

## ***The Weekly Observer***

April 6-10, 2026

*The 219<sup>th</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Prime Minister Takaichi's phone call with the Iranian president, the 2026 Diplomatic Bluebook, Defense Minister Koizumi's scheduled visits to Indonesia and the Philippines, the FY 2026 annual budget, the ongoing discussions related to the National Conference on Social Security, progress on key legislation in the Diet, proposed changes to Japan's fiscal policy management by a civilian policy council member, METI's subsidies to support Rapidus's identification of clients, stricter screening of foreign residency status, real wages remaining positive despite the Middle East situation, and more.*

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## **I. News of the Week**

### 1. Takaichi Reiterates Importance of Strait of Hormuz with Iranian President

- On Wednesday, Prime Minister Takaichi Sanae [held](#) a summit phone call with Iranian President Masoud Pezeshkian. She emphasized that de-escalation is of utmost importance and urged Iran to ensure safety of navigation for vessels through the Strait of Hormuz, a strategic chokepoint for logistics and an international public good. She also requested an early resolution to the issue concerning the NHK Tehran bureau chief who was released on bail on April 6.
- Takaichi also [signed](#) onto a joint statement with the leaders of European countries, welcoming the two-week ceasefire concluded between the United States and Iran. The leaders thanked Pakistan and all partners for facilitating the agreement and stated that the goal must now be to negotiate a swift and lasting end to the war.
- Takaichi also had a [phone call](#) with President Sheikh Mohamed bin Zayed Al Nahyan of the United Arab Emirates to request continued cooperation for the stable supply of crude oil. Meanwhile, Minister for Foreign Affairs Motegi Toshimitsu [issued](#) a statement on Friday expressing “deep concern” about the escalation of attacks between Israel and Lebanon since Hezbollah attacked Israel on March 2.
- On Tuesday, Takaichi [held](#) a press conference to explain that Japan will secure over 20 percent of last year’s volume in April and over half in May of alternative crude oil supply that does not pass through the Hormuz (Middle East and United States). She stated that Japan has approximately eight months’ worth of oil reserves. The GOJ [expects](#) to secure “sufficient volume” by the beginning of next year.
- On Friday, Takaichi [announced](#) that the GOJ will release an additional twenty days’ worth of strategic oil reserves in early May. Japan has 143 days’ worth of supply as of April 6. She also instructed her Cabinet to address concerns over supply shortages for critical materials like paint thinner and medical products like rubber gloves.
- The impact of the situation in the Middle East is spreading across industry, with a recent Tokyo Shoko Research survey [finding](#) that around 80 percent of surveyed companies believe that the situation has a “negative effect” on business. By industry, 94 percent of agriculture, forestry, fisheries and mining had concerns, followed by 92 percent of the transport industry and 89 percent of the manufacturing industry.

### 2. Foreign Policy Developments

- On Friday, Motegi [presented](#) the Diplomatic Bluebook 2026 to the Cabinet, which states that the “relatively stable era known as the ‘post-Cold War era’ has already

- come to an end.” It also [downgrades](#) the language around China from “one of the most important bilateral relationships” to “important neighbor.”
- Motegi [held](#) a telephone call with Indian Minister of External Affairs Subrahmanyam Jaishankar. The ministers discussed the ceasefire and also agreed to promote multilateral cooperation to enhance energy and resource supply resilience.
  - The Ministry of Foreign Affairs (MOFA) [announced](#) that the Organisation for Economic Co-operation and Development (OECD) published the preliminary official development assistance (ODA) data for 2025, which found that Japan’s total ODA decreased 1.7 percent from 2024 to \$16,217.98 million primarily due to a decline in bilateral grants through multilateral institutions and bilateral government loans.
  - On Thursday, Takaichi [met](#) with Hiroshima City Mayor Matsui Kazumi and Nagasaki City Mayor Suzuki Shiro, both of whom requested the GOJ’s observer participation in the upcoming NPT Review Conference starting on April 27 in New York. *Asahi* [reported](#) that the GOJ plans to send State Minister for Foreign Affairs Kunimitsu Ayano. Then-Prime Minister Kishida Fumio attended the last conference in 2022.
  - On Wednesday, former Prime Minister Ishiba Shigeru [met](#) with South Korean President Lee Jae-myung, reaffirming the importance of bilateral exchanges at various levels. Ishiba also [delivered](#) a speech at the Asan Plenum, emphasizing that bilateral ties are “most important for regional peace and stability” and that signing an Acquisition and Cross-Servicing Agreement is of “utmost importance.”
  - *Yomiuri* [reported](#) Sunday that Takaichi is arranging to visit Vietnam and Australia over the Golden Week holidays to discuss bilateral cooperation and to promote the “Free and Open Indo-Pacific” concept. Meanwhile, Motegi is [arranging](#) to visit resource-rich African countries Angola, Kenya, and South Africa to diversify critical supply chains for resources like oil and critical minerals.

