

The Weekly Observer

January 19-23, 2026

The 208th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the start of the Lower House election, the schedule of the upcoming Japan-U.S. Summit, plans for the Japan-ROK defense ministerial meeting later this month, the GOJ's policies related to foreign nationals, the upcoming Osaka "double" election, the BOJ's decision to maintain interest rates, METI's economic security management guidelines, the updated projections of the primary balance in FY 2026, the GOJ's Monthly Economic Report for January, and more.

By Content

I. News of the Week

Election 2026

1. Lower House Election Scheduled for February 8

Foreign Policy/Security

2. Foreign Policy Developments
3. Defense/Security Developments

Domestic Politics

4. GOJ Finalizes Policies Related to Foreign Nationals
5. Other Political Developments

Economics/Finance

6. BOJ Maintains Interest Rates as Yen Exchange Rate Fluctuates Wildly
7. Economic Security and Tech Developments
8. Key Developments
9. State of the Economy

II. Public Opinion Polls

1. Asahi Shimbun (1/18)

I. News of the Week

1. Lower House Election Scheduled for February 8

- On Friday, the Lower House was [dissolved](#) for an election on February 8. The campaign period will be sixteen days, the shortest in post-war history.
- On Monday, Prime Minister Takaichi Sanae [explained](#) that she would be calling the election as a de facto referendum on her government, which has not faced the polls since taking office in October 2025. She called the election one for each voter to determine their future.
- The ruling Liberal Democratic Party (LDP) and Japan Innovation Party (*Nippon Ishin no Kai*) have [set](#) a majority (233 seats) as the threshold for victory. The parties need three seats to hit that threshold (196 seats for LDP, 34 for *Ishin*). In the four instances that a prime minister has dissolved the Lower House at the beginning of the Diet session, three have [resulted](#) in a singular majority for the LDP.
- The election is difficult to predict, as key questions remain over 1) the “Takaichi effect” on general voters, 2) the impact of the LDP [losing](#) the Komeito bloc vote to the new Centrist Reform Alliance (10,000 to 20,000 votes per district), and 3) the momentum of populist parties like the Democratic Party for the People and *Sanseito*.
- While the LDP [seeks](#) a strong public mandate to create a “new national vision,” opposition parties have [criticized](#) the prime minister for calling an election for personal gain. Main opposition Constitutional Democratic Party (CDP) leader Noda Yoshihiko called it a “self-preservation dissolution” amid renewed questions over the LDP’s ties to the Unification Church and other political scandals.
- The political parties’ campaign manifestos [focus](#) on redistribution policies, namely a consumption tax cut to alleviate the pains of rising costs. Another trend is a strong emphasis on public spending, casting doubt on sustainable fiscal health.

| Political Party | Main Economic Policy | Other Key Policies |
|-----------------|--|--|
| LDP | <ul style="list-style-type: none"> ● 2-year suspension of food consumption tax ● Design refundable tax credit scheme | <ul style="list-style-type: none"> ● New budgetary frame for crisis management investment ● Create National Intelligence Secretariat and intelligence agency ● Revise rules around housing and real estate acquisitions by foreigners |
| Ishin | <ul style="list-style-type: none"> ● 2-year suspension of food | <ul style="list-style-type: none"> ● Redress overconcentration in |

