

The Weekly Observer

March 9-13, 2026

The 215th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the release of national oil reserves, the schedule for the upcoming summit meetings with French and Indonesian leaders, the latest Koizumi-Hegseth phone call, the GOJ's draft roadmap for public-private growth investments, the Lower House passing the FY 2026 annual budget, key legislation up for debate in the Diet, the fifteenth year since the Great East Japan earthquake, proposed changes to the AI Guidelines for Business, G7 energy and finance ministerials around surging energy prices, the Economy Watchers Survey for February, and more.

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I. News of the Week

1. Takaichi Announces Release of Stockpiled Oil

- On Wednesday, Prime Minister Takaichi Sanae [announced](#) that Japan would be releasing fifteen days' worth of civilian stockpile and a months' worth of national oil stockpile as early as March 16 to suppress rising oil prices resulting from the U.S.-Israeli attack on Iran. A record forty-five days' worth of oil will be released ahead of the International Energy Agency's (IEA) coordinated effort to release oil.
- Japan will [release](#) approximately 20 percent of its national stockpile and begin providing subsidies for gasoline starting shipments dated March 19. The GOJ plans to begin [offering](#) discretionary contracts in late March to early April. Gas prices are [anticipated to rise](#) up to ¥200 per liter, canceling out the effects of the consumption tax cut on food and beverages. One estimate [suggests](#) that costs per household could increase by up to ¥36,000 a year due to the rise in crude oil prices.
- This comes as the IEA [announced](#) that thirty-two of its member states agreed to release a record high of approximately four hundred million barrels of oil. This is the first time since 2022 that the IEA has coordinated such an effort.
- Takaichi [announced](#) the same day that the GOJ will implement measures to manage national gasoline prices at around ¥170 per liter, [utilizing](#) ¥280 billion in funds for fuel subsidies and covering additional costs via the FY 2025 reserve funds.
- Takaichi also [participated](#) in the G7 Leaders' Online Meeting regarding the current situation in the Middle East and reiterated Japan's condemnation of Iran's actions including those that threaten the safety of navigation in the Strait of Hormuz. She [explained](#) that there are no plans at the moment for JSDF deployment. Meanwhile, Minister for Foreign Affairs Motegi Toshimitsu [urged](#) Iranian Foreign Minister Abbas Araghchi to cease its actions and to de-escalate the situation in the Middle East.
- On Saturday, the Ministry of Foreign Affairs (MOFA) [announced](#) that the third round of evacuations from Iraq, Kuwait, Bahrain, Qatar, and Saudi Arabia had been completed. A total of 222 individuals, including two Taiwanese individuals, were aboard the chartered flight that landed in Tokyo in the morning.

2. Foreign Policy Developments

- *Nikkei* [reported](#) Saturday that Japan and the United States plan to craft a joint roadmap on expanding procurement of rare earths on the occasion of Takaichi's visit to the United States next week. *Yomiuri* [reported](#) that Takaichi will also announce Japan's participation in the United States' "Golden Dome" missile defense initiative.

On the investment deal, *Nikkei* [reported](#) that the GOJ is proposing the operation of a cutting-edge display manufacturing facility by Japan Display in the United States worth approximately \$13 billion.

- On Friday, Takaichi [hosted](#) Prime Minister of Bhutan Dashi Tshering Tobgay for a summit meeting, in which she announced that Japanese companies will carry out demonstration projects for the construction of AI data centers in rural areas.
- The MOFA [announced](#) that French President Emmanuel Macron will be paying an official visit to Japan from March 31 to April 2 to further strengthen the “exceptional partnership” between the two countries. It also [announced](#) that Indonesian President Prabowo Subianto will be visiting from March 29-31 to further strengthen the comprehensive and strategic partnership.
- The MOFA [released](#) its annual white paper on development cooperation, which stated that Japan will utilize ODA and employ new mechanisms that encourage the co-creation for common agenda initiative and private investment toward addressing critical issues such as economic security and energy security.
- The MOFA [released](#) the FY 2025 opinion poll on Japan in the United States, ASEAN, India, Australia, and three African countries (Cote d’Ivoire, Kenya, and South Africa). It [found](#) that Japan ranked second behind China and Russia as the “most important partner in the future” among ASEAN nations and India, respectively.
- On Monday, Chief Cabinet Secretary Kihara Minoru [said](#) that the GOJ will not comment on a “private visit” by Taiwanese Executive Yuan Premier Cho Jung-tai to Japan to watch the World Baseball Classic. This comes after the Chinese foreign ministry [protested](#) the visit on Saturday via a phone call with a senior MOFA official.