### 3. Defense/Security Developments

- *Yomiuri* [reported](#) Saturday that Tokyo and Seoul plan to elevate the foreign and defense “2+2” meeting from the director-general level to the vice ministerial level, with the first session happening as early as early May in Seoul. Minister of Defense Koizumi Shinjiro [discussed](#) the Middle East situation with ROK Minister of National Defense Ahn Gyu-back on Wednesday.
- *Mainichi* [reported](#) Thursday that the GOJ is considering an “ex post facto” notification of lethal defense equipment sales approved by the National Security Council in the form of documented notices to all members of the National Diet. Meanwhile, the GOJ/ruling parties are [starting to discuss](#) the aggregation of defense

equipment manufacturing capacity under the government, in the form of nationalizing factories, government-owned/contractor-operated facilities, or other means.

- Koizumi [informed](#) the Lower House Committee on Security that he plans to visit the Philippines and Indonesia during the Golden Week holidays to conduct “top-down sales” of defense equipment to the interested countries. Koizumi may also visit Australia, with a phone call on Wednesday with Deputy Prime Minister and Minister of Defense Richard Marles [confirming](#) steady progress of the next general-purpose frigate program, for which Japan’s upgraded Mogami-class frigate was selected.
- On Wednesday, the Ministry of Defense (MOD) [announced](#) that North Korea launched at least one ballistic missile eastward, which flew a maximum altitude of approximately sixty kilometers and a distance of seven hundred kilometers before landing outside Japan’s exclusive economic zone (EEZ). The missile may have flown in an irregular trajectory. Pyongyang [launched](#) several missiles in the morning too.
- The GOJ [designated](#) an additional seventeen airports and ports as “specified use airports/ports” that will be maintained and expanded for use by the JSDF and Japan Coast Guard for training and other activities. The GOJ has designated forty airports and ports across the country to date.
- MOFA [announced](#) that Japan has provided equipment to Malaysia for monitoring the Thai-Cambodia ceasefire, such as binoculars and radios, as part of its “official security assistance” (OSA) program. This is the first time Japan has provided equipment for international monitoring of a ceasefire.

#### 4. Diet Enacts FY 2026 Annual Budget

- On Tuesday, the Upper House [passed and enacted](#) the FY 2026 annual budget, which amounted to a record high ¥122.3 trillion. It is ¥7 trillion [larger](#) than last year’s budget and for the first time sees funds for JGBs exceed ¥30 trillion. This is the first time in fifteen years that a budget was not enacted by March 31.
- This comes after Takaichi failed to force through the budget on time for the beginning of the new fiscal year on April 1, resulting in the enactment of a provisional budget worth ¥8.6 trillion on March 30. The ruling parties overcame a four-seat deficit in the Upper House with votes from the Japan Conservative Party and independents.
- The budget supports the Takaichi Administration’s “responsible proactive fiscal policy” approach, which focuses on growth and crisis management investments in seventeen critical sectors including AI and semiconductors.