| | | |
|-----------------|---|---|
| | <ul style="list-style-type: none"> consumption tax Lower social insurance costs on working age population | <ul style="list-style-type: none"> Tokyo through second capital vision Restrict acceptance of foreign nationals Enact bill to reduce Lower House seats by 10 percent this year |
| CRA | <ul style="list-style-type: none"> Permanent zero food consumption tax through sovereign wealth fund Design refundable tax credit scheme | <ul style="list-style-type: none"> Housing subsidies and cheap housing for younger generations and students Massive increase in education and science and technology funding Introducing separate surnames for married couples |
| DPFP | <ul style="list-style-type: none"> Lower consumption tax to 5 percent until wage hikes exceed inflation Issue education government bonds | <ul style="list-style-type: none"> Scrap income restrictions on raising income tax exemption threshold Halve social insurance fees for SMEs and other who raise wages Suppress real estate prices through a “vacant rooms tax” |
| JCP | <ul style="list-style-type: none"> Lower consumption tax to 5 percent with eye toward abolishment Require large corporation and wealthy to finance it | <ul style="list-style-type: none"> Raise minimum hourly wage to ¥1,700 |
| Reiwa | <ul style="list-style-type: none"> Scrap consumption tax Cash handout of ¥100,000 | <ul style="list-style-type: none"> Free education until graduate studies |
| Sanseito | <ul style="list-style-type: none"> Gradually abolish the consumption tax | <ul style="list-style-type: none"> Restrict acceptance of foreign nationals |

Links to policy manifestos: [LDP](#), [Ishin](#), [CRA](#), [DPFP](#), [JCP](#), [Reiwa](#), [Sanseito](#)

2. Foreign Policy Developments

- On Thursday, a Chinese foreign ministry spokesperson [stated](#) that the consul-general post at the Japanese consulate in Chongqing has remained vacant for over a month due to “related matters being processed according to procedure.” The Chinese side has not issued an agrément to accept the new consul-general, amid [reports](#) that the Chinese side is requiring additional documentation to approve rare earths exports to Japan as part of the ongoing spat over Takaichi’s Taiwan contingency remark.

- On Wednesday, Minister for Foreign Affairs Motegi Toshimitsu [met](#) with Minister of International Relations and Trade of Namibia Selma Ashipala-Musavyi, expressing that the country is important for strengthening connectivity between Indian Ocean nations and Africa by combining quality ports with access to neighboring countries.
- Chief Cabinet Secretary Kihara Minoru [revealed](#) that Takaichi has received an invitation from U.S. President Donald Trump to join the Board of Peace intended to support the stabilization and reconstruction of Gaza. He stated that “we are closely coordinating with the United States and others while scrutinizing the details.”
- On Tuesday, Republic of Korea President Lee Jae-myung [revealed](#) during a cabinet meeting that he hopes to host Takaichi in his hometown of Andong for the next occasion of shuttle diplomacy between the leaders. Lee visited Takaichi’s home prefecture of Nara in January for the first summit meeting of the year.
- *Mainichi* [reported](#) Monday that the Japanese and U.S. governments are preparing to arrange the Takaichi-Trump summit meeting in Washington around March 20, contingent on Takaichi winning the Lower House election. The Japanese side aims to set the meeting before Trump visits China in April.
- Motegi [held](#) a telephone meeting with High Representative of the European Union for Foreign Affairs and Security Policy Kaja Kallas, discussing developments in the Middle East and Greenland. They also exchanged views on the Indo-Pacific and confirmed close coordination on international matters.

3. Defense/Security Developments

- *Nikkei* [reported](#) Friday that the Global Combat Air Programme (GCAP) between Japan, the United Kingdom, and Italy is facing delays in signing the public-private contract, with one reason being the United Kingdom being unable to commit spending on the back of Trump’s demands for Europe to spend more on defense. The contract was expected to be signed at the end of 2025.
- *Nikkei* [reported](#) Tuesday that Minister of Defense Koizumi Shinjiro plans to meet with ROK Minister of National Defense Ahn Gyu-back around January 30, with one proposal to host the meeting in Koizumi’s hometown of Yokosuka, Kanagawa.
- This comes as the JASDF and ROK Air Force [plan](#) a fueling mission at the Naha Air Base on January 28. The Black Eagles aerobatic team will be flying in before heading to Saudi Arabia for a defense equipment expo. This will be the first time the JASDF will be supplying the ROK Air Force with fuel.

