditions of items such as semiconductors and copper had tightened globally, stemming from the expansion in AI-related demand, and the PPI had risen, it was highly likely that consumer prices would also increase across a variety of items, including durable goods. In addition, one member pointed out that the year-on-year rate of increase in yen-denominated import prices had risen substantially due to the depreciation of the yen as well as developments in commodity prices, such as high crude oil prices, and that this was projected to eventually spill over into consumer prices. Meanwhile, one member expressed the view that, while crude oil prices had declined globally compared to a while ago, there was a possibility that the procurement costs faced by Japanese firms would remain elevated for a considerable time, given the increase in costs associated with the securing of alternative sources of supply from regions including North America.

Based on these discussions, members shared the recognition that, comparing the projections with those in the April 2026 Outlook Report, the projected year-on-year rate of increase in the CPI (all items less fresh food) for fiscal 2026 was lower, due to factors such as the effects of the government's measures to reduce the household burden of higher energy prices (electricity and gas charges) during summer, while the projected year-on-year rates of increase in the CPI (all items less fresh food and energy) were more or less unchanged throughout the projection period.

Many members shared the view that underlying CPI inflation had been approaching 2 percent recently, and that it would be important, from the perspective of sustainable and stable achievement of the price stability target, to examine whether it became anchored at a level around 2 percent. One member expressed the recognition that, when assessing whether underlying CPI inflation would stabilize in a manner consistent with the price stability target, it was necessary to carefully monitor whether medium- to long-term inflation expectations -- which had been rising recently -- stabilized at around 2 percent. A different member noted that, in terms of whether underlying CPI inflation became anchored at around 2 percent, developments in the wage growth rate were a particularly important factor. On this basis, the member said that firms' behavior had been shifting more toward raising wages and prices over the past few years, due to factors such as global inflation, a surge in rice prices, and the situation in the Middle East. This member continued that, however, attention was warranted on whether the trend of wages and prices rising moderately in interaction with each other would be firmly maintained, even if such cost-push factors started to subside. Meanwhile, one member expressed the recognition that underlying CPI inflation was becoming anchored at around 2 percent in a sustainable and stable manner, considering factors such as the following: (1) over 70 percent of the CPI items continued to show price rises over the past few years; (2) various indicators of inflation expectations had been rising moderately; and (3) firms continued to raise wages, with a base pay increase of around 3 percent.

Members then discussed <u>upside and downside risks to economic activity and prices</u>. They agreed that, while there were various risks to the outlook, it was necessary, for the time being, to pay particular attention to the impact of the situation in the Middle East on financial and foreign exchange markets and on Japan's economic activity and prices. Members also agreed that it was necessary to pay attention to the effects of developments in global AI-related demand and of future developments in foreign exchange rates on Japan's economic activity and prices. One member pointed out that for economic activity, the situation in the Middle East exerted downward pressure, the expansion in AI-related demand exerted upward pressure, and the depreciation of the yen worked in both directions; for prices, these factors all exerted upward pressure. One member expressed the view that, together with these factors, expansionary fiscal policies in various economies would push up prices, as they would lead to a further boost in demand. Moreover, a different member stated that, in addition to the depreciation of the yen and the expansion in AI-related demand, geopolitical risks and risks associated with climate change had been factors pushing up import prices, and that attention was warranted on upside risks to prices throughout the projection period.