3. Defense/Security Developments

- On Saturday, the Ministry of Defense (MOD) [announced](#) that North Korea launched multiple ballistic missiles northeastward, flying at a maximum altitude of around eighty kilometers and a distance of 340 kilometers outside Japan’s exclusive economic zone (EEZ). This is the [third time](#) that North Korea has launched a ballistic missile in 2026 (January 4 and 27).
- Takaichi [delivered](#) a speech at the National Defense Academy’s graduation ceremony, stating that she hopes the students will “strive to improve (themselves) by cultivating both flexible thinking—unbound by past conventions—and the ability to adapt to new situations.” She [emphasized](#) that the GOJ will “consider all options without ruling any out and work to fundamentally strengthen our defense capabilities.”

- On Friday, Minister of Defense Koizumi Shinjiro [revealed](#) that the GOJ has received deliveries of the U.S. “Tomahawk” cruise missile and Norway’s “Joint Strike Missile” that will form the basis of Japan’s long-range counterstrike capabilities. He emphasized that these capabilities will “make the adversary realize that any invasion of our country will be decisively repelled, thereby deterring the use of force itself.”
- *Yomiuri* [reported](#) that the Acquisition, Technology & Logistics Agency (ATLA) will commission startup Sakana AI to develop an information analysis system utilizing AI for the JSDF. The new system aims to accelerate and streamline processes by leveraging AI from data transmission to integration and analysis. Meanwhile, Fujitsu [announced](#) on Tuesday that it had been awarded a contract by ATLA for commissioned research into AI agents supporting operational decision making.
- *Asahi* [reported](#) Wednesday that Koizumi may travel to the Philippines and Indonesia in early May to deepen security cooperation and to discuss defense exports with the countries keen to procure defense equipment from Japan. Koizumi is also expected to travel to Australia in mid-April to sign the Mogami-class frigate contract.
- On Tuesday, the MOD [announced](#) that Koizumi held a telephone conference with U.S. Secretary of War Pete Hegseth on the situation in Iran. Hegseth provided an overview of the situation, while Koizumi said that Japan is closely monitoring the situation with “grave concern” in order to ensure the protection of Japanese nationals, and that Japan is ensuring the utmost warning and surveillance around Japan.

4. GOJ Presents Draft Roadmap for Public-Private Growth Investments

- On Tuesday, Takaichi [convened](#) the Japan Growth Strategy Council where sixty-one priority products and technologies under the seventeen growth areas including AI, semiconductors, and shipbuilding were identified.
- Takaichi [explained](#) that the sixty-one designations, including physical AI, semiconductors, and maritime drones, were strategically selected from the viewpoint of mitigating domestic risks, the potential for capturing overseas markets, and the innovativeness of related technologies.
- Takaichi also instructed Minister of State for Economic and Fiscal Policy Kiuchi Minoru to “estimate the impact on GDP growth and tax revenue, as well as the outlook for the debt-to-GDP ratio.” She revealed that a separate funding stream would be created for crisis management and growth investments.
- The GOJ plans to craft a crisis management and growth investment roadmap in the summer, including specific public-private investment amount targets. The Council

- presented a draft roadmap for twenty-seven of the sixty-one products and technologies, including physical AI, semiconductors, green steel, and shipbuilding.
- The draft set the target of raising the total sales of domestically manufactured semiconductors to ¥40 trillion by 2040, as well as raising global market share for physical AI to over 30 percent by 2040 — equivalent to the United States and China.
 - It also [set the target](#) for capturing 30 percent of the global market for maritime drones by 2030, as well as [increasing](#) the domestic data utilization infrastructure (cloud) market to ¥5 trillion by 2035.

