

## ***The Weekly Observer***

January 26-30, 2026

*The 209<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the 2026 Lower House election campaign, the Japan-U.K. Summit, the Japan-ROK defense ministerial meeting, the Japan-EU and Japan-NATO cyber dialogues, the finance ministry's announcement that there was no forex market intervention, the Economic Situation Report for January, and more.*

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## I. News of the Week

### 1. Election Campaign Begins on January 27

- On Tuesday, the sixteen day [campaign period](#) for the Lower House election began. A total of 1,285 candidates will be competing for 465 seats. Of the total, 313 are women, making up 24.4 percent of the candidates and breaking the record high of 23.4 percent made in 2024. The ruling Liberal Democratic Party (LDP) is in [competition](#) with its partner Japan Innovation Party (*Nippon Ishin no Kai*) in eighty-five single-member districts.
- LDP Election Strategy HQ Chair Furuya Keiji [said](#) on January 31 that the LDP aims for a majority on its own (233 seats) and a stable majority (243) or absolute stable majority (261) with *Ishin*. The four [scenarios](#) are: 1) the LDP and *Ishin* getting over a majority, 2) the LDP getting a majority on its own, 3) the LDP and *Ishin* failing to get a majority, and 4) the Centrist Reform Alliance (CRA) becoming the largest party.
- As Prime Minister Takaichi Sanae aims to secure a majority — promising to resign if she fails to do so — the LDP and CRA are in [competition](#) in two hundred single-member districts, while the opposition has failed to unite and are in competition in multiple districts as well.
- During the party leaders' debate at the Japan National Press Club on Monday, seven ruling and opposition parties [agreed](#) to a consumption tax cut on food and beverages. The parties disagree on the timing and scope. Meanwhile, financial markets are concerned about expansionary fiscal policy and pressure on long-term interest rates.
- Early media polls project that the LDP is on course to secure a majority on its own, with the CRA expected to lose a significant number of seats.
  - *Nikkei* [projects](#) that the LDP is likely to secure a majority on its own, while the CRA is expected to reduce its seat total from 167. The LDP is [expected to add](#) to its fifty-nine PR seats, while the CRA is expected to reduce its seats.
  - *Yomiuri* [projects](#) that the LDP is likely to secure a majority on its own, while the CRA is expected to lose seats in both SMDs and PR.
  - *Asahi* [projects](#) that the LDP is in competition with CRA and *Sanseitō* in 133 single-member districts, while the CRA is in competition with the Democratic Party for the People (DPFP) and the Japan Communist Party (JCP) in ninety-one out of 133 single-member districts.
  - *Mainichi* [projects](#) that the LDP is on track to secure a majority, while the CRA is expected to lose seats. The LDP leads in over half of the 289 single-member districts, while in competition with other parties in seventy districts.

- *Kyodo* [projects](#) that the LDP and *Ishin* are on track to secure a majority together, while the CRA is struggling. Meanwhile, *Sanseitō* is expected to make major gains, while Team Mirai may secure its first seats in the Lower House.

## 2. Foreign Policy Developments

- On Saturday, Takaichi [held](#) a summit meeting and working dinner with U.K. Prime Minister Keir Starmer. The two agreed to upgrade bilateral cooperation on cybersecurity into a “strategic cyber partnership,” while sharing the view that it is imperative to collaborate through the economic security partnership to strengthen the critical minerals supply chains.
- *Jiji* [reported](#) that the Trump Administration plans to welcome Takaichi as a state guest when she visits Washington for a summit meeting with President Donald Trump in March. Trump could ask Japan to make more defense spending commitments and to announce projects related to the Japan-U.S. strategic investment initiative.
- On Friday, the GOJ [announced](#) that Takaichi will meet with President Ram Chandra Poudel of Nepal when the latter visits Japan between February 2-4. This is the first visit by a president of Nepal in seven years.
- *Nikkei* [reported](#) Wednesday that one of the first projects under the Japan-U.S. strategic investment initiative may be manufacturing synthetic diamonds. China dominates the production of such diamonds and could pose an economic security threat if export controls are tightened.
- *Nikkei* [reported](#) Tuesday that the Ministry of Education, Culture, Sports, Science and Technology (MEXT) signed a memorandum of cooperation with the U.S. Department of Energy to take part in the Trump Administration’s Genesis Mission designed to revolutionize scientific research by integrating AI with the nation’s supercomputing infrastructure. Participants will share supercomputer infrastructure and scientific data to promote R&D in cutting-edge areas like biotechnology, nuclear fusion, and quantum computing science.

## 3. Defense/Security Developments

- On Friday, Minister of Defense Koizumi Shinjiro [met](#) with Republic of Korea Minister of National Defense Ahn Gyu-back in Yokosuka, Kanagawa, agreeing to conduct mutual visits and ministerial meetings annually. The two also agreed to resume search and rescue exercises (SAREX) and to discuss cooperation in cutting-edge science and technology fields like AI, drones, and space.