- *Asahi* [reported](#) that the GOJ and ruling parties are considering nationalizing munitions factories and outsourcing production to private companies, as part of efforts to secure stable supply of ammunition necessary for the JSDF to sustain combat operations over extended periods during contingencies. The “government owned, contractor operated” (GOCO) model is expected to be reflected in the GOJ’s three strategic documents and the new defense industrial strategy.
- *Asahi* [reported](#) that Motegi and Koizumi plan to travel to Germany from February 13-15 for the Munich Security Conference. The Ministry of Defense (MOD) also announced on Monday that Koizumi will be attending the World Economic Forum’s “Davos Conference” from January 20-21.

4. GOJ Finalizes Policies Related to Foreign Nationals

- On Friday, the GOJ [finalized](#) policies related to foreign nationals, tightening rules around permanent residency and nationalization, as well as deciding to set up an expert panel as early as next month to discuss land acquisition.

| Main Points from the Comprehensive Policy Package |
|--|
| Visa-related |
| Require Japanese language skills for permanent residency |
| Require “over ten years” of residency for naturalization |
| Prevent unpaid taxes and social insurance fees |
| Overtourism |
| Prevent overconcentration and distribute across localities |
| Appropriate management of private lodging |
| Real Estate Acquisition |
| Craft basic direction on land acquisition rules around the summer |
| Create a framework to grasp nationality at the time of land registration |

- Minister in charge of a Society of Well-Ordered and Harmonious Coexistence with Foreign Nationals Onoda Kimi [explained](#) on Friday that these policies “focus solely on issues currently apparent at this point in time. Moving forward, it is paramount to use this as a foundation for updating the progress of measures and addressing newly emerging challenges, thereby delivering safety and security to the public.”

- The land acquisition rules will [focus](#) on organizing the “legislative facts” that form the basis of the necessity and legitimacy of legislation from a security perspective, in preparation for the formulation of legal rules. Concerns include unclear ownership and purpose of use and purchases for speculative purposes.
- Meanwhile, the GOJ also [adopted](#) plans to accept a total of 1.23 million foreign workers under the Specified Skilled Workers and Employment for Skill Development visas until the end of March 2029. This includes 805,700 under the former visa in nineteen sectors like manufacturing of industrial products, as well as 426,200 under the latter in seventeen of nineteen sectors excluding automotive transportation and aviation industries.
- On Wednesday, the LDP’s Headquarters for Foreign Nationals Policy [submitted](#) its recommendations to Takaichi and Onoda, focusing on 1) achieving “zero illegal residents,” 2) preventing the misuse of certain residence statuses, 3) eliminating improper use of tax and other systems, 4) developing proposals for new legal rules concerning land acquisition, and 5) considering the nationalization of uninhabited islands similar to border islands.
- Coalition partner *Ishin* also [submitted](#) recommendations on Thursday, urging the GOJ to craft a national strategy during the next fiscal year that sets a cap on accepting foreign nationals based on ratio to the total population. The party also requested population control by adjusting the issuance of visas.

5. Other Political Developments

- On Wednesday, Osaka Governor and *Ishin* leader Yoshimura Hirofumi [indicated](#) that he will pursue a third referendum on whether to move forward with the Osaka Metropolis Plan by the end of his tenure in April 2027. The governor and Osaka City Mayor Yokoyama Hideyuki are [up for re-election](#) on February 8.
- *Mainichi* [reported](#) that the Japanese Trade Union Confederation (RENGO) faces a dilemma in the upcoming Lower House election, stuck between supporting the CRA and DPFP candidates who in some cases are squaring up against each other. The labor union has backed ex-Democratic Party of Japan successors like the CDP and DPFP. There have already been cases in the Hokuriku region of “dual” candidacies.
- On Tuesday, the GOJ [decided](#) to ban political fundraising parties hosted by Cabinet ministers, state ministers, and parliamentary vice ministers, changing the minister’s code of conduct that requested self-restraint on hosting large scale parties. This appears to be a move to appeal to voters that the LDP is proactive on political reform.

