

## ***The Weekly Observer***

April 27-May 1, 2026

*The 222<sup>nd</sup> edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Takaichi Cabinet's diplomatic travel plans for the Golden Week holidays, Takaichi revealing that the GOJ has secured naphtha supply into 2027, Foreign Minister Motegi's first diplomatic engagements in Africa, Defense Minister Koizumi's planned visit to South Korea in June, Takaichi insisting there will be no supplementary budget to combat surging energy prices, the GOJ/BOJ intervention in the foreign exchange market, the BOJ maintaining interest rates despite opposition from three policy board members, Makino Milling's decision to end buyout talks with MBK Partners, the GOJ Japan Growth Strategy Council's new talent development vision, labor statistics in FY 2025, and more.*

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

### 1. Takaichi Cabinet Plans Travel for Golden Week Holiday

- Prime Minister Takaichi Sanae and ten ministers [plan to travel](#) during the Golden Week holiday from April 29 to May 5. The focus of the diplomatic visits will be stabilizing energy resources and economic security.
- Takaichi will be [traveling](#) from May 1-5 to Vietnam and Australia. In Vietnam, she plans to deliver a speech on the evolution of a “Free and Open Indo-Pacific” (FOIP). The FOIP was [first laid out](#) by the late Prime Minister Abe Shinzo ten years ago.
- Minister for Foreign Affairs Motegi Toshimitsu will [travel](#) to Zambia, Angola, Kenya, and South Africa from April 29-May 6. The African nations are resource-rich countries that can help Japan stabilize energy sources.
- Minister of Economy, Trade and Industry (METI) Akazawa Ryosei will [travel](#) to France and Belgium from May 5-8 to attend the G7 trade ministerial meeting and the Japan-EU High-Level Economic Dialogue.
- Minister of Defense Koizumi Shinjiro will [travel](#) to Indonesia and the Philippines from May 3-7 to have bilateral meetings and inspect Exercise Balikatan 26 hosted by the United States and the Philippines.
- Other travel [includes](#): Minister of Internal Affairs Hayashi Yoshimasa to Moldova, Luxembourg, and Belgium (May 1-7); Minister of Finance Katayama Satsuki to Uzbekistan (May 2-6); Minister of Agriculture, Forestry and Fisheries Suzuki Norikazu to Bangladesh and Malaysia (April 28-May 1); Minister of Land, Infrastructure, Transport and Tourism Kaneko Yasushi to Germany and Italy (May 6-10); Minister for Digital Transformation Matsumoto Hisashi to Belgium (May 3-6); Minister of State for Okinawa and Northern Territories Affairs Kikawada Hitoshi to the United Kingdom (May 4-6); and Minister in charge of Economic Security Onoda Kimi to India (May 3-6)/

### 2. Japan Secures Naphtha Supply Into 2027

- On Thursday, Takaichi [revealed](#) during a ministerial meeting concerning the Middle East situation that the GOJ expects to be able to maintain a stable supply of naphtha — a raw material [used](#) in the production of plastics and other chemicals — into the new year as a result of efforts to secure alternative sources.
- While Japan has struggled to secure alternative energy sources — with crude oil import volume [falling](#) 17 percent in March from the previous year and hitting record lows — a tanker is [currently heading](#) to Japan with eleven days’ worth of oil. Cosmo

Energy Holdings also [revealed](#) that a shipment of U.S.-made crude oil approximately worth four days of supply arrived on Sunday. Taiyo Oil Company [revealed](#) on Friday that it had procured Russian oil from the Sakahlin-2 pipeline, which is not subject to U.S. sanctions related to procurement of Russian energy sources.

- The METI [announced](#) on Friday that the second round of the release of national crude oil reserves began at an oil storage facility in Ibaraki Prefecture. The GOJ will gradually release oil equivalent to about twenty days' worth of domestic consumption from ten oil storage facilities across the country.
- On Thursday, Takaichi [held](#) a summit telephone call with Iranian President Masoud Pezeshkian, stating that she considers the passage through the Strait of Hormuz by a Japanese-related vessel as a "positive development." The Ministry of Foreign Affairs (MOFA) [announced](#) on Wednesday that a vessel with three Japanese crew members exited the Persian Gulf through the Strait of Hormuz. *Nikkei* [reported](#) that Idemitsu Kosan's large oil tanker likely passed through the Strait. *Mainichi* [reported](#) that the GOJ is working to negotiate passage of the remaining forty-one Japanese-related vessels through the Strait without having to pay tolls to the Iranian Government.
- Takaichi had a [phone call](#) with President Abdel-Fattah El-Sisi of Egypt, expressing her respect for Egypt's efforts, together with mediators like Pakistan, to pursue a diplomatic solution. Foreign Minister Motegi held a [phone call](#) with Iranian Foreign Minister Seyyed Abbas Araghchi, stating that Japan has "strong expectations" for the ceasefire and the early resumption of U.S.-Iran talks. He called on Iran to show "maximum flexibility."
- The MOFA [announced](#) on Thursday that five Japanese crew members have disembarked from Japanese-related vessels remaining in the Persian Gulf and returned to Japan. The GOJ has assisted the safe return of fourteen Japanese crew members so far, with seven still left in the Persian Gulf.