- On Wednesday, the JASDF [conducted](#) a fueling mission with the ROK Armed Force's Black Eagles aerobatic team at Naha Air Base. This is the first fueling mission between the two sides. The GOJ aims to utilize this opportunity toward signing an acquisition and cross servicing agreement with South Korea.
- Ambassador of Japan to Canada Yamanouchi Kanji [signed](#) an agreement between the GOJ and the Government of Canada concerning the transfer of defense equipment and technology. The two countries will now be able to transfer defense equipment and technology including for projects contributing to international peace and security.
- Vice Minister for Foreign Affairs Funakoshi Takehiro [received](#) a courtesy call from U.S. Under Secretary of War for Policy Elbridge Colby to discuss the regional security environment as well as bilateral security and defense cooperation. Colby also [met](#) with Administrative Vice Minister of Defense Yamato Taro. Colby reportedly did not bring up any demands to increase defense spending.
- On Tuesday, the Ministry of Defense (MOD) [announced](#) that North Korea launched two ballistic missiles eastward, which landed outside Japan's exclusive economic zone (EEZ). In response, Deputy Director-General of the Asian and Oceanian Affairs Bureau Otsuka Kengo [held](#) a telephone meeting with his U.S. and ROK counterparts, calling on North Korea to cease provocations that threaten the peace and security of the region and the international community.
- On Monday, Chief Cabinet Secretary Kihara Minoru [responded](#) to the Trump Administration's demands to raise defense spending to 5 percent of GDP, stating that "what matters is not the amount of money, but the substance of our defense capabilities." Takaichi also [stated](#) on an Internet program on January 24 that she has not been directly notified by the United States about the demand.

#### 4. Economic Security and Tech Developments

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [held](#) its first public-private meeting to discuss the growth strategy for information technology. The group, which will craft an interim report by April 2026, will discuss approaches to investment and human resource development, primarily in fields of high-speed optical communication technology, submarine cables, and satellite communications.
- On Thursday, Norwegian company Northern Lights [announced](#) that Kawasaki Kisen Kaisha and Mitsui O.S.K. Lines will own liquefied carbon dioxide carriers for carbon capture and storage (CCS) off the coast of Norway to advance decarbonization. This is the first time a Japanese shipping company has taken part in such a project.

- Japan took part in the Seventh [Japan-EU Cyber Dialogue](#) and the [Second Japan-NATO Cyber Dialogue](#) in Brussels, Belgium. The two meetings centered around discussing cooperation in the cyber domain.
- The GOJ [hosted](#) the first “Public-Private High Level Forum,” a central coordinating body to increase international standards favorable to Japan. The forum will aggregate and analyze information from institutions with overseas bases and make policy recommendations to the GOJ to heighten international competitiveness.
- *Nikkei* [reported](#) Wednesday that MIC will strengthen earthquake countermeasures for fiber-optic networks connecting to mobile phone base stations starting in FY 2026. The GOJ will subsidize up to three-quarters of the cost of implementing dual-line systems for municipalities at risk of damage from the Nankai trough mega-earthquake or a direct-hit earthquake on the capital.
- *Nikkei* [reported](#) Sunday that the MIC will develop specialized equipment to monitor radio waves from satellite constellations — systems that operate multiple satellites as a single unit — in Miura City, Kanagawa, starting FY 2026. It will verify that radio waves from the satellite constellation do not interfere with communications from existing geostationary satellites.

## 5. Key Economic/Financial Developments

- On Friday, the Ministry of Finance (MOF) [announced](#) that the GOJ and Bank of Japan (BOJ) did not intervene in the foreign exchange market between December 29-January 28, 2026. Minister Katayama Satsuki [said](#) on Monday that “we are closely monitoring market conditions with a sense of urgency,” as the yen is [expected to appreciate](#) with investors speculating that the GOJ may intervene in the market.
- The Immigration Services Agency [announced](#) that the number of foreign nationals entering Japan in 2025 increased 15 percent to approximately 42.43 million, the first time the number exceeded forty million. Meanwhile, the number of Chinese travelers [almost halved](#) in the last year to around 280,000.
- The MIC [announced](#) that the labor force population in 2025 was 70.04 million, the first time the labor force exceeded seventy million. The number of employed persons also [hit](#) a record high of 68.28 million, up 470,000 from the previous year. This is mainly due to the part-time workers, meaning the labor shortage still exists.
- On Wednesday, the BOJ [released](#) meeting minutes from its monetary policy meeting in December. The nine policy board members [shared the recognition](#) that “the mechanism whereby wages and prices both rise gradually is likely to be maintained.” The board agreed not to set a concrete schedule for the next rate hike.