Regarding the impact of the situation in the Middle East, members concurred that, while the situation in the region remained unclear, crude oil prices had declined compared with a while ago, and that as a result, the significant downside risks to economic activity and the significant upside risks to prices, both of which were pointed out in the April Outlook Report, had decreased. As for the impact of the situation in the Middle East on prices, however, they shared the view that there was a risk of underlying CPI inflation deviating upward to a level above the price stability target of 2 percent, taking into account that (1) high crude oil prices were highly likely to spread to an increase in consumer prices across a wide range of items, mainly against the background of firms' behavior shifting more toward raising wages and prices, and that (2) medium- to long-term inflation expectations also continued to rise. One member commented that the increase in motor freight transportation and other distribution costs, which had been noticeable recently, could affect underlying inflation, since the increase would spread widely to other prices. A different member noted that, considering factors such as the future pass-through of higher crude oil prices to consumer prices, and Japan's output gap, which indicated supply shortages and excess demand, risks to prices were significantly skewed to the upside. Meanwhile, one member said that, although Japan's economy had been developing generally in line with the baseline scenario thus far, attention continued to be warranted on the risk that the increase in import prices would lead to a rise in domestic prices and to a deterioration in production, employment, and real income. A different member pointed out that, if the situation in the Middle East further intensified and became prolonged, and Japan's economy consequently faced supply concerns, this could exert further upward pressure on prices and downward pressure on economic activity. The member continued that it was therefore important to be cautious in this regard.

Regarding the impact of AI-related demand, members agreed that amid the continued increase in global demand alongside the rapid expansion in the range of AI applications, strong business fixed investment could further push up the global economy; on the other hand, if profits did not increase in line with such investment, adjustment pressure could arise, accompanied by, for example, changes in asset prices. One member expressed the recognition that attention was warranted on the possibility that Japan's economy could deviate downward, should expectations regarding the future profitability of AI-related firms diminish and the stock market experience significant adjustments. In response, one member expressed the view that in Japan, the benefits of the expansion in AI-related demand had been gained largely by firms that play a complementary role in supporting the development and operation of AI by providing hardware and infrastructure. The member continued that the risk characteristics of such firms were different from those of overseas AI firms that had been making large-scale business fixed investments.

Regarding the impact of AI-related demand on prices, members shared the recognition that if domestic and external demand for AI-related materials and parts increased more than expected, there was a risk that upward pressure on prices, including consumer prices, would further heighten. One member expressed the view that strong global AI-related demand had induced recent moves to raise smartphone prices, and this could lead to price increases in various other items. A different member pointed out that if the social implementation of AI progressed effectively, it would be a technological advance that contributes to price stability in the medium to long term. The member continued that, however, at least for the next few years, AI was highly likely to be a factor acting to increase demand, such as for business fixed investment, thereby exerting upward pressure on prices.

As for <u>the effects of developments in foreign exchange rates</u>, members shared the view that while the depreciation of the yen would have a positive impact on, for example, the profits of global firms, it would also push down households' real income and exert downward pressure on the profits of small and medium-sized firms in particular, mainly through a rise in import prices. In addition, they concurred that attention should also be paid to the point that, with firms' behavior shifting more toward raising wages and prices recently, exchange rate developments were, compared to the past, more likely to affect prices, and that such moves could affect underlying CPI inflation through changes in inflation expectations. One member expressed the view that upside risks to prices had heightened because, with the accumulated experience of inflation since 2022 leading to an increase in medium- to long-term inflation expectations, the recent depreciation of the yen and the situation in the Middle East could drive a further rise in inflation expectations.

Members also discussed the pass-through of foreign exchange rates to consumer prices. Some members noted that, in estimating the pass-through rate -- which varies to a certain extent, depending on the research -- it was necessary to take careful account of structural changes, such as the shift in firms' behavior in recent years more toward raising wages and prices and the increase in medium- to long-term inflation expectations derived from accumulated experience of inflation. One of these members added that, if it was assumed that some kind of structural change occurred after the COVID-19 pandemic, using an excessively long sample period could result in an underestimation of the pass-through rate. In addition, one member pointed out that if the pass-through rate was low, the burden on consumers stemming from the yen's depreciation and high prices would be reduced; however, it should be noted that small- and medium-sized importing firms and downstream firms would, instead, suffer the negative impact of higher import costs.