- *Sankei* [reported](#) that the GOJ and ruling parties are exploring anti-espionage legislation to strengthen the nation's intelligence collection functions. The goal is to deter espionage activities by countries like China and Russia by creating a system in which Japan can directly crack down on spies.
- The LDP-*Ishin* coalition agreement included the anti-espionage legislation, including a bill similar to the Foreign Agents Registration Act in the United States that would require the disclosure of activities conducted on behalf of a foreign country in Japan. Some concerns have been raised over freedom of expression.

6. BOJ Maintains Interest Rates as Yen Exchange Rate Fluctuates Wildly

- On Friday, the Bank of Japan (BOJ) [decided](#) to maintain policy interest rates — the target for overnight unsecured call rates — at 0.75 percent. The BOJ has revised upward its projections for the FY 2026 growth rate and inflation rate, taking into account the GOJ's economic measures and continued wage increases.
- Of the nine policy board members, Takada Hajime [proposed](#) raising the interest rate to one percent, arguing that the price stability target has been largely achieved, and with the global economy in a recovery phase, upside risks to prices are high. The board rejected the proposal.
- During the [press conference](#) following the monetary policy meeting, BOJ Governor Ueda Kazuo [stated](#) that recent trends in long-term interest rates indicate that they are “rising at a fairly rapid pace.” Ueda stated that, “in exceptional circumstances that differ from the norm, we may flexibly implement operations such as open market operations. We will make decisions while closely coordinating with the government and carefully monitoring the situation based on our role.”
- The BOJ also [released](#) the Outlook for Economic Activity and Prices, which raised the projected consumer price index (CPI) rate of increase in FY 2026 by 0.1 point to 1.9 percent. The price outlook for FY 2025 and FY 2027 was maintained at 2.7 percent and 2 percent, respectively. It [indicated](#) that the inflation rate is projected to “narrow to below 2 percent in the first half of 2026,” but the view is that underlying prices will continue to rise gradually as wages increase.
- Finance Minister Katayama Satsuki [declined to comment](#) on whether the GOJ/BOJ intervened in the foreign exchange market, as the yen [surged](#) against the dollar from ¥159 to ¥157 in just ten minutes. Vice Minister of Finance for International Affairs Mimura Atsushi [said](#) that the GOJ will “take appropriate action against excessive movement,” while Katayama upped the ante by stating that “we are taking firm measures, including all means necessary.”

- Meanwhile, the yield on medium-term bonds, which readily reflect the outlook for monetary policy, [increased](#) 0.03 percent from the previous business day to 1.245 percent, the first high since July 1996. The market expects the BOJ to conduct another rate hike soon. Investors sold bonds, resulting in the yield on newly issued five and ten year JGBs to rise as well.

7. Economic Security and Tech Developments

- On Friday, the Ministry of Economy, Trade and Industry (METI) [released](#) the first “economic security management guidelines,” a set of recommendations for corporate management to consider and implement initiatives related to securing autonomy and indispensability within their organizations and strengthening governance as part of their management strategy.
- On Thursday, KDDI [announced](#) that it has begun operations at the data center it had been preparing to open on SHARP’s old LCD panel factory site in Sakae City, Osaka. KDDI plans to provide cloud services for AI and utilize the data center for developing new technologies in fields such as healthcare.
- On Wednesday, the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) [announced](#) that domestic electricity demand is projected to increase by 5.3 percent over the next decade. Concerns are beginning to emerge that excessive expectations for increased demand are running ahead.
- *Nikkei* [reported](#) that JX Advanced Metals Corporation is exploring a ¥5 billion investment into domestic chip foundry Rapidus. The company is shifting its focus from its core mining and metal refining business to semiconductor materials, aiming to support Japan’s domestic chip industry as a materials manufacturer.
- On Tuesday, the GOJ [decided](#) to appropriate ¥48.1 billion from the FY 2025 reserve fund, of which ¥3.9 billion will be allocated to support corporate mining development and smelting operations to secure a stable supply of critical minerals and ¥7.1 billion for pharmaceutical companies to increase stockpiles of antimicrobial drug active ingredients. A further ¥2 billion will be spent to diversify exports of seafood, in anticipation of long-term Chinese export controls.