- There are questions about the sustainability of fiscal spending, as fixed costs like social security and costs associated with JGBs hit record highs of ¥39.1 trillion and ¥31.3 trillion, respectively.
- Takaichi [told](#) reporters after the budget enactment that, “although it is regrettable that we were unable to pass the budget within the fiscal year, guided by the principle that ‘everything is for the sake of public safety and building a strong economy,’ and with the dedicated efforts of all involved, we have engaged sincerely in parliamentary deliberations. As a result, we have minimized the risk of any adverse impact on the lives of the public as much as possible.”
- Despite enactment, there are calls within both ruling and opposition parties to quickly formulate a supplementary budget to address surging prices resulting from the situation in the Middle East. Democratic Party for the People (DPFP) leader Tamaki Yuichiro [pointed out](#) the need for a supplementary budget as subsidies for suppressing gasoline prices may run out after May.

5. National Conference on Social Security Talks Tax Cut and Refundable Tax Credit

- On Thursday, the National Conference on Social Security’s expert panel [started discussions](#) on the design of the refundable tax credit scheme. A majority of the panel expressed the view that the scheme should target individuals considered to be in the middle- to low-income working age generation.
- The panel discussed the scheme under four buckets: unit of support, overview of support, targets for support, and the handling of financial income and assets. The GOJ and ruling parties are discussing an initial launch of a simplified scheme that does not reflect detailed asset amounts for faster implementation.
- A simplified version of the scheme would [provide](#) financial support through public funds receiving accounts for those with earned income below a certain amount. Another option is to assess tax deductions based on income information tied to My Number accounts.
- The Conference’s working level meeting was [held](#) on Wednesday, with companies operating IT systems related to the two year suspension on food consumption tax (for the transition period until the refundable tax credit) expressing the view that updating systems to reflect the tax cut would take “approximately a year” to introduce. This would become problematic as the GOJ aims for speedy implementation.
- The hearing also produced other concerns, such as concerns over interest rates rising if funding is not secured and the tax rate is not returned after two years, as well as

potential financial losses for the restaurant industry if consumers stop buying or buy before the change in the tax rate.

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

- **In the Diet**

- **Act to Establish the National Intelligence Council:** Deliberations [began](#) on Thursday in the Lower House Committee on Cabinet.
- **Act to Establish the Disaster Management Agency:** The Lower House Steering Committee [agreed](#) on Thursday to begin deliberations in the plenary session on April 14.
- **Amended Health Insurance Act:** The Lower House Steering Committee [agreed](#) on Tuesday to begin deliberations in the plenary session on Thursday. The Act would require patients prescribed “OTC-like drugs” — which have ingredients and effects similar to over-the-counter medications — to pay additional out-of-pocket costs, and to introduce a system that factors financial income into insurance premiums and out-of-pocket costs for those aged 75 and older.

- **Adopted by the Cabinet**

- **Amended Personal Information Protection Act:** [Adopted](#) on Tuesday. Allows for the use of personal information without consent if for the purpose of creating statistical data for AI model learning. Introduces a penalty for malicious use of personal information without consent.
- **Amended School Education Act:** [Adopted](#) on Tuesday. Specifies three types of textbooks for use in elementary, middle, and high schools: print-only, print-and-digital, and digital only.

- **Under Consideration**

- **Amended Code of Criminal Procedures:** The GOJ [plans to present](#) revisions to the proposed amendments next week following opposition from the Liberal Democratic Party (LDP). It is considering an amendment imposing certain restrictions on appeals (objections) by prosecutors against decisions to grant a retrial.
- **Amended Money Lending Business Act:** The GOJ is [considering](#) the first amendment to the Act in around twenty years to loosen investment restrictions imposed on banks by the Japan Financial Services Agency. Banks will be allowed to provide funding more easily through investment in funds and other vehicles.

The amendment would also make it easier for companies to raise substantial funds for acquisitions.