Meanwhile, members shared the recognition that, a risk considered from a somewhat long-term perspective was 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 AI's labor substitutability had been received rather positively thus far in Japan, where labor shortages were severe. The member then expressed the view that, if AI boosted labor-saving investment and productivity and contributed to pushing up Japan's potential growth rate, the natural rate of interest would rise accordingly. Moreover, members concurred that achieving price stability through the appropriate conduct of monetary policy was important from the perspective of supporting the expansion of growth investment in Japan, taking into account that many had pointed out that investment had been constrained by factors such as the surge in material prices, in addition to labor shortages. One member noted that, for firms with an appetite for investment, it was important that price stability be achieved and an economic environment be created in which firms could easily predict future demand and profits. A different member expressed the recognition that, unlike in the past, when Japan went through periods of insufficient demand, in order to raise the potential growth rate in the face of severe supply-side shortages, it was essential to allocate resources efficiently, prioritizing high-efficiency and strategically-promising investments, by letting the resource allocation function of the interest rate mechanism work. The member continued that, for this reason, the appropriate conduct of monetary policy was also important as a foundation supporting the expansion of Japan's growth investment.

With regard to the risk balance, members shared the recognition that, taking their risk assessments as a whole, (1) risks to economic activity were generally balanced, and (2) risks to prices were skewed to the upside.

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 1.0 percent.

Some members expressed the recognition that, given that the policy interest rate was raised at the previous meeting held in June, 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. Noting that it was considered that there was a time lag of around one to one and a half years for the effects of a policy interest rate hike to emerge in the form of pushing down the inflation rate and domestic economic activity, one of these members expressed the view that, in order to carefully examine the impact of the previous meeting's rate hike, it was appropriate for the Bank to keep the policy interest rate unchanged at this meeting. A different member pointed out that it was desirable that the Bank keep the policy interest rate unchanged at this meeting, considering the current situation where the CPI was unlikely to rise rapidly, and the fact that developments in financial markets also needed to be monitored as central banks in both the United States and Europe were holding their policy rates steady.

On the other hand, one member expressed the view that it was desirable for the Bank to raise the policy interest rate to around 1.25 percent at this meeting. This member expressed the recognition that, in 2024 and 2025, the Bank raised its policy rate at a moderate pace of twice a year, amid differences in the direction of monetary policy between Japan and other economies. The member continued that, recently, however, as the global environment was turning to a phase of policy interest rate hikes, the situation had shifted to a new phase in which the Bank needed to adopt a nimble approach in response to factors such as changes in overseas financial conditions and to discuss the size of a rate hike, rather than adhering to a certain pace of rate hikes. On this basis, the member said that, as concerns over a downward deviation in real economic activity had subsided and inflationary pressures could become evident from the summer, it was necessary for the Bank to shift from the current stance of encouraging a rise in underlying inflation and to clearly demonstrate to the market its determination to prevent upward deviations in prices caused by demand shocks stemming from overseas developments.

As for the future conduct of monetary policy, members shared the recognition that, given that underlying CPI inflation had been approaching 2 percent and financial conditions had been accommodative, it was appropriate that the Bank continue to raise the policy interest rate and adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions. One member expressed the recognition that, in the current situation where risks to prices were skewed to the upside, it would be beneficial in the long run for all economic entities if the Bank were to gradually adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions, so as to prevent an acceleration in inflation due to a delay in raising the policy interest rate, and to thereby prevent the Bank from being compelled to later make rapid policy interest rate hikes. One member pointed out that even if the precise neutral interest rate could not be determined, it was necessary for the Bank to raise the policy interest rate, which was below the lower bound of the broadly estimated range of the neutral rate, in order to set a foundation for the normalization of monetary policy and to ensure the nimbleness of policy decisions.