5. Lower House Passes the FY 2026 Annual Budget

- On Friday, the FY 2026 annual budget amounting to approximately ¥122 trillion was [passed](#) through the Lower House plenary session. The Upper House Budget Committee will [begin discussions](#) on March 16.
- Ruling Liberal Democratic Party (LDP) Secretary General Suzuki Shunichi [rejected](#) criticism on Saturday that the ruling parties are exercising the “tyranny of the majority” to force through the budget. Budget deliberations were the [shortest](#) in twenty years, while unprecedented decisions were made to skip certain parts of the normal process as well to speed up the process.
- The situation came to a boiling point on the day of the vote, with four opposition parties including the Centrist Reform Alliance (CRA) [submitting](#) a censure motion against Lower House Budget Committee Chair Sakamoto Tetsushi (later defeated). Sakamoto also [rushed through](#) the deliberation schedule earlier in the week, prompting opposition parties to criticize the ruling parties for moving forward proceedings with an eye on forcing enactment by the March 31 end of the fiscal year.
- On Tuesday, the CRA, Constitutional Democratic Party (CDP), and Komeito [agreed](#) to demand that the ruling parties abandon plans to pass the budget through the Lower House during the week and to ensure sufficient deliberation time. The Democratic Party for the People (DPFP) also [indicated](#) that it would oppose the budget over the ruling parties’ decision to rush through the process at “extreme speeds.”
- DPFP Secretary General Shimba Kazuya [told](#) his LDP counterpart Suzuki that his party could support the budget if it were tabled for a vote on March 16 and not this week. Suzuki had [said](#) earlier in the week that the DPFP was an ideal partner given its alignment with Takaichi’s “responsible proactive fiscal policy” approach.
- On Monday, CRA leader Ogawa Junya [announced](#) that he would be requesting reformulation of the annual budget to include measures to address rising energy costs

and a postponement of the defense-related tax hike. Meanwhile, Takaichi [reiterated](#) that she has not instructed the formulation of a provisional budget that would cover minimum necessary expenses should the annual budget not be enacted by March 31.

6. Key Legislation Tracker (221st Special Diet Session)

● In the Diet

- **Amendments to tax-related legislation:** [Raises](#) the income tax exemption threshold from ¥1.60 million to ¥1.78 million and scraps the provisional light oil transaction tax and the vehicle environmental performance-based tax.
- **Act on Special Provisions concerning Issuance of Government Bonds:** The Lower House passed a bill granting the government authority to issue so-called deficit bonds for the next five fiscal years.
- **Amended Act on Granting Tuition Support for High Schools:** The Lower House [passed](#) a bill on March 13 to scrap the income restrictions on receiving tuition support for high school education starting April.

● Adopted by Cabinet

- **Act to Establish the National Intelligence Council:** [Establishes](#) an intelligence equivalent to the National Security Council and the National Security Secretariat chaired by the prime minister to centralize state intelligence capabilities.
- **Amended Industrial Technology Enhancement Act:** [Designates](#) revolutionary technologies for priority government support and sets subsidy conditions such as a corporate tax deduction amounting to 40-50 percent of test research costs.
- **Amended Immigration Control Act:** [Introduces](#) Japanese version of the Electronic System for Travel Authorization (ESTA) in FY 2028 to prescreen travelers to Japan based on information submitted online.
- **Amended Health Insurance Act:** [Levies](#) a 25 percent additional fee on over-the-counter drug costs for approximately 1,100 products including seventy-seven components such as moisturizers and antiallergic medications.

7. Key Political Developments

- On Friday, the GOJ [adopted](#) the Sixth Basic Plan for Gender Equality covering the years from FY 2026 to FY FY 2030, which [included](#) exploration of legal measures to enable the use of maiden names and the single entry of maiden names. This would effectively run against the push for separate surnames for married couples.

- On Thursday, the National Conference on Social Security [held](#) a working level meeting with the DFPF attending for the first time. The DFPF plans to propose its own ideas for the refundable tax credit scheme, which would combine a resident tax deduction and a refund of social insurance fees.
- On Wednesday, Takaichi [delivered](#) a speech at a memorial ceremony commemorating the fifteenth anniversary since the Great East Japan earthquake. She reiterated past government commitments to make every effort toward the reconstruction of damaged areas and emphasized the GOJ's efforts such as the creation of a new Disaster Management Agency.
- On Tuesday, the GOJ [adopted](#) an ordinance designating May 6 to November 5, 2027, as the period to select additional locations for the integrated resort projects. The GOJ has committed to selecting three. Osaka has already been selected as the first project.
- On Monday, the LDP [began](#) internal discussions on the design of the refundable tax credit scheme. The party views the scheme not only as a financial support mechanism for middle- to low-income households but an “emergency infrastructure” that can be utilized in times of natural disasters and pandemics.
- On Sunday, former Kanazawa City Mayor Yamano Yukiyo [defeated](#) incumbent governor Hase Hiroshi in the Ishikawa gubernatorial election, marking the defeat of a candidate supported by Takaichi following her February landslide victory. The result [calls into question](#) whether the LDP's strong showing in the Lower House election truly reflects a position of strength in local areas across the country.

