June 3, 2025

Bank of Japan

Economic Activity and Prices, and Monetary Policy in Japan

Speech at a Meeting Held by the Naigai Josei Chosa Kai (Research Institute of Japan)

UEDA Kazuo

Governor of the Bank of Japan

(English translation based on the Japanese original)

Introduction

Thank you for the opportunity to speak today at the Naigai Josei Chosa Kai. It was two years ago at this event that I gave my first speech after becoming Governor of the Bank of Japan. In that speech, I stated that I would endeavor to make logical decisions and provide explanations as clearly as possible in fulfilling my duties as Governor. Moreover, with a view to carrying out the Bank's mandate of achieving price stability, I highlighted the importance of carefully supporting "nascent developments," which were finally in sight at that time, in maturing toward achieving the price stability target of 2 percent.

Fortunately, Japan's economic activity and prices have continued to improve since then, and the "nascent developments" toward achieving the 2 percent target have steadily gained momentum, accompanied by wage increases. In March 2024, the Bank judged it was within sight that the price stability target of 2 percent would be achieved in a sustainable and stable manner, and changed its large-scale monetary easing framework, which had lasted for over a decade. Thereafter, it adjusted the degree of monetary accommodation by raising the policy interest rate in July 2024 and again in January 2025.

However, the scale of the tariffs announced by the U.S. administration since early spring of this year was considerably larger than what many people had expected, and the environment surrounding economic activity and prices at home and abroad is changing significantly. While the environment surrounding Japan's economic activity and prices also has become increasingly complex, today I would like to return to what I stated as my intention when I spoke here two years ago and explain, as clearly as possible, the Bank's view on Japan's economic activity and prices and its thinking on the conduct of monetary policy.

I. The Impact of Trade Policies and Economic Activity and Prices

The Impact of Trade Policies on Japan's Economy

Let me start by talking about the impact of U.S. tariff policy on Japan's economy.

Since February of this year, the United States has introduced a series of tariffs, starting with country-specific tariffs on China and other countries, then item-specific tariffs on steel and aluminum, automobiles, and other items, followed by reciprocal tariffs on many economies.

In particular, the reciprocal tariffs announced on April 2 were large-scale, applying to a wide range of items, which is unprecedented for an advanced economy after World War II. According to staff calculations by the International Monetary Fund (IMF) shown in the left-hand graph of Chart 1, if the tariffs announced as of April 9 were to be implemented in full, the U.S. effective tariff rate, which had been around 2 percent, would rise significantly to a level of over 20 percent. With some economies launching retaliatory measures, indexes gauging uncertainty regarding trade policies, as shown in the right-hand graph, have also risen rapidly. Despite recent developments such as the United States and China reaching an agreement to substantially scale back tariff rates, there remains high uncertainty regarding economic activity and prices at home and abroad.

These developments in trade policies will exert downward pressure on Japan's economy through several different channels.

The first channel is the decline in the price competitiveness of exported goods from Japan in the U.S. market. This channel has drawn much attention, receiving wide media coverage as a direct impact of U.S. tariff policy. Please take a look at Chart 2, which shows export-related data. Looking at the left-hand graph, the actual figures for Japan's real exports have been solid so far, and it is likely that this partly reflects front-loading of exports in view of future tariff hikes. Going forward, if Japanese firms pass on the impact of tariff increases to selling prices in the United States, these firms risk losing market share to U.S. products, which would act to suppress overall exports from Japan. Indeed, the index for Japanese firms' views on export orders shown in the right-hand graph is below 50, which is the threshold between an increase and decrease in new export orders. On the other hand, there may also be some Japanese firms that decide to adopt business strategies that keep selling prices in the United States unchanged and absorb the impact of tariff hikes themselves, accepting a deterioration in export profitability. In this case, the impact of tariff hikes on local sales and export volumes may be limited. However, the profits of these firms would come under downward pressure, which could have a negative impact on wage hikes and business fixed investment going forward.

The second channel is the decline in demand due to heightened uncertainty. Even though it receives less attention than the first channel, this second channel could exert downward pressure on Japan's economy at an earlier point in time. When uncertainties regarding tariff policies are as high as seen now, firms that are likely to be affected will naturally be cautious about various investment projects. The household sector will also have an incentive to hold back on large purchases for the time being, such as purchases of durable goods like automobiles and household electrical appliances or of housing, to prepare for risks such as a future economic downturn. In fact, looking at data on business and household sentiment in Chart 3, figures for Japan have deteriorated recently, and it is possible that the heightened uncertainty will affect the spending behavior of firms and households. As for the extent to which the heightened uncertainty affects spending behavior, the Bank will carefully examine revisions in firms' business fixed investment plans for fiscal 2025 and other data in the next *Tankan* (Short-Term Economic Survey of Enterprises in Japan) to be released in July.

The third channel is the impact of a contraction in global trade activity reflecting a widespread slowdown in the global economy. The tendency to put off spending due to heightened uncertainty that I just mentioned can be seen not only in Japan, but worldwide. Moreover, not only economies facing tariffs, but also the United States and other economies imposing tariffs are likely to experience a decline in domestic demand, due to the rise in import prices and other factors. In particular, the decline in global demand for goods such as durable goods and capital goods, which typically require many stages in the production process, could be amplified through global supply chains, pushing down exports and production in a range of economies, including Japan. In this regard, the IMF's *World Economic Outlook* (WEO) released in April projects that the real GDP growth rate of the global economy is likely to be lower than previously expected, dragged down by lackluster trade, as can be seen in the right-hand graph of Chart 4. In addition to such impact through trade activity, attention is warranted on the possibility that the slowdown in the global economy will push down profits of Japanese firms through a decline in dividends from their overseas subsidiaries.

The fourth channel is financial and foreign exchange markets. The announcement of U.S. tariffs triggered a relatively large decline in global stock prices and a depreciation of U.S. dollar through mid-April. Since then, stock prices and the U.S. dollar have rebounded to some degree, and volatility in global stock prices and foreign exchange rates has declined. That said, the Bank will continue to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economy.