- On Tuesday, the Japan Business Federation (*Keidanren*) and the Japanese Trade Union Confederation (RENGO) [kicked off](#) this year's spring wage negotiations, agreeing to hike wages at a level exceeding growth in prices amid inflation.
- *Nikkei* [reported](#) Sunday that Japan is expected to introduce exchange-traded funds (ETFs) investing in cryptocurrencies as early as 2028. The Japan Financial Services Agency will develop the scheme, with Nomura Holdings and SBI Holdings creating products as asset management companies.

## 6. State of the Economy

- On Friday, the Ministry of Economy, Trade and Industry (METI) [announced](#) that the seasonally adjusted industrial production index in December fell 0.1 percent to 101.8, the second consecutive month the index has [dropped](#) as the machinery manufacturing industry, including semiconductor manufacturing equipment, struggles.
- The Ministry of Health, Labor and Welfare (MHLW) [announced](#) that the effective jobs-to-applicants ratio in 2025 was 1.22 times, down 0.03 point from the previous year. This is the [second consecutive year](#) the ratio has fallen. Meanwhile, the unemployment rate [remained](#) the same at 2.5 percent.
- The MOF [announced](#) that Japan ran a net capital deficiency of ¥699 trillion in FY 2024, an increase of ¥4 trillion and the first time the deficiency worsened in two years. The liabilities [increased](#) approximately ¥9.5 trillion as new JGBs were issued to formulate the FY 2024 annual and supplementary budgets.
- On Thursday, MOF [released](#) its Economic Situation Report for January, which maintained the assessment that the economy is “gradually recovering.” This is the [tenth consecutive quarter](#) that the assessment has remained the same. The MOF raised the assessment for the Hokuriku and Okinawa regions.
- On Tuesday, the BOJ [announced](#) that the services producer price index (SPPI) in December rose 2.6 percent from the same month last year to 112.5, a [smaller rate of increase](#) than November though the trend of reflecting labor costs in service prices continues.

## II. Public Opinion Poll

- A *Mainichi* poll [released](#) on Monday found that the Takaichi Cabinet's approval rating was 57 percent, down ten points from December, while disapproval was 29 percent, up seven points from last month.
  - 58 percent of respondents said that they support the Cabinet because they have expectations for the prime minister's leadership; 21 percent said because they

have expectations for its policies; and 13 percent said because it seems better than the alternatives.

- 37 percent of respondents said that they do not support the Cabinet because they have no expectations for its policies; 23 percent said because it is centered around the LDP; and 18 percent said because they have no expectations for the prime minister’s leadership.
  - 41 percent of respondents said that they disapprove of Takaichi’s reasons for dissolving the Lower House, while 27 percent said they approve of her reasons.
  - 53 percent of respondents said that they believe budget enactment should be prioritized over the Lower House election, while 26 percent said it is unavoidable to prioritize the election over the budget.
  - 79 percent of respondents said that they would like the parties to focus discussions around inflation relief during the election; 52 percent said economic policy; and 46 percent said social security.
  - 52 percent of respondents said that they do not have expectations for the new Centrist Reform Alliance, while 17 percent said they have expectations.
  - 45 percent of respondents said that they will consider the slush fund scandal when they think about who to vote for in the election, while 24 percent said they will not consider it.
  - 42 percent of respondents said that they do not find it desirable for the LDP to win a majority on its own, while 27 percent said they find it desirable.
  - 36 percent of respondents said that they are undecided on who to vote for in the PR portion of the election; 24 percent said the LDP; 14 percent said the CRA; 7 percent said the DFPF; 4 percent each said *Ishin* and *Sanseitō*; 3 percent said Team Mirai; 2 percent each said the JCP and *Reiwa Shinsengumi*; and 1 percent each said the Japan Conservative Party and the SDP.
  - 29 percent of respondents said that the food consumption tax should be zero; 23 percent said the consumption tax should remain at 10 percent; 22 percent said it should be lowered to 5 percent; 13 percent said the consumption tax should be abolished; and 12 percent said they do not know.
  - 48 percent of respondents said that they do not understand the decision to hold an Osaka gubernatorial and mayoral election as a referendum on the Osaka Metropolis Plan, while 15 percent said they do understand it.
- The survey also collected data on the latest approval ratings of political parties.

<b>Political Party</b>	<b>Approval Rating (%)</b>
Liberal Democratic Party	27 (±0)
Centrist Reform Alliance	12 (N/A)

*The Weekly Observer (1/26-1/30)*

Constitutional Democratic Party	2 (-5)
Japan Innovation Party	4 (-1)
Democratic Party for the People	7 ( $\pm 0$ )
Komeito	1 (-1)
Suffrage Party (Sanseitō)	4 (-1)
Reiwa Shinsengumi	1 (-1)
Japan Communist Party	2 ( $\pm 0$ )
Japan Conservative Party	1 (-1)
Socialist Democratic Party	1 ( $\pm 0$ )
Team Mirai	3 (+2)
Independent (No Party)	35 (-5)