



The Weekly Observer

April 20-24

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

THIS WEEK IN NUMBERS

Japan Expands Defense Exports to Lethal Weapons

On Tuesday, the GOJ partially revised the Three Principles on Transfer of Defense Equipment and Technology and its corresponding implementation guidelines.

Any “weapons” under the JSDF Act will now be permissible for sale. Lethal weapons will be approved by the National Security Council (NSC) on a case-by-case basis and sold to any country with a defense equipment transfer agreement with Japan. There are currently seventeen countries that have such agreements with Japan (Canada waiting to take effect, Spain and Finland in negotiation).

The GOJ will not permit in principle exports to countries in active conflict. However, exceptions will be made by the NSC “in cases where there are special circumstances, taking into account Japan’s security needs.”

GOJ Recommends Suspension of Makino Milling Buyout

On Thursday, Chief Cabinet Secretary Kihara Minoru confirmed media reports that the GOJ had recommended the suspension of a proposal by MBK Partners to acquire Makino Milling Co. on grounds that the deal could jeopardize national security.

The Foreign Exchange and Foreign Trade Act (FEFTA) designates “core business sectors” vital to Japan’s national security and requires prior screening when foreign investors acquire shares in companies covered under the designated sectors. **Machine tools have been designated as a dual-use industry.**

MBK Partners has ten days to respond to the recommendation. The GOJ has the authority to suspend the deal if MBK rejects the recommendation. **It has only used this authority once in 2008.**

Investment management firm **Nippon Sangyo Suishin Kiko (NSSK)** is offering to acquire Makino Milling.

Cabinet Approval



70% (+ 3 pts.)

25% (-3 pts.)

[FNN/Sankei](#) (April 20)

State of the Economy

Monthly Economic Report (April):

Maintained assessment that the economy is “recovering at a moderate pace” with attention on the situation in the Middle East

MOF Economic Report (April):

Maintained assessment that economy is “gradually recovering” for 11th consecutive quarter

Trade Balance (FY 2025):

¥1.71 trillion deficit
5th month in deficit and a 68.4% reduction in the deficit

Consumer Price Index (FY 2025):

2.7% (4th year exceeding 2%)
CPI for March was 112.1 (+1.8%)