Outlook for Japan's Economic Activity and Prices

I have so far described the impact of U.S. tariff policy in detail. On this basis, I would now like to turn to the outlook for Japan's economic activity and prices.

As I mentioned, recent tariff policies will exert downward pressure on Japan's economy through several different channels. That said, the Bank currently expects that Japan's economy will be able to withstand such downward pressure and that the mechanism in which wages and prices rise moderately in interaction with each other will not be interrupted. The reason is that high levels of corporate profits will act as a buffer, and that the income situation for households has also become more resilient due to the economic recovery so far.

Please take a look at Chart 5. In recent years, Japan's corporate profits have remained at historically high levels on the whole, and therefore even if there were to be some downward pressure, corporate activity would not be significantly restricted in terms of funding. Moreover, although the impact of tariff policies mentioned earlier is expected to be felt first mainly in manufacturing and among exporting firms, firmness in nonmanufacturing -- which accounts for about 80 percent of employment in Japan -- is expected to support Japan's economic activity. In this respect, during the period in 2019 when trade frictions between the United States and China escalated, Japan's exports and production activity in manufacturing inevitably experienced some weakness; on the other hand, business performance in nonmanufacturing remained firm and a strong sense of labor shortage persisted. The sense of labor shortage in nonmanufacturing has strengthened further recently amid the heightened labor supply constraints reflecting demographic changes. Given these developments, it is likely that labor market conditions in Japan will remain tight and firms will maintain their active wage-setting behavior on the whole, despite the impact of tariff policies.

Let me now turn to prices. Recently, the year-on-year rate of increase in the consumer price index (CPI) for all items excluding fresh food has been at around 3.5 percent. As shown in Chart 6, the significant rise in food prices such as rice prices since autumn last year has contributed to the overall increase. Since the rise in food prices likely largely reflects cost-push factors such as higher prices of imported fertilizer and raw materials, as well as weather conditions, at least the year-on-year rate of increase is expected to decelerate. Central banks' monetary policies aim at achieving price stability through affecting overall demand, and not at changing the prices of particular goods or services. Moreover, it takes time for these policies to have an effect on the economy. Therefore, in achieving the price stability target of 2 percent, it is important to examine developments in underlying inflation, excluding the direct effects of cost-push factors. Unfortunately, there is no single indicator that pins down developments in underlying inflation. It is therefore necessary to carefully examine various price indicators, in addition to a range of information regarding economic activity and prices, including factors that underlie price developments such as labor market conditions and wage growth. With this in mind, based on the frequently used indicators of underlying inflation shown in Chart 7, it can be said that Japan's underlying inflation has risen moderately so far. Moreover, the CPI figures for April also show that firms have continued their moves to reflect higher costs -- including increased personnel expenses and distribution costs -- in selling prices for a variety of items, in the form of "beginning-of-the-period price hikes" for the fiscal year. Of course, if Japan's economic growth were to moderate due to the impact of tariff policies, this would exert downward pressure on prices. Nonetheless, even in this situation, the mechanism that I touched on earlier, in which wages and prices rise moderately in interaction with each other, is likely to remain in place. Furthermore, if there is progress in bilateral trade negotiations and uncertainties regarding trade policies recede, overseas economies are expected to return to a moderate growth path, and Japan's economic growth rate is likely to rise. Given these factors, the Bank projects that, although underlying CPI inflation will be sluggish temporarily due to the deceleration in the economy, it will then rise again toward the price stability target of 2 percent.

II. Risks Surrounding Trade Policies

So far, I have discussed the baseline scenario of the outlook for economic activity and prices in Japan, taking into account the impact of U.S. tariff policy. There are always upside and downside risks to the baseline scenario of the outlook; and especially when there is extremely high uncertainty as is currently the case, it is more necessary than ever to keep this in mind.

The Bank's baseline scenario of the outlook that I have explained today is based on assumptions including the following: negotiations on trade and other policies will progress to some extent, and a severely adverse scenario in which global supply chains are significantly disrupted will be avoided. Conversely, if these assumptions do not hold, the outlook could change considerably in either direction. Moreover, in addition to the future course of trade policies, there is also significant uncertainty regarding how economic entities at home and abroad will respond to these policies, warranting due attention.

Taking these points into account, I would like to point to three risks that will require particular attention going forward.

Supply Chain Complexity

First, as global supply chains have become more sophisticated in recent years, their complexity has also increased, adding to the uncertainties surrounding the impact of tariff policies. Given that production networks across Asia are intricately intertwined, especially in IT-related industries, if unexpected bottlenecks emerge and ripple through the entire supply chain, this could have a significant impact on Japan's exports and imports and on Japanese firms' business activity. Against this background, it is necessary to carefully monitor the future course of negotiations not only between Japan and the United States, but also between the United States and other economies.

Firms' Wage- and Price-Setting Behavior

Second, there is a risk that Japanese firms' wage- and price-setting behavior could change significantly due to the impact of trade policies. As in the outlook I mentioned earlier, firms are projected to maintain their active wage- and price-setting behavior as labor market conditions remain tight. That said, attention is warranted on the possibility that actual price changes could shift the expectations and behavior of firms and households, through which the impact on future prices could be amplified.

Unlike in the United States and Europe, where inflation expectations are anchored at 2 percent, in Japan, wage- and price-setting behavior based on the assumption of moderate inflation has not yet fully taken hold among firms and in society. In this situation, if the profits of exporting and global firms come under pressure due to the effects of tariff policies, it is necessary to closely monitor whether this will lead to pressure at those firms to restrain wages or pressure through the supply chain to cut costs. Conversely, if there are disruptions in global logistics, putting upward pressure on import prices, attention needs to be paid to the possibility that cost-push pressures could affect prices and even wages.

The Future of Globalization

The third risk, from a longer-term perspective, concerns how U.S. tariff policy and the new international relationships formed as a result could affect the broader trend of globalization, which has underpinned global economic growth. Please look at Chart 8. As shown in the left-hand graph, both trade and foreign direct investment increased rapidly on a global basis from the end of the Cold War in the 1990s until the Global Financial Crisis in the late 2000s. Since then, global trade has continued to increase generally at the same pace as the global economy. As shown in the right-hand graph, Japanese firms have actively pursued foreign direct investment -- more so than firms in other economies -- with the aim of building supply chains that reduce production costs and of tapping into local demand.