8. Key Economic/Financial Developments

- On Friday, the Ministry of Health, Labor and Welfare (MHLW) [announced](#) that the basic pension amount for all citizens will be raised by 1.9 percent in FY 2026 compared to FY 2025, while welfare pensions will increase 2 percent. The macroeconomic slide to adjust pension benefits means an [effective cut](#) in pensions.

- On Thursday, the Cabinet Office (CAO) [projected](#) an approximately ¥800 billion primary balance deficit in FY 2026, a [smaller deficit](#) from approximately ¥7 trillion in FY 2025. The projection in August 2025 was a ¥3.6 trillion surplus in FY 2026, [indicating](#) that the target of achieving a surplus between FY 2025-2026 will not be met. Takaichi [said](#) in a meeting that “it is important to boost the growth rate while keeping an eye on rising interest rates, thereby ensuring that the growth rate of the debt balance remains within the scope of the growth rate.”
- The GOJ [held](#) the first meeting of the strategic sector subcommittees under the Japan Growth Strategy Council, outlining its policy to define the content, scale, and implementation strategies for public and private investment in seventeen designated sectors such as AI, semiconductors, and shipbuilding.
- Tokyo Electric Power Co. (TEPCO) [announced](#) that it will suspend the No. 6 reactor at its Kashiwazaki-Kariwa Nuclear Power Plant, after an alarm indicating a malfunction in the control system sounded during the operation to withdraw control rods suppressing nuclear fission reaction in the fuel. This occurred just a day after the reactor was restarted toward resuming operations.
- On Tuesday, the GOJ [held](#) a meeting of the Advisory Council on National Strategic Special Zones, outlining its policy to promote regulatory reform in growth areas such as AI and green transformation (GX). The council will also contemplate designating new zones related to the seventeen key strategic sectors.
- On Monday, the Japan Business Federation’s (*Keidanren*) Chairman Tsutsui Yoshinobu [met](#) with Minister of Health, Labor and Welfare Ueno Kenichiro, the first meeting between the two positions in nineteen years. The two discussed relaxing labor hour restrictions, including discretionary labor allowing deemed work hours rather than actual work hours. The CAO [announced](#) that labor hours per person in 2024 fell 16.4 hours to 1,661.5 hours, the shortest amount of time excluding the pandemic year of 2020 since comparable statistics became available in 1994.

9. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [announced](#) that the comprehensive consumer price index (CPI) excluding volatile fresh food items in December 2025 rose 2.4 percent to 112.2, the [first time](#) in three months that the rate of increase fell below 3 percent.
- The MHLW [announced](#) that the number of newborn babies between January and November 2025 fell 2.5 percent from the same period last year to 645,255. The annual number of Japanese babies is [expected to fall](#) below the record low of approximately 680,000 recorded in 2024.

- On Thursday, the Ministry of Finance (MOF) [announced](#) that Japan ran a ¥2.65 trillion trade deficit in 2025, the fifth consecutive year that Japan has recorded a deficit. Record high export volume — a 3.1 percent increase to ¥110.45 trillion — resulted in a 52.9 percent reduction in the deficit amount. Meanwhile, the export volume to the United States fell 4.1 percent to ¥20.41 trillion due to the tariffs.
- The GOJ [released](#) its Monthly Economic Report for January, which maintained the same assessment for the fifth consecutive month that the “economy is recovering at a moderate pace, while the effects caused from the U.S. trade policies are seen mainly in the automotive industry.”
- On Tuesday, Minister of Land, Infrastructure, Transport and Tourism (MLIT) Kaneko Yasushi [revealed](#) that the number of foreign nationals visiting Japan in 2025 is expected to be 42.7 million, exceeding the record high of last year at 36.87 million. Meanwhile, consumption increased from a record high of ¥8.13 trillion to approximately ¥9.5 trillion. The Japan National Tourism Organization (JNTO) [announced](#) a day after that the number of Chinese visitors decreased 45.3 percent to 330,400 travelers in December, [largely due](#) to the ongoing spat.
- On Monday, the BOJ [released](#) its Opinion Survey on the General Public’s Views and Behavior for December 2025, announcing that respondents on average [believe](#) prices will rise 9.8 percent in the next five years, a 0.2 point decrease from the previous survey. The rise in food prices seen in everyday shopping may be pushing up medium-to-long-term inflation expectations.