With respect to the timing and pace of adjustment to the degree of monetary accommodation, members shared the view that it was important for the Bank to consider this, while examining the likelihood of realizing the baseline scenario of the outlook for economic activity and prices and the risks to the outlook, including the impact of the situation in the Middle East -- to which the Bank had paid particular attention thus far -- the expansion in AI-related demand, and developments in foreign exchange rates. They then concurred that, in particular, the perspective of stabilizing underlying CPI inflation at a level around 2 percent became important in order to keep the risk of underlying CPI inflation deviating upward to a level above the price stability target of 2 percent from materializing and thereby exerting an adverse impact on the economy afterward. Many members expressed the recognition that, although the Bank had previously conducted monetary policy with the aim of lifting underlying CPI inflation to 2 percent, it was now gradually shifting toward making policy decisions aimed at anchoring underlying CPI inflation at around 2 percent. These members continued that closer communication with the public was required regarding how monetary policy should be conducted in this situation. In relation to this, one member noted that the market appeared to expect that the policy interest rate would likely be raised with intervals of about six months. The member continued that, however, given that underlying CPI inflation had been approaching 2 percent and that greater consideration should be given to upside risks to prices than before, the pace of policy interest rate hikes could be faster than market expectations, depending on developments in economic activity and prices as well as financial conditions. A different member expressed the recognition that, while underlying CPI inflation in Japan was becoming anchored at around 2 percent, financial conditions remained accommodative. The member continued that, given this, it was important for the Bank to pay particular attention to upside risks to prices and adjust the policy interest rate nimbly. One member pointed out that, if upside risks to prices materialized, it would not only deliver a significant blow to Japan's economy and to people's daily lives but would also compel the Bank to later make rapid and substantial policy interest rate hikes, causing a double shock. On this basis, the member expressed the view that the focus of monetary policy had shifted from "lifting underlying CPI inflation to 2 percent" to "avoiding further upward deviation in underlying CPI inflation." This member continued that it could no longer be said that "the risk of waiting was marginal," and it was therefore necessary for the Bank to accelerate the pace of adjustment to the degree of monetary accommodation.

Based on these discussions, some members expressed the recognition that, in communicating with the market, it was desirable for the Bank to express its view that greater attention should be paid to upside risks to prices than before. On this basis, a few members stated that, while it was important for the Bank to carefully explain its view on economic activity and prices, and its stance on monetary policy conduct, the specific pace and timing of policy interest rate hikes could not be fixed in advance and would be given appropriate consideration at each Monetary Policy Meeting, while examining financial conditions and developments in economic activity and prices.

Members also discussed developments in long-term interest rates. One member noted that it was desirable that long-term interest rates be determined by the market in reflection of economic fundamentals. The member then expressed the view that, while long-term interest rates rose in early July, policies in various countries had attracted attention in financial markets recently as a factor influencing daily market movements. One member expressed the recognition that long-term interest rates are formed freely in financial markets, and that, generally speaking, an increase in government spending, a policy interest rate hike, and a reduction of the Bank's purchase amount of JGBs were all factors that would push up long-term interest rates. In response, a few members expressed the view that, if the Bank raised the policy interest rate at an appropriate pace in response to developments in economic activity and prices as well as financial conditions, long-term interest rates would be formed in a stable manner consistent with such developments. These members continued that, on the other hand, if concerns heightened over the policy interest rate not being adjusted at an appropriate pace, this could lead to a rise in term premiums, with attention being drawn to upside risks to prices and the associated risk of rapid policy interest rate hikes.

In light of the above discussions, the chairman requested that the staff present possible descriptions of the future conduct of monetary policy to include in the July 2026 Outlook Report. The staff reported that the descriptions could be as follows. First, as for the conduct of monetary policy, given that underlying CPI inflation had been approaching 2 percent and financial conditions had been accommodative, the Bank would continue to raise the policy interest rate and adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions. Second, in this regard, the Bank would consider the timing and pace of adjustment, while examining the likelihood of realizing the baseline scenario of the outlook for economic activity and prices and the risks to the outlook, including the impact of the situation in the Middle East, the expansion in AI-related demand, and developments in foreign exchange rates. Third, in particular, the perspective of stabilizing underlying CPI inflation at a level around 2 percent became important in order to keep the risk of underlying CPI inflation deviating upward to a level above the price stability target of 2 percent from materializing and thereby exerting an adverse impact on the economy afterward. Fourth, with the price stability target of 2 percent, the Bank would conduct monetary policy as appropriate from the perspective of sustainable and stable achievement of the target.