While this response to globalization has contributed to strengthening the profitability of Japanese firms, it has also exposed them to a variety of risks. For example, while splitting production processes across multiple economies helps firms contain costs, it also makes production and inventory management more difficult. These vulnerabilities have become more apparent with the repeated supply chain disruptions since the COVID-19 pandemic. In addition, events such as Russia's invasion of Ukraine have increasingly drawn global attention to economic security, and there have been cases in which this has affected both trade and firms' production activity around the world. As these trends continue, recent tariff policies may serve as a catalyst for firms to further consider the configuration of their supply chains, resulting in major changes in firms' behavior, especially in terms of their strategies on where they locate their production bases.

Of course, decisions about where to locate production bases should be made by firms themselves in light of costs, benefits, and various risk factors. While the major changes in the global economic environment present new challenges that firms must overcome, Japan's economy has overcome a host of challenges in the past and managed to raise its growth potential with the proactive efforts of firms serving as the driving force. To promote such proactive efforts by firms, it is important to maintain an open, fair and rules-based international economic order so that firms do not have to be overly concerned about risks stemming from international developments and other factors. This point was reaffirmed at the International Monetary and Financial Committee (IMFC) meeting that I attended in April. While it is true that rapid globalization over the past three decades has created a number of difficult issues regarding the distribution of the gains from globalization, it is also true that there are no winners in the increasing fragmentation and decoupling of the global economy. It is essential for economies to redouble their efforts to build a better international economic order going forward. In this process, ensuring the stability of global financial and capital markets and the global financial system is also important. The Bank will continue to exchange information with other central banks and relevant parties at home and abroad as it works to address these issues within the scope of its mandate.

III. The Bank's Conduct of Monetary Policy

Future Conduct of Monetary Policy

Next, let me turn to the Bank's conduct of monetary policy.

As mentioned, the Bank currently expects that Japan's economy will be able to withstand the downward pressure stemming from tariff policies, and that the mechanism in which wages and prices rise moderately in interaction with each other will not be interrupted. Although underlying CPI inflation is likely to be sluggish temporarily, there has been no change in the general direction of the Bank's outlook that underlying CPI inflation is expected to increase gradually toward 2 percent. However, as for risks to the baseline scenario of the outlook, uncertainties regarding the future course of trade policy in each jurisdiction are extremely high, and it is therefore necessary to pay due attention to the impact of trade policy on financial and foreign exchange markets and on Japan's economic activity and prices. Although recent progress in trade negotiations -- particularly the agreement between the United States and China to substantially scale back tariff rates on each other -- is perceived as a positive development by markets, there remain high uncertainties. The Bank needs to examine these developments carefully and make decisions as appropriate regarding its monetary policy conduct.

In doing so, it is important to recognize that financial conditions in Japan have been accommodative. Please look at Chart 9. Real interest rates currently are significantly negative -- even more so than during the period of large-scale monetary easing -- partly because the Bank has cautiously adjusted the degree of monetary accommodation even as inflation expectations have risen moderately. Moreover, financial institutions have continued to take an active lending stance, and issuance conditions for corporate bonds have remained favorable on the whole. Such accommodative financial conditions have provided firm support for economic activity in Japan, even amid the effects of trade policies.

Based on these points, if Japan's underlying CPI inflation increases toward 2 percent, in line with the baseline scenario of the outlook, the Bank, in accordance with improvement in economic activity and prices, will continue to raise the policy interest rate and adjust the degree of monetary accommodation. In this regard, given that there are extremely high uncertainties regarding the future course of trade policy in each jurisdiction and the impact of trade policy, the Bank will carefully examine factors such as developments in economic activity and prices as well as in financial markets at home and abroad, and judge whether the outlook will be realized, without any preconceptions.

Interim Assessment of the Plan for the Reduction of Japanese Government Bond Purchases

Finally, I would like to talk about Japanese government bond (JGB) purchases. In June last year, the Bank decided that it would reduce the amount of JGB purchases as part of its exit process from large-scale monetary easing. In July, the Bank decided on a plan to reduce the purchase amount of JGBs over the period until March 2026, as shown in Chart 10, and has since been reducing purchases in line with the plan. The plan stipulates that, in principle, long-term interest rates are to be formed in financial markets, and that the Bank will reduce its purchase amount of JGBs in a predictable manner while allowing enough flexibility to support stability in the JGB markets. In terms of predictability, the current plan makes it clear in advance that the purchase amount of JGBs will be cut down by about 400 billion yen each calendar quarter through January-March 2026. At the same time, in order to ensure flexibility, the plan stipulates that, in the case of a rapid rise in long-term interest rates, the Bank will make nimble responses by, for example, increasing the amount of JGB purchases. In addition, specifics such as the purchase amount of JGBs by residual maturity will be decided on an operational level, taking account of market conditions at each point in time. Moreover, at the Monetary Policy Meeting (MPM) to be held this month, the Bank will conduct an interim assessment of the current plan and discuss a guideline for its JGB purchases from April 2026 and announce the results.

In view of the interim assessment, the Bank is currently reviewing the developments in and functioning of the JGB markets. As part of this, it held meetings in mid-May to exchange views with bond market participants, for which the minutes were released yesterday. Taking into account the discussions at the meetings, there are three key points regarding the interim assessment at this point.

First, the reduction of the purchase amount of JGBs has been having its intended effects of improving the functioning of the JGB markets so far. Many market participants pointed out that, although market liquidity declined temporarily from early spring due to the effects of tariff policies, the functioning of the JGB markets has been on an improving trend on the whole. Thus, there are only limited calls for modification of the current reduction plan, which covers the period until March 2026. On this basis, given that the amount outstanding of the Bank's JGB holdings remains high, many market participants shared the recognition that it was important for the Bank to continue making efforts to further improve market functioning.