### 3. Foreign Policy Developments

- On Friday, Motegi [met](#) with Minister of External Relations on Angola Teté António in Angola. He expressed his wish to expand economic relations in the fields of critical minerals and energy. They agreed to encourage Japanese companies to participate in the trading of Angolan crude oil.
- On Thursday, Motegi [met](#) with Minister of Foreign Affairs and International Cooperation of Zambia Mulambo Hamakuni. He stated that Japan would like to encourage Japanese companies to expand their presence and further strengthen economic relations and cooperation between companies, including critical minerals.

- Former Prime Minister Kishida Fumio, special envoy of Prime Minister Takaichi, [met](#) with President Ferdinand Marcos Jr. of the Philippines. He emphasized the importance of resilient energy supply structures and the concept of AZEC, which aims to simultaneously achieve energy security, growth, and decarbonization.
- Ruling Liberal Democratic Party (LDP) Policy Research Council Chairperson Kobayashi Takayuki [met](#) with ministers of the Nigerian Government, seeking to strengthen cooperative relationships with a view to diversifying energy sources. This comes as concerns grow over potential shortages of crude oil and petroleum products due to the deteriorating situation in the Middle East.
- On Tuesday, Motegi [met](#) with Australian Foreign Minister Penny Wong ahead of Takaichi's visit to Australia to meet Prime Minister Anthony Albanese. They confirmed the importance of ensuring the stable supply of energy and essential goods in light of the current energy situation in the Asia-Pacific region.
- Minister of State for Foreign Affairs Kunimitsu Ayano [delivered](#) a statement at the Eleventh Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). Kunimitsu — a lower ranking Cabinet member sent to the conference than usual — said that “we face an urgent imperative to maintain and strengthen the NPT” and that it is vital to pass it on to future generations in an “ever more robust form.” Meanwhile, Beijing [reportedly submitted](#) a working document accusing Japan of “exploring the possibility of acquiring nuclear weapons.”

#### 4. Defense/Security Developments

- *Yomiuri* [reported](#) Thursday that Koizumi is arranging to visit South Korea in late June to meet with Minister of National Defense Ahn Gyu-back as part of shuttle diplomacy between the two countries. The two sides plan to hold a “2+2” meeting at the vice ministerial level in early May as well.
- *Nikkei* [reported](#) Wednesday that the JMSDF will streamline the process in May by which military bases and naval vessels nationwide request supplies such as ammunition and fuel. As part of efforts to improve sustained warfighting capabilities, this will enable headquarters to monitor the storage status of approximately 210,000 items in real time.
- On Tuesday, leading Japanese drone developer Terra Drone [announced](#) that it will be investing in Ukrainian company WinnyLabs that manufactures fixed-wing interceptor drones. Terra Drone has [already invested](#) in another Ukrainian company, Amazing Drones. This is part of an effort to strengthen collaboration with Ukrainian companies that have been developing drone technology through actual combat with Russia.

- On Monday, the GOJ [convened](#) the first session of the expert panel discussing the revision of the three strategic national security documents. Takaichi [stated](#) that “it is essential to thoroughly strengthen Japan’s overall national power by organically integrating diplomatic and defense capabilities with economic, technological, intelligence, and human resources capabilities.” She said that the revision, scheduled to be completed by the end of the year, will “determine the nation’s fate.”
- The Stockholm International Peace Research Institute (SIPRI) [released](#) its annual report on global military spending, which found that spending across the globe increased 2.9 percent in real terms to \$2,887 billion in 2025. Japan [increased](#) spending by 9.7 percent. Countries in Europe and Asia/Oceania spent more, while the United States — the top spender — cut back on expenditure.
- On Sunday, NHK [reported](#) that Vice Minister for Foreign Affairs Funakoshi Takehiro and Vice Minister of Defense for International Affairs Kano Koji will visit South Korea in early May to participate in the first vice ministerial “2+2” with their respective South Korean counterparts. The elevated “2+2” was part of an agreement made between Takaichi and President Lee Jae-myung in January.

## 5. Key Political Developments

- On Wednesday, Takaichi [attended](#) the ninety-seventh May Day rally, calling on labor organizations to cooperate in order to “ensure ongoing wage increases that keep pace with inflation.” While this is the fourth consecutive year a prime minister has attended the annual rally, this year’s attendance looks to be an [effort to improve ties](#) with the Japanese Trade Union Confederation (RENGO) and the Democratic Party for the People (DPFP) that has become distant under Takaichi.
- On Tuesday, the working level meeting of the National Conference on Social Security [convened](#) to discuss the consumption tax cut for food and beverages. The discussions so far have [exposed](#) massive administrative costs, such as cash register system updates and shelf label renewals costing companies anywhere between several million yen to ¥100 million. With pressure mounting for quick results, the GOJ is [reportedly considering](#) a one percent consumption tax on food (not zero) and a cash handout without deductions (not a refundable tax credit).
- The steering committee of the Lower House Commission on the Constitution [agreed to draft](#) a conceptual proposal regarding the design of the emergency situations clause, including the extension of the terms of office for members of the Diet. The plan is to request the Lower House Legislative Bureau and other bodies to draft the document before a briefing on May 12 and a discussion in session on May 14.