In response to the staff's explanation, members shared the view that the descriptions presented by the staff were appropriate.

IV. Remarks by Government Representatives

The representative from the Cabinet Office made the following remarks.

(1) The government would closely monitor the impact of the 2026 Kumamoto Earthquake on the livelihoods of those affected and on the economy.

(2) The Japanese economy was recovering at a moderate pace. As the economy and public finances were entering a new phase, the government would strive to secure market confidence through achieving both building a strong Japanese economy and fiscal sustainability in a simultaneous manner and through strengthening communication, based on the Basic Policy on Economic and Fiscal Management and Reform 2026 and embracing an approach of responsible and proactive public finances.

(3) Toward building a strong Japanese economy, it was extremely important that monetary policy be conducted as appropriate in a manner that contributed to achieving stable inflation. 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) Regarding the 2026 Kumamoto Earthquake, the government would mobilize its full capabilities, with saving lives as its highest priority.

(2) Based on the Basic Policy on Economic and Fiscal Management and Reform 2026, the government would strive to achieve both "building a strong Japanese economy" and "fiscal sustainability" in an integrated manner, while giving consideration to securing market confidence.

(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 1.0 percent.

Takata Hajime, however, considered that the situation had shifted to a new phase in which the Bank needed to adopt a nimble approach in response to upside risks to prices caused by demand shocks stemming from overseas developments and to changes in overseas financial conditions. 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 1.25 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 Ryozo, UCHIDA Shinichi, TAMURA Naoki, KOEDA Junko, MASU Kazuyuki, ASADA Toichiro, and SATO Ayano.

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, TAMURA Naoki, KOEDA Junko, MASU Kazuyuki, ASADA Toichiro, and SATO Ayano.
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 July 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 economic activity, he proposed the description stating that, "Japan's economy is expected to continue growing moderately. This is because, despite the impact of the situation in the Middle East, the terms of trade are less likely to deteriorate, due to the increase in global AI-related demand, and the economy is likely to be underpinned by factors such as the government's various measures and accommodative financial conditions." Second, with regard to the outlook for prices, he proposed the description, "the level of the rate of increase in the CPI, including underlying CPI inflation, already seems to have generally reached the price stability target." 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, TAMURA Naoki, KOEDA Junko, MASU Kazuyuki, ASADA Toichiro, and SATO Ayano.

Tamura Naoki formulated a proposal that included the following points. First, with respect to underlying CPI inflation, he proposed the description stating that "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 are likely to be around the 2 percent level." 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, TAKATA Hajime, KOEDA Junko, MASU Kazuyuki, ASADA Toichiro, and SATO Ayano.

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 August 3.

Votes for the proposal: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, KOEDA Junko, MASU Kazuyuki, ASADA Toichiro, and SATO Ayano.
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 June 15 and 16, 2026, for release on August 5.

VIII. Approval of the Scheduled Dates of the Monetary Policy Meetings

The Policy Board approved unanimously the dates of the Monetary Policy Meetings to be held in 2027 and agreed to make this public after the meeting.

Attachment
July 31, 2026
Bank of Japan

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 1.0 percent.

[Note] Voting for the action: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, TAMURA Naoki, KOEDA Junko, MASU Kazuyuki, ASADA Toichiro, and SATO Ayano. Voting against the action: TAKATA Hajime. Takata Hajime considered that the situation had shifted to a new phase in which the Bank needs to adopt a nimble approach in response to upside risks to prices caused by demand shocks stemming from overseas developments and to changes in overseas financial conditions. 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 1.25 percent. The proposal was defeated by a majority vote.