Second, in considering the plan from April 2026, it continues to be important to strike a balance between predictability and flexibility. From the viewpoint of ensuring predictability, it is appropriate for the Bank to announce in advance a plan that covers a certain period of time. On the other hand, given that the functioning of the JGB markets is still on its way to recovery and that price fluctuations have been seen since early spring, many participants expressed the need for a framework that continues to ensure flexibility.

Third, many market participants expressed the view that it would be appropriate for the Bank to continue to reduce its purchase amount of JGBs from April 2026. That said, there were various opinions regarding the specific pace of reduction. Drawing from the experience of the reductions so far and taking into account the opinions from market participants, the Bank will discuss, at the next MPM, a guideline for its purchase amount of JGBs from April 2026.

Concluding Remarks

I have talked about the outlook for economic activity and prices in Japan and the Bank's thinking on monetary policy conduct in light of this outlook. As I mentioned today, although developments in trade policies since early spring have had a larger impact on Japan's economy than we had expected, the "nascent developments" toward achieving the 2 percent price stability target have continued to gain momentum.

Given that the uncertainties regarding trade policies are likely to remain high, the Bank will carefully examine a range of data and information, and assess the outlook for economic activity and prices, the risks surrounding them, and the likelihood of realizing the outlook, without any preconceptions. On this basis, the Bank will continue to conduct monetary policy as appropriate from the perspective of sustainable and stable achievement of the 2 percent price stability target.

Thank you very much for your attention.

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Introduction

I. The Impact of Trade Policies and Economic Activity and Prices

II. Risks Surrounding Trade Policies

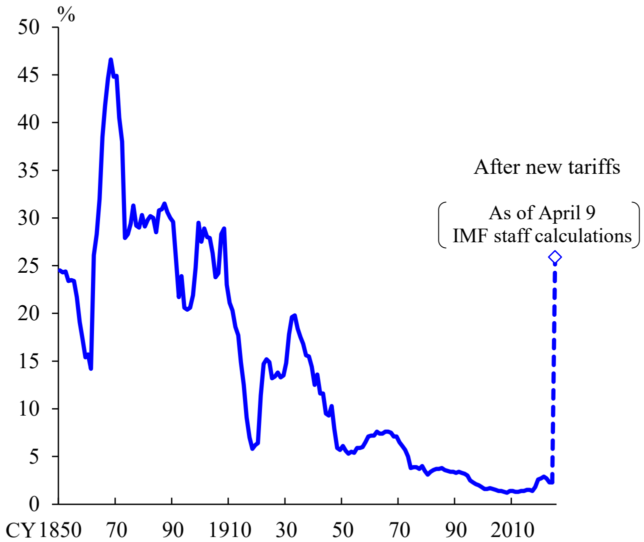
III. The Bank's Conduct of Monetary Policy

Concluding Remarks

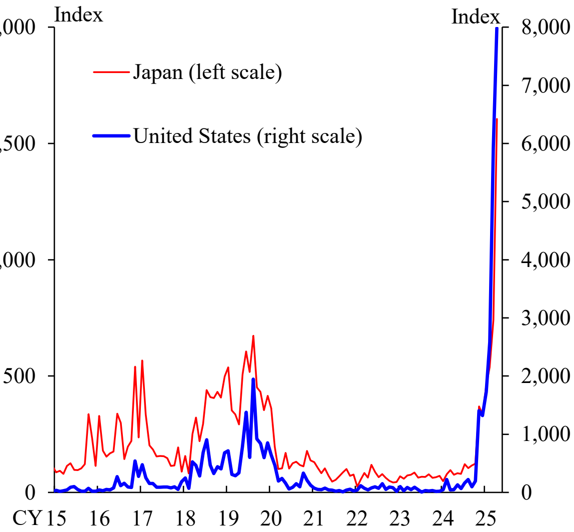
Chart 1

Trade Policy

U.S. Effective Tariff Rate



Trade Policy Uncertainty Index

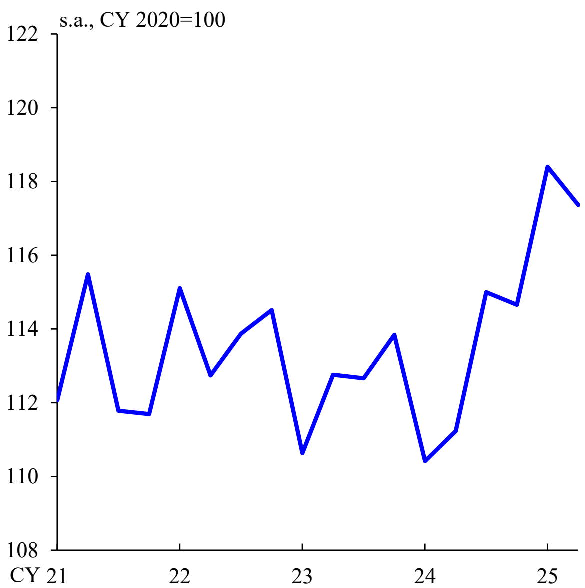


Notes: 1. Figures in the left-hand chart are IMF staff calculations. "After new tariffs" incorporates the tariffs announced as of April 9 (including a 90-day pause on reciprocal tariffs and 145 percent tariffs on China).
2. In the right-hand chart, the latest figures are for April 2025.
Sources: RIETI ("Policy Uncertainty in Japan" by Elif C. Arbatli Saxegaard, Steven J. Davis, Arata Ito, and Naoko Miake); Economic Policy Uncertainty; IMF.