8. Economic Security and Tech Developments

- *Nikkei* [reported](#) Friday that the GOJ's upcoming Science, Technology and Innovation Basic Plan will double state investments in science and technology to ¥60 trillion for the FY 2026-2030 period and raise the investment target to ¥180 trillion. Meanwhile, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) [plans to increase](#) supercomputing capacity nationwide by over ten times by 2030.
- On Thursday, the LDP's Headquarters for the Promotion of Economic Security chaired by Rep. Ohno Keitaro [approved](#) amendments to the Economic Security Promotion Act, which the GOJ plans to adopt as early as next week. The bill includes measures to create a financing framework for projects important to economic security through the Japan Bank for International Cooperation (JBIC).
- The GOJ [presented](#) a revised draft of the AI Guidelines for Business compiled in 2024, including a new section outlining measures that companies should follow when

- developing AI agents and physical AI products (robotics). The finalized guidelines are expected to be released to the public at the end of the month.
- On Wednesday, the LDP's Special Committee on Ocean Development [began discussions](#) regarding the promotion of rare earths extraction off the coast of Minamitorishima of the Ogasawara Islands. The party is expected to recommend by the summer that the GOJ secure an extraction vessel exclusively for this project.
 - *Nikkei* [reported](#) that the GOJ will compile a “talent framework” for cybersecurity as early as in spring 2026 that systematically organizes the roles, required tasks, knowledge, and skills for each job type. Such a framework already exists in countries like the United States and the United Kingdom. Japan will categorize jobs into thirteen categories and four stages.
 - The Japan Organization for Metals and Energy Security (JOGMEC) [signed](#) a memorandum of understanding (MOU) with the government of Goiás in Brazil related to the mining and supply of critical minerals. Japan views Brazil — with the second largest minerals reserves in the world — as an alternative to China.

9. Key Economic/Financial Developments

- On Saturday, Minister of Finance Katayama Satsuki [participated](#) in the Tenth Japan-Korea Finance Dialogue in Tokyo. The joint statement issued after the meeting [stated](#) that the two countries will “continue to take appropriate actions against excessive volatility and disorderly movements in exchange rates,” as well as the importance of the regional financial safety net and bilateral financial cooperation including the bilateral swap agreement.
- *Nikkei* [reported](#) Friday that the Ministry of Agriculture, Forestry and Fisheries (MAFF) plans to require shipping agents and wholesalers to stockpile 200,000 tons of rice under a new program to be started in FY 2028. The goal is to stockpile 20 percent of the total stockpile in the private sector for faster distribution than state-held reserves. The GOJ also [plans to amend](#) the Act on Stabilization of Supply, Demand, and Prices of Staple Food this year to impose a fine of up to ¥100 million on businesses that refuse to stockpile or release rice according to GOJ requests.
- *Nikkei* [reported](#) that the Bank of Japan (BOJ) is likely to maintain policy interest rates at its next monetary policy meeting from March 18-19 in light of the situation in the Middle East. The Nikkei Stock Average [plummeted](#) over ¥4,200 this week as investors sold shares to offset risks related to surging energy prices that will affect an import-heavy country like Japan. The yen also [depreciated](#) to ¥159 to the dollar.

- The Ministry of Health, Labor and Welfare's (MHLW) Labor Policy Council [held](#) an expert subcommittee meeting to discuss Takaichi's goal of revising the discretionary work hour system. While business welcomes the expansion of the roles and workers covered under the system, labor sees the need for verifiable data showing that necessary measures are in place to secure a safe and healthy workplace.
- On Tuesday, Minister of Economy, Trade and Industry Akazawa Ryosei [attended](#) the virtual G7 energy ministerial meeting chaired by France. The communiqué issued after the session [stated](#) that the member states "stand ready to take all necessary measures in coordination with IEA Members" to address the impact of the Middle East situation on the world energy sector. Akazawa [told](#) reporters after the meeting that Japan supports coordinated efforts, including the use of strategic reserves.
- On Monday, Katayama [participated](#) in a virtual G7 finance ministerial meeting, where the member states agreed to "stand ready to take necessary measures, including to support global supply of energy such as stockpile releases." Japan [possesses](#) 254 days' worth of oil reserves in ten reserve bases around the country.