## 7. Key Political Developments

- *Nikkei* [reported](#) Friday that a civilian member of the GOJ's Economic and Fiscal Policy Council will propose measures to crystallize Takaichi's "responsible proactive fiscal policy" approach at the next meeting on April 13. The proposal includes:
  - Setting the stable reduction of the debt-to-GDP ratio as a central target for fiscal policy management;
  - Accurately reflecting price and wage hikes in the budget formulation process to ensure appropriate spending to strengthen economic growth;
  - Establishing a new investment window for crisis management and growth investments and moving away from a single-year budget formulation;
  - Shifting away from dependence on supplementary budgets and including funding for permanent policy measures in the initial budget; and
  - Securing trust from the market by strengthening communications and preparing for uncertainty.
- Minister of Finance Katayama Satsuki [requested](#) that ministries and agencies publish results from data-based reviews of "special tax measures" — tax cuts for companies and other entities — as early as late June as part of the "Department of Government Efficiency's" (DOGE) decision to keep or cut approximately 120 budget items. The GOJ aims to cut expenditure and may use it to cover lost revenue from tax cuts.
- Takaichi [hosted](#) a meeting with the Tokyo Metropolitan Government, where she and Governor Koike Yuriko continued to disagree over the proposal to redistribute some of Tokyo's tax revenue to other prefectures. Koike pointed out that discussions should focus on "making the pie bigger rather than distributing the limited pie."
- Speaker of the Lower House Mori Eisuke, LDP Vice President Aso Taro, and LDP Policy Research Council Chairperson Kobayashi Takayuki [agreed](#) to move carefully on the discussions around stable Imperial Household succession, which is set to resume for the first time in about a year on April 15. The ruling parties are proposing a plan that would welcome males from the male lineage of former Imperial Household families through adoption.
- On Thursday, the Lower House Commission on the Constitution [held](#) its first deliberations in the current Diet session, with the LDP urging for weekly meetings to

accelerate talks toward amending the Constitution. While the LDP [explores](#) cooperation with supportive opposition parties around the emergency situations clause, the Japan Innovation Party (*Nippon Ishin no Kai*) is [urging](#) for the creation of a drafting committee and discussions on amending Article Nine.

- LDP Headquarters for Foreign Nationals Policy Chairperson Shindo Yoshitaka [indicated](#) plans to submit recommendations around late May on restrictions related to land acquisition by foreign nationals. A major theme is consistency with the General Agreement on Trade in Services (GATS) principle of non-discrimination between nationals and foreigners when adding restrictions related to security.

## 8. Economic Security and Tech Developments

- On Saturday, the Ministry of Economy, Trade and Industry (METI) [announced](#) subsidies of up to ¥90 billion for Fujitsu's AI agent computation infrastructure, IBM Japan's computing capacity for physical AI, and the Leading-edge Semiconductor Technology Center's (LSTC) joint project with imec to develop downstream technologies. The METI aims to support Rapidus — which [announced](#) the launch of its prototype line accelerating chip production by more than ten times — through subsidies for its future customers like Fujitsu and IBM.
- *Nikkei* [reported](#) that the Ministry of Internal Affairs and Communications (MIC) will subsidize up to ¥7 billion for two to three projects for up to five years to support the development of a versatile antenna compatible with multiple satellite communication systems, enabling simple switching between systems for applications such as autonomous driving and smart agriculture. The project also encourages Japanese companies to enter a market that is dominated by SpaceX's Starlink.
- *Yomiuri* [reported](#) Thursday that the Agency for Cultural Affairs will begin providing high quality Japanese language text data to support the development of large language models that would serve as a foundational technology for generative AI. The Agency plans to expand its current database from 100 million to 200 million words by 2028.
- *Nikkei* [reported](#) Monday that the Institute of Physical and Chemical Research (RIKEN), Osaka University, and its partners began operating a new Japan-made quantum computer that can be used via internet cloud services. The number of “qubits” — the computational units that determine performance — is more than double that of the first model, enabling large-scale quantum computing.
- *Yomiuri* [reported](#) that the GOJ will collaborate with the Organisation for Economic Co-operation and Development (OECD) to support shipbuilding industries in Southeast Asian nations. Japan will provide €250,000 to run research that will feed

into a report analyzing production and export capacity and supply chains to be created by March 2027. This may help counter China's growing influence in the region.