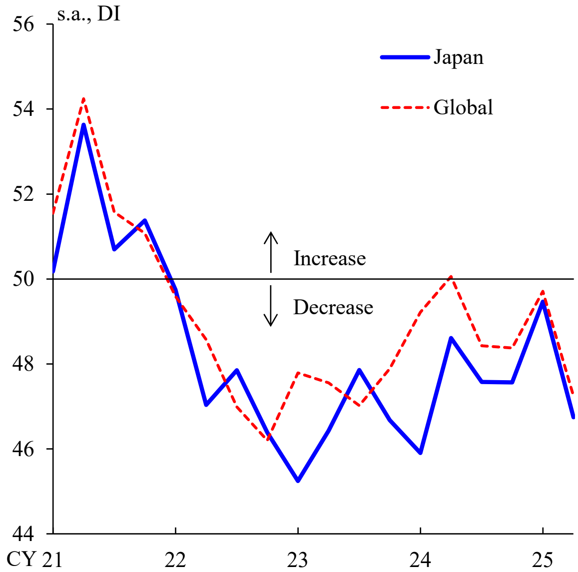
Chart 2

Exports

Real Exports



New Export Orders PMI (Manufacturing)

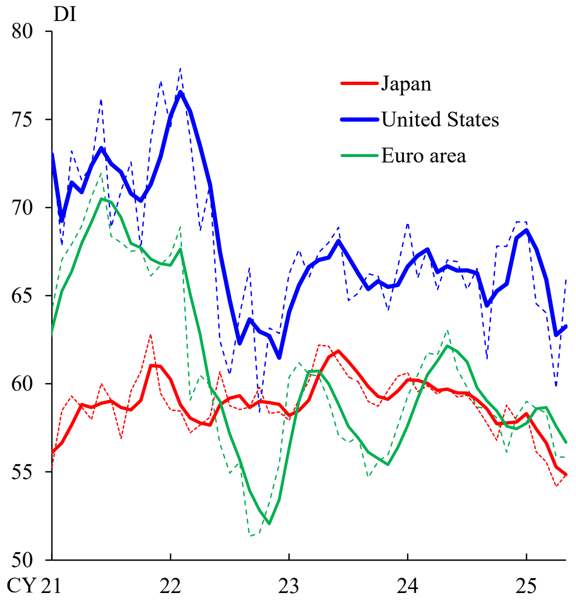


Notes: 1. In the left-hand chart, the latest figure is for 2025/Q2 (April).
2. In the right-hand chart, figures for Japan are the au Jibun Bank Japan Manufacturing PMI (new export orders PMI). The latest figures are for 2025/Q2 (the figure for Japan is the April-May average and that for the global PMI is for April).
Sources: Ministry of Finance; Bank of Japan; Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

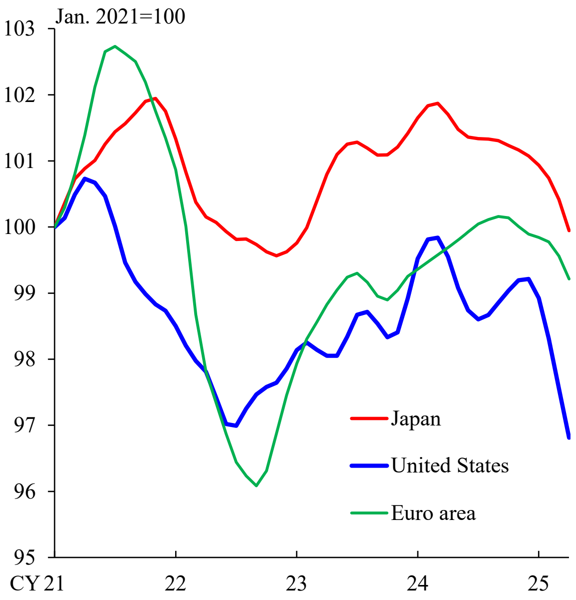
Chart 3

Business and Household Sentiment

Business Sentiment



Consumer Confidence



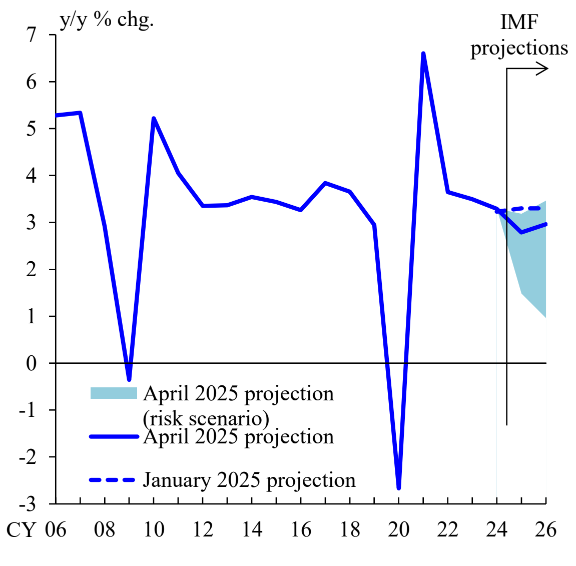
Notes: 1. In the left-hand chart, figures are for the composite PMI (year-ahead outlook for output) for each economy. Those for Japan are the au Jibun Bank Japan Composite PMI. The dotted lines show the original data, and the solid lines show 3-month backward moving averages. The latest figures are for May 2025.
2. In the right-hand chart, figures are from the OECD. The latest figures are for April 2025.

Sources: Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved; OECD.