10. State of the Economy

- On Thursday, the Cabinet Office (CAO) and Ministry of Finance (MOF) [announced](#) that the business survey index for large corporations in all industries for the January-March quarter was 4.4, the [third consecutive quarter](#) that the index was positive (survey done before onset of the Iran situation). Meanwhile, the BOJ [announced](#) on Wednesday that the corporate goods price index (CGPI) in February rose 2 percent to 128.3, a 0.3 point [smaller growth rate](#) than January as rice prices surged and catch amount declined while egg prices fell post-bird flu outbreak.
- On Tuesday, the CAO [announced](#) that the revised real GDP growth rate for the October-December quarter in 2025 was 0.3 percent on a quarterly basis and 1.3 percent on an annual basis as capital investments [increased](#). The CAO also [announced](#) that the coincident index of business conditions in January rose 2.5 points from December 2025 to 116.8, the [first improvement](#) in three months. It maintained the assessment that the situation is "halting to fall."
- The Ministry of Internal Affairs and Communications (MIC) [announced](#) that consumption expenditure for households with more than two persons in January amounted to ¥307,584. Real expenditure [fell](#) one percent from the same month last year, the second consecutive month on the decline.
- On Monday, the CAO [released](#) its Economy Watchers Survey for February, which found that the seasonally adjusted diffusion index rose 1.3 point from January to 48.9, the [first time](#) in four months that the index saw an improvement. It maintained the

assessment that the “economy is picking up.” The diffusion index for future economic conditions fell by 0.1 points to 50.0.

- The MOF [announced](#) that Japan ran a ¥941.6 billion current account surplus in January, a full year that the account has been in a surplus. The trade deficit was [cut back](#) from ¥2.9 trillion to ¥600.4 billion from the same month last year as exports increased 20.3 percent off higher electronic parts sales in Asia.
- The MHLW [announced](#) that real wages in January increased 1.4 percent from the same month last year, the [first time](#) that wages have hit a positive in thirteen months as wage hikes exceeded price hikes owing to factors like the gas tax cut.

II. Public Opinion Poll

- A NHK poll [released](#) on Monday found that the Takaichi Cabinet’s approval rating was 59 percent, down six points from February, while disapproval was 26 percent, up six points.
 - 32 percent of respondents [said](#) that they approved of the Takaichi Cabinet because it has executive ability; 25 percent said because it seems better than the alternatives; and 20 percent said because they have high hopes for its policies.
 - 30 percent of respondents said that they did not approve because they do not trust the prime minister; 28 percent said because they do not have hopes for its policies; and 22 percent said because it does not include a party they support.
 - 48 percent of respondents said that they somewhat approve of the GOJ’s response to the Iran situation; 22 percent said they somewhat disapprove; 11 percent said they strongly disapprove; and 10 percent said they strongly approve.
 - 44 percent of respondents said that they are greatly concerned about the economic impact of the Iran situation on Japan; 38 percent said they are somewhat concerned; 8 percent said they are not so concerned; and 3 percent said they are not concerned at all.
 - 49 percent of respondents said that they believe the FY 2026 annual budget should be enacted by the end of the fiscal year, while 41 percent said they believe deliberation hours should be the same as any given year.
 - 47 percent of respondents said that they support Takaichi’s plan to introduce a refundable tax credit after a two-year suspension of the food consumption tax, while 35 percent said they oppose it.
 - 45 percent of respondents said that they believe the National Conference on social security should include as many political parties as possible; 34 percent said the debate should happen in the Diet; and 12 percent said it should be limited to parties that agree on the basic direction of policy.

- 53 percent of respondents said that they oppose the GOJ’s decision to loosen defense equipment export rules to basically permit the export of lethal weapons, while 32 percent said they support it.
 - 38 percent of respondents said that they somewhat approve of the GOJ’s China policy; 27 percent said they somewhat disapprove; 14 percent said they strongly approve; and 11 percent said they strongly disapprove.
 - 66 percent of respondents said that depopulation will have a great impact on the future of Japan; 21 percent said it will have somewhat of an impact; 5 percent said it will not really have an impact; and 1 percent said it will have no impact.
 - 39 percent of respondents said that they are, if anything, not prepared for disasters fifteen years after the Great East Japan earthquake; 30 percent said that, if anything, they are prepared; 18 percent said they are not prepared; and 6 percent said they are prepared.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	33.6 (-6.3)
Centrist Reform Alliance	6.2 (-1.9)
Japan Innovation Party	4 (+0.8)
Democratic Party for the People	4.1 (+0.8)
Japan Communist Party	2.2 (-0.7)
Reiwa Shinsengumi	1.1 (\pm 0)
Suffrage Party (Sanseitō)	3.1 (+0.5)
Japan Conservative Party	0.5 (-0.6)
Socialist Democratic Party	0.2 (-0.6)
Team Mirai	3.1 (+0.3)
Constitutional Democratic Party	2.2 (+1.4)
Komeito	1.2 (\pm 0)
Independent (No Party)	32 (+4.5)