- *Nikkei* [reported](#) Sunday that the METI will raise the ceiling for subsidies into demonstration projects for the commercial application of quantum technology in fields like logistics and pharmaceuticals by more than ten times to ¥2 billion. Of the ¥100 billion in the quantum-related budget, ¥15 billion will be allocated for such projects. Support will be for up to three years, with subsidies covering half of the costs associated with the projects. Eligible projects are expected to be determined around the summer.

## 9. Key Economic/Financial Developments

- *NHK* [reported](#) Sunday that the LDP finalized recommendations to the GOJ, which proposes a review of the Labor Standards Inspection Office's blanket directive requiring the reduction of overtime to forty-five hours per month to create a flexible work environment for those who wish to work under labor-management agreements with special provisions allowing for more work hours.
- *Nikkei* [reported](#) Thursday that Blackstone, Apollo Global Management, and SoftBank are among the companies interested in a capital alliance with Tokyo Electric Power Co. (TEPCO). Others like Bain Capital, KKR, and the Japan Industrial Partners have expressed interest through the open call. TEPCO will prioritize not only capital but reciprocal benefits as it aims to restructure its business.
- *Nikkei* [reported](#) Wednesday that the ruling parties are considering placing public healthcare under the consumption tax, enabling hospitals to receive tax deductions for consumption tax costs related to equipment purchases like an ordinary company. While insured check-ups are not taxed due to the role in protecting lives, hospitals currently incur consumption taxes for "consuming" equipment. This cost is currently reflected partially in the medical fees but a majority of hospitals are having difficulty covering the large costs associated with expensive equipment like MRIs.
- On Tuesday, the Support Organization for Securing Stable Supply of Rice [announced](#) that the estimated cost of rice for small scale farmers rose ¥80 from April 2025 to ¥2,816 per five kilograms in April 2026. The cost is reflected in rice prices, which have risen to the point where cheaper foreign rice is exponentially increasing. The GOJ will [reportedly consider](#) support to encourage businesses to buy domestic commercial rice. The rice supply-demand outlook index also [fell](#) to the lowest level in four-and-a-half years as a supply glut is expected from lower consumption levels.
- On Monday, the yield on newly issued ten-year JGBs, an indicator for long-term interest rates, [rose](#) 0.045 percent from the previous week to 2.425 percent, the first

time in twenty-seven years that the yield has gotten to such heights. Investors continue to sell bonds as tensions in the Middle East continue to drive concerns about inflation driven by high oil prices.

- *Nikkei* [reported](#) that the GOJ will introduce stricter screening of residency status for foreign employees of private companies transferred to Japan. The GOJ will request additional documentation such as proof of enrollment in social insurance abroad, corporate registration and tax payment records for overseas offices, and registration records and photographs of the office in Japan. The GOJ will also refuse extensions if tax returns are not filed appropriately, and will review the necessity of the employee residing in Japan for over five years.