Chart 4

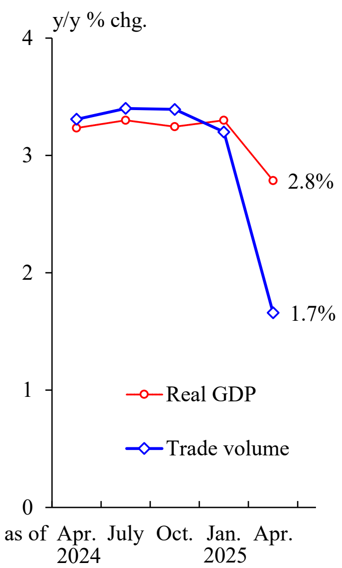
Global Economy and Trade

IMF Projections for Global Real Growth Rate

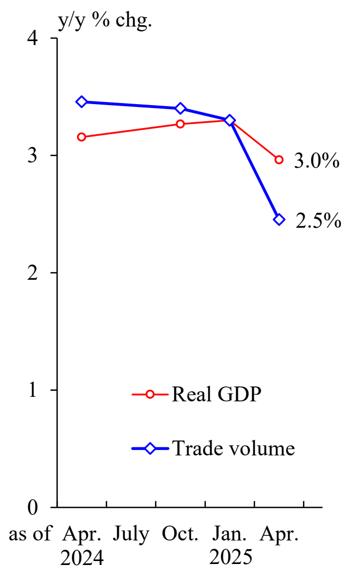


Revisions to the IMF's Projections

1. Projection for 2025



2. Projection for 2026



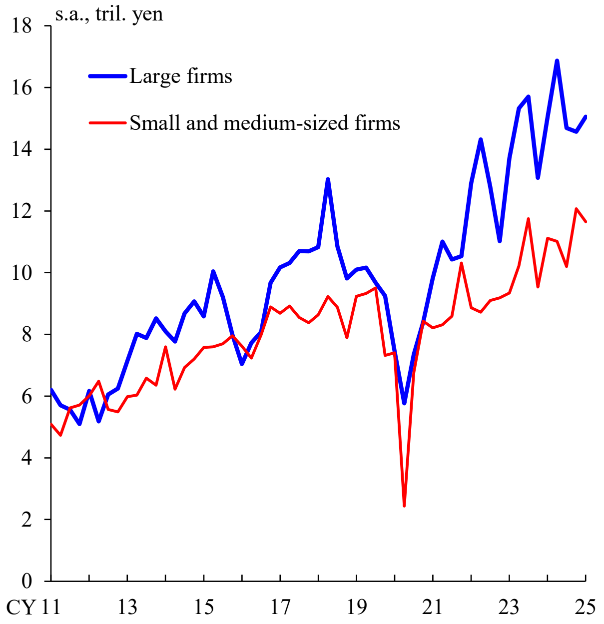
Note: In the left-hand chart, "April 2025 projection" shows the IMF's "reference forecast" in the April 2025 WEO. "April 2025 projection (risk scenario)" shows the range of projected outcomes should the upside and downside risks presented in the April 2025 WEO materialize.

Source: IMF.

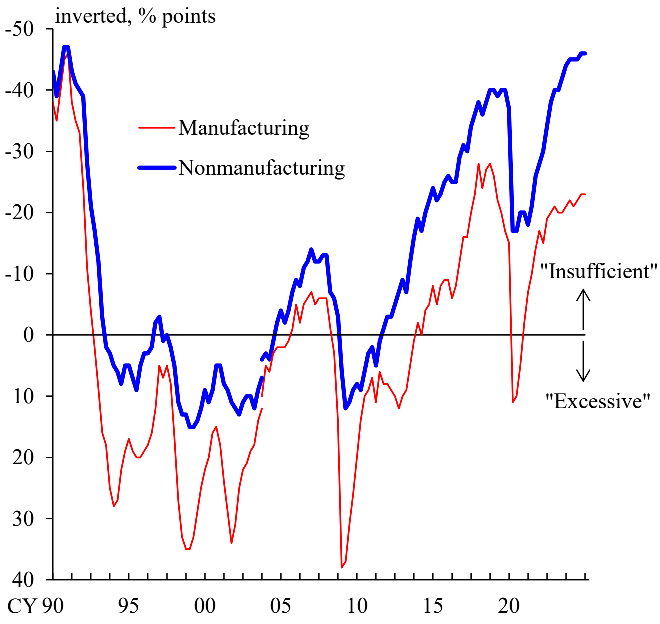
Chart 5

Corporate Profits and Labor Market Conditions

Corporate Profits



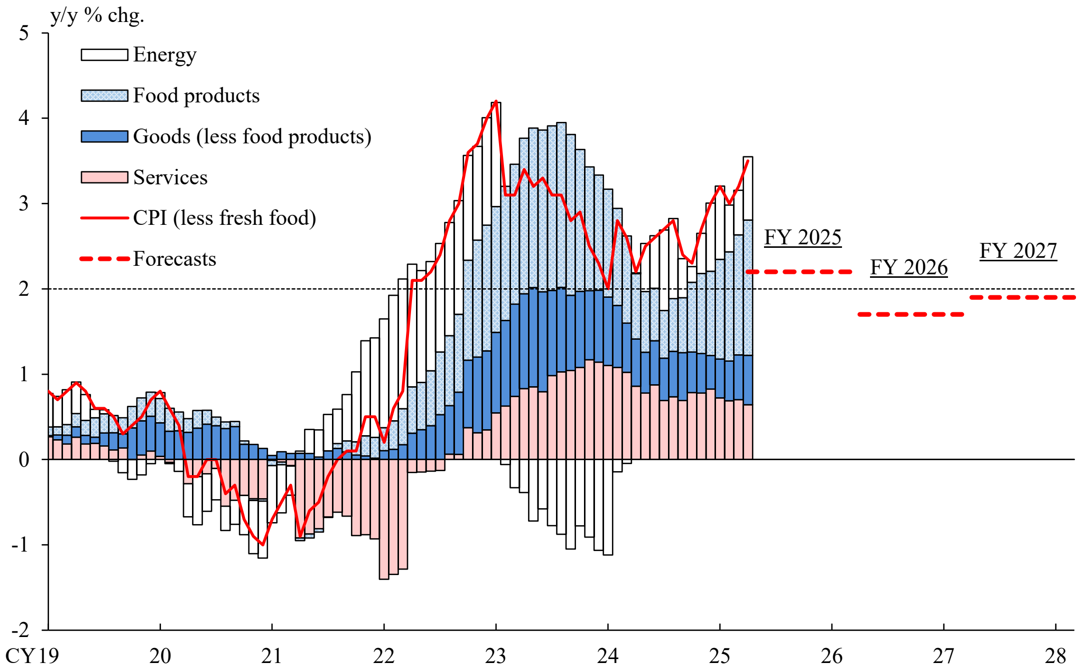
Employment Conditions DI



Notes: 1. In the left-hand chart, figures are current profits based on the *Financial Statements Statistics of Corporations by Industry, Quarterly* and exclude "finance and insurance" and "pure holding companies."
2. In the right-hand chart, figures are based on the *Tankan*. There is a discontinuity in the data for December 2003 due to a change in the survey framework.
Sources: Ministry of Finance; Bank of Japan.