II. Public Opinion Poll

- An *Asahi* poll [released](#) on Sunday found that the Takaichi Cabinet’s approval rating was 67 percent, down one point from December, while disapproval was 23 percent, up four points from last month.
 - 34 percent of respondents said that they support the Cabinet because it seems better than the alternatives; 32 percent said because of its policies; and 28 percent said because Takaichi is the prime minister.
 - 46 percent of respondents said that they do not support the Cabinet because of its policies; 30 percent said because it is centered around the LDP; and 15 percent said because Takaichi is the prime minister.
 - 34 percent of respondents said that they would vote for the LDP in PR if the Lower House election were to take place now; 10 percent each said *Ishin* and the DPFP; 9 percent said the CRA; 7 percent said *Sanseitō*; 4 percent said *Reiwa Shinsengumi*; 3 percent said the JCP; 2 percent each said the Japan Conservative Party and Team Mirai; and 1 percent said the SDP.

- 50 percent of respondents said that they oppose Takaichi’s decision to dissolve the Lower House and call an election, while 36 percent said they support it.
 - 48 percent of respondents said that they do not understand Takaichi’s explanation for the election as a referendum on her government, while 42 percent said they do understand it.
 - 49 percent of respondents said that they are concerned that the dissolution of the Lower House will affect policies related to peoples’ livelihoods, while 45 percent said they are not concerned.
 - 52 percent of respondents said that they believe the LDP and *Ishin* should win a majority of seats, while 35 percent said they do not believe they should.
 - 66 percent of respondents said that they do not have expectations for the CRA, while 28 percent said they do have expectations.
 - 69 percent of respondents said that they do not believe the CRA can become a rival party to Takaichi’s government, while 20 percent said they believe it can.
 - 47 percent of respondents said that they disapprove of Takaichi’s inflation response, while 39 percent said they approve.
 - 68 percent of respondents said that they approve of Takaichi’s foreign policy, while 26 percent said they disapprove.
 - 40 percent of respondents said that they are somewhat concerned about the impact of worsening Japan-China relations on the economy; 28 percent said they are somewhat unconcerned; 20 percent said they are very concerned; and 11 percent said they are not concerned at all.
 - 46 percent of respondents said that they do not understand *Ishin* leader Yoshimura Hirofumi’s decision to hold a “double” election on the same day as the Lower House election, while 35 percent said they do understand the decision.
- The survey also collected data on the latest approval ratings of political parties.

| Political Party | Approval Rating (%) |
|---------------------------------|----------------------------|
| Liberal Democratic Party | 29 (-1) |
| Centrist Reform Alliance | 3 (N/A) |
| Constitutional Democratic Party | 5 (±0) |
| Japan Innovation Party | 3 (-1) |
| Democratic Party for the People | 5 (-2) |
| Komeito | 2 (±0) |
| Suffrage Party (Sanseitō) | 4 (-1) |

The Weekly Observer (1/19-1/23)

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|----------------------------|---------------|
| Reiwa Shinsengumi | 1 (± 0) |
| Japan Communist Party | 2 (± 0) |
| Japan Conservative Party | 1 (± 0) |
| Socialist Democratic Party | 0 (± 0) |
| Team Mirai | 0 (-1) |
| Independent (No Party) | 37 (+1) |