## 10. State of the Economy

- On Friday, the Bank of Japan (BOJ) [announced](#) that the corporate goods price index (CGPI) in March rose 2.6 percent from the same month last year to 129.5, a 0.5 point growth in the rate of increase from February due to [rising](#) transaction prices for food and beverages and agricultural and marine products. The rise in international prices for commodities like gold due to the Middle East situation also pushed the index up.
- On Thursday, the Cabinet Office (CAO) [announced](#) that the seasonally adjusted consumer confidence index (CCI) in March fell 6.4 points from February to 33.3, the [first decline](#) in three months and the largest since the onset of the COVID-19 pandemic in April 2020. The CAO downgraded its assessment from “showing signs of improvement” to “showing signs of weakness.” The survey was conducted after the United States and Israel attacked Iran. Meanwhile, real consumption by households with two or more persons in February [fell](#) 1.8 percent to ¥289,391, the [third consecutive negative month](#) as food costs fell for the first time in two months.
- On Wednesday, the Ministry of Health, Labor and Welfare (MHLW) [announced](#) that real wages in February increased 1.9 percent, the second consecutive month that wages have increased. Nominal wages [increased](#) 3.3 percent to ¥298,341, while the base salary amount increased 3.3 percent at an almost thirty-four year high rate to ¥269,154. While wages remained positive, this may only be for a short while as crude oil prices continue to put pressure on living costs.
- The Ministry of Finance (MOF) [announced](#) that Japan ran a ¥3.93 trillion current account surplus in February, the thirteenth consecutive month in surplus and a 0.1 percent smaller surplus amount than February 2025. While investment income from securities [rose](#) due to yen depreciation and brought the primary income balance up 11.6 percent to ¥4.24 trillion, the trade balance surplus fell 67 percent to ¥267.6 billion as imports exceeded exports in growth by almost seven percent.

- Tokyo Shoko Research [announced](#) that the number of bankruptcies across the country in FY 2025 (debt over ¥10 million) increased 4 percent from FY 2024 to 10,505 companies. The number of bankruptcies [rose](#) for the fourth consecutive year and has hit a twelve-year high as rising prices and labor costs are putting more pressure on financially vulnerable companies.
- On Monday, the BOJ [released](#) its Regional Economic Report (Sakura Report) for April, which assessed that many companies expect wage increases in FY 2026 to be on par with those in FY 2025. The quarterly report [maintained](#) the assessment for each of the nine regions at “gradually recovering” or “picking up.”

## II. Public Opinion Poll

- A *Kyodo* poll [released](#) on Sunday found that the Takaichi Cabinet’s approval rating remained at 64 percent, while disapproval was 26 percent, up two points from February.
  - 80 percent of respondents said that they believe the U.S. and Israeli attack on Iran was the wrong decision, while 10 percent said they believe it was the right decision.
  - 50 percent of respondents said that they support the GOJ’s decision to avoid a legal assessment on the situation, while 42 percent said they oppose it.
  - 64 percent of respondents said that they do not see the need to amend the Constitution in relation to deploying the JSDF to the Strait of Hormuz, while 30 percent said they do see the need for amendments.
  - 54 percent of respondents said that they are concerned about the negative impact of the worsening situation in the Middle East; 35 percent said they are somewhat concerned; 7 percent said they are somewhat unconcerned; and 3 percent said they are unconcerned.
  - 49 percent of respondents said that they do not believe Takaichi has done enough to respond to crude oil supply shortages, while 41 percent said they believe she has done enough.
  - 70 percent of respondents said that they believe the GOJ should continue subsidies to suppress gasoline prices, while 25 percent said the GOJ should stop the subsidies
  - 54 percent of respondents said that they believe securing deliberation hours is more important than enacting the budget by the end of the fiscal year, while 38 percent said it is important to enact the budget by the end of the fiscal year.
  - 51 percent of respondents said that they believe the reduction of Lower House seats should be rushed, while 46 percent said they do not believe it should be rushed.
- The survey also collected data on the latest approval ratings of political parties.

*The Weekly Observer (4/6-4/10)*

<b>Political Party</b>	<b>Approval Rating (%)</b>
Liberal Democratic Party	40.3 (+2.6)
Centrist Reform Alliance	6.1 (-0.2)
Japan Innovation Party	6.5 (-0.7)
Democratic Party for the People	6.1 (+0.5)
Japan Communist Party	3.8 (+0.3)
Reiwa Shinsengumi	1.7 (+0.4)
Suffrage Party (Sanseitō)	6 (+0.2)
Japan Conservative Party	1.6 (-1.6)
Socialist Democratic Party	0.6 (+0.1)
Team Mirai	4.9 (+1.2)
Constitutional Democratic Party	3 (+1)
Komeito	1.3 (+0.1)
Independent (No Party)	16.4 (-0.5)