Chart 6

Inflation



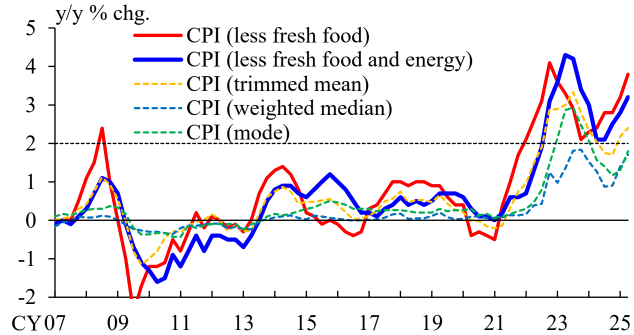
Note: The forecasts presented are the medians of the Policy Board members' forecasts in the April 2025 Outlook Report.
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

I. The Impact of Trade Policies and Economic Activity and Prices

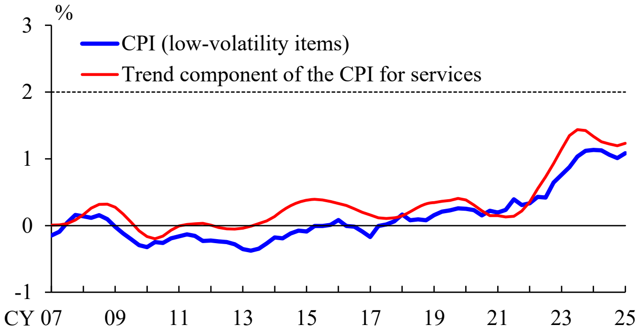
Chart 7

Indicators Related to Underlying Inflation

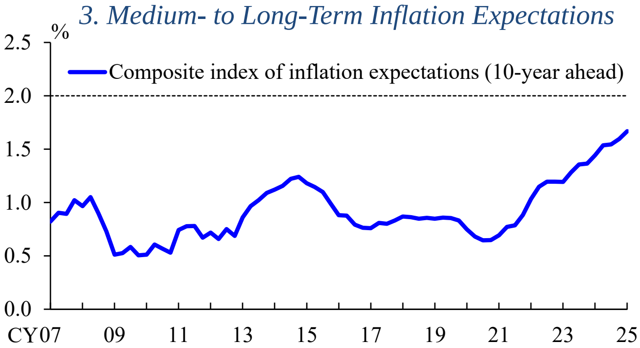
1. Price Indicators Excluding Highly Volatile Items



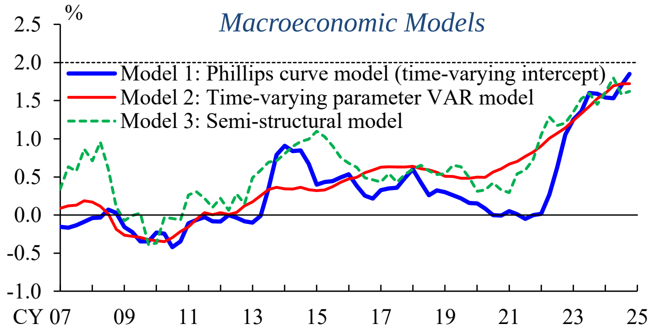
2. Indicators Likely Reflecting Wage Developments



3. Medium- to Long-Term Inflation Expectations



4. Indicators Estimated Based on Macroeconomic Models



Note: For details of each approach, see Box 4 of the April 2024 Outlook Report. In the upper left chart, figures for the CPI (less fresh food) and the CPI (less fresh food and energy) are staff estimates and exclude mobile phone charges and the effects of the consumption tax hikes, policies concerning the provision of free education, and travel subsidy programs. Figures for 2025/Q2 are those for April.

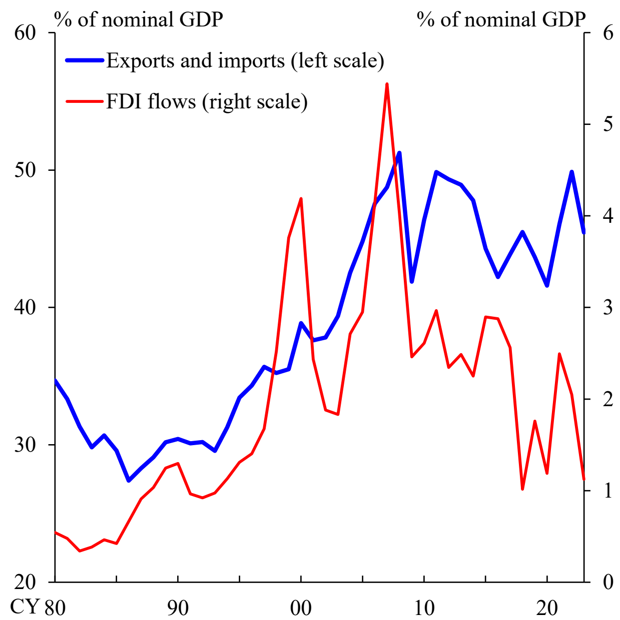
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Cabinet Office; Bank of Japan; QUICK, "QUICK Monthly Market Survey <Bonds>"; Consensus Economics Inc., "Consensus Forecasts"; Bloomberg; Google Trends.

II. Risks Surrounding Trade Policies

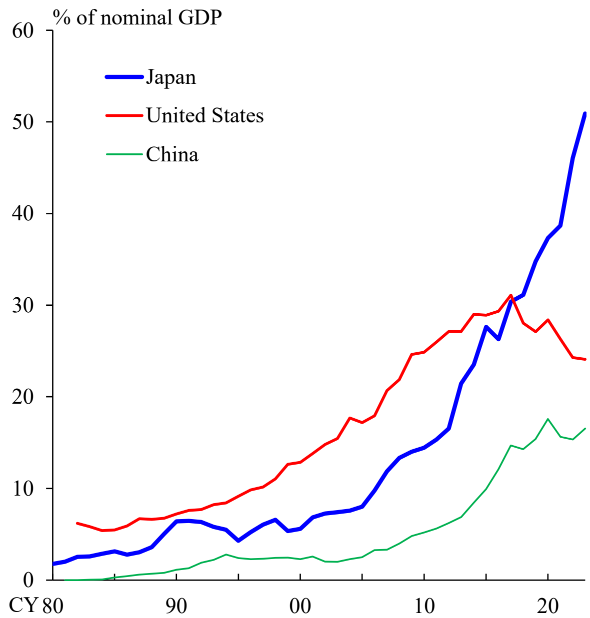
Chart 8

Globalization

Global Trade and Outward Foreign Direct Investment (FDI)



Outward FDI Stock



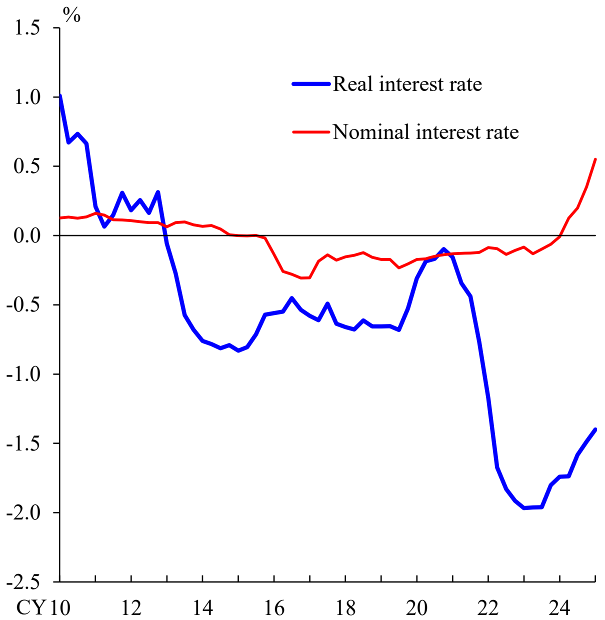
Sources: World Bank; UNCTAD; BEA.

III. The Bank's Conduct of Monetary Policy

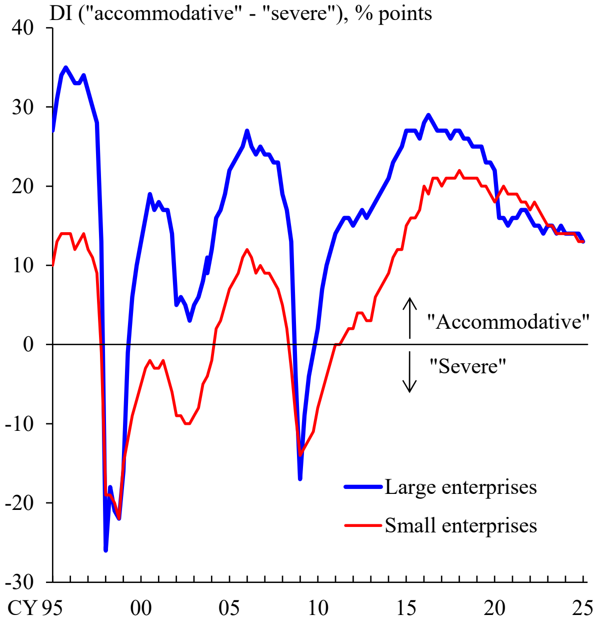
Chart 9

Financial Conditions

Real Interest Rate (1-Year)



Lending Attitudes of Financial Institutions as Perceived by Firms



Notes: 1. In the left-hand chart, figures for the real interest rate are calculated as government bond yields (1-year) minus the composite index of inflation expectations (staff estimates).
2. In the right-hand chart, figures are based on the *Tankan* and are for all industries. There is a discontinuity in the data for December 2003 due to a change in the survey framework.
Sources: Bank of Japan; QUICK, "QUICK Monthly Market Survey <Bonds>"; Consensus Economics Inc., "Consensus Forecasts"; Bloomberg.

III. The Bank's Conduct of Monetary Policy

Chart 10

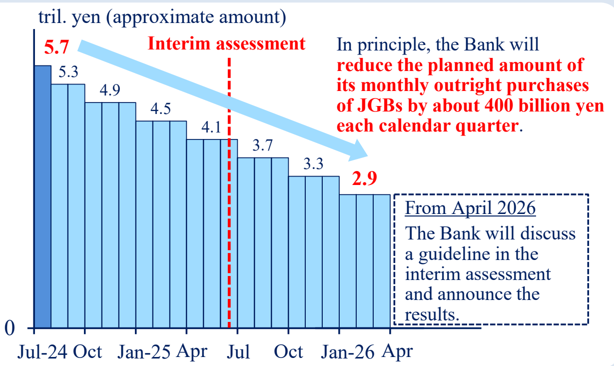
Plan for the Reduction of the Purchase Amount of JGBs (Decision at the July 2024 MPM)

The concept of the plan for the reduction until March 2026

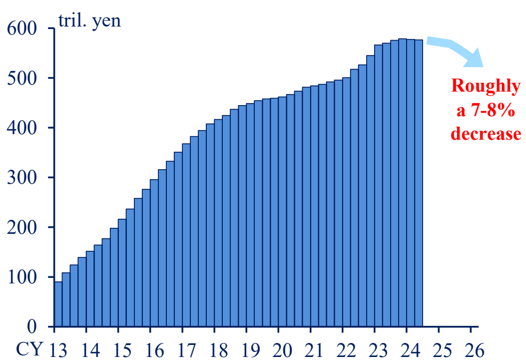
1. Long-term interest rates: to be formed in financial markets in principle
2. JGB purchases: appropriate for the Bank to reduce its purchase amount of JGBs in a predictable manner, while allowing enough flexibility to support stability in the JGB markets

Reduction in a Predictable Manner

Amount of monthly JGB purchases



The Bank's JGB holdings



Allowing Enough Flexibility

1. The Bank will **conduct an interim assessment of the plan at the June 2025 MPM**.
2. In the case of a rapid rise in long-term interest rates, the Bank will make nimble responses by, for example, increasing the amount of JGB purchases.
3. The Bank is prepared to amend the plan at the MPMs, if deemed necessary.