- The LDP and Japan Conservative Party [launched](#) talks on policies such as immigration and intelligence reform, which was part of the agreement made in exchange for the latter's supporting vote for the FY 2026 annual budget. The Conservative Party urged for a review of the criteria for accepting foreign nationals and the enactment of an effective anti-espionage bill.
  - On Monday, Takaichi [stated](#) during a Lower House Budget Committee session that she has no intention at the moment to formulate a supplementary budget in response to the deteriorating situation in the Middle East. She argued that the GOJ could draw from sufficient funding allocated in the FY 2025 supplementary budget and FY 2026 reserve fund. The opposition parties [continue to demand](#) a supplementary budget to address surging energy and living costs.
  - The ruling and opposition parties [held](#) a council meeting on election campaigning, agreeing to finalize an outline of a bill to address the spread of misinformation and defamatory content on social media in May. Legislation may be in the works to require social media platforms to bear more responsibility to monitor and address harmful content ahead of the unified local elections in spring 2027.
  - Legislation in progress in the Diet:
    - A medical reform bill, [including](#) the establishment of a system requiring patients prescribed “OTC-like drugs” — which have similar ingredients and effects to over-the-counter medications — to pay an additional copayment, passed the Lower House with votes from both ruling and opposition parties on April 28.
    - The amended Immigration Control and Refugee Recognition Act [passed](#) the Lower House on April 28. It changes the current fees for visa applications to change or extend status of residence, and applications for permanent residency.
    - The Lower House [began deliberations](#) on proposed amendments to the Economic Security Promotion Act on April 28. It includes the creation of an economic security think tank, adding specified critical commodities and core infrastructure, and creating a new financial aid program for overseas projects critical to economic security through the Japan Bank for International Cooperation.
6. GOJ/BOJ Intervenes in Foreign Exchange Market as Yen Hits ¥160 to the Dollar
- On Thursday, the GOJ and Bank of Japan (BOJ) [carried out](#) foreign exchange intervention by buying yen and selling dollars. The yen-dollar exchange rate, which had briefly hit the high ¥160 range earlier that day — marking the weakest level for the yen in a year and nine months — soared to the ¥155 range.

- Minister of Finance Katayama Satsuki hinted at the intervention, stating, “The time is finally approaching when we must take decisive action.” Vice Minister of Finance for International Affairs Mimura Atsushi also strongly cautioned against speculative market activity, calling it “the final warning.”
- Currency fluctuations tend to be more pronounced during the Golden Week holiday when the number of Japanese market participants declines. There was a risk that overseas speculators would take advantage of this period to sell the yen.
- Private financial intermediary Totan Research [estimates](#) that the GOJ and BOJ likely spent around ¥5 trillion in its foreign exchange intervention. Financial analysts [believe](#) that the aim was perhaps to amplify the trend of yen buying and dollar selling by first heightening concerns about intervention before proceeding with it.
- *Nikkei* [writes](#) that the “trump card” is limited in its effectiveness, as this round and past interventions have not prevented the exchange rate from floating around ¥160. The issue is not only the interest rate differential between Japan and the United States, but the underlying structural issues such as the trade deficit and sluggish digital competitiveness.

#### 7. BOJ Maintains Policy Interest Rate as Nikkei Hits ¥60,000

- On Tuesday, the BOJ’s monetary policy board [decided](#) to maintain the target rate for the unsecured overnight call rate — the BOJ’s key policy rate — at 0.75 percent. It [predicted](#) that rising oil prices would exert downward pressure on the economy while pushing up consumer prices.
- Interestingly, three of nine policy board members opposed the decision, proposing raising rates to one percent to address high risk of inflation. Nakagawa Junko, viewed as a “neutral” on monetary policy, [cast](#) an opposing vote, with reports suggesting that a rate hike may be coming at the next monetary policy meeting.
- BOJ Governor Ueda Kazuo [stated](#) at the press conference after the meeting that he would like to “wait and see a little longer” to determine how the risks of both rising prices due to high oil prices and an economic downturn will materialize.
- Ueda explained that those who supported maintaining interest rates determined that “while everyone is concerned about the risk of rising prices, there is no immediate urgency to respond with a rate hike at this time.”
- The BOJ [released](#) its quarterly Outlook for Economic Activity and Prices, which lowered the assessment of real GDP in FY 2026 by 0.5 percentage points and FY 2027 by 0.1 percentage points. It also [raised](#) the consumer price index (CPI) by 0.9

percent and 0.3 percent, respectively, for FY 2026 and FY 2027 to reflect surging crude oil prices. The CPI for FY 2028, revealed for the first time, was set at 2 percent, suggesting that inflation will keep pace with the BOJ's targeted 2 percent threshold.

- The BOJ's decision came as the Nikkei Stock Average (Nikkei 225) [hit](#) ¥60,000 for the first time on Monday, ending the day at ¥60,537.36. Reports that Iran has presented a new proposal to the United States have raised hopes among investors that negotiations aimed at ending the conflict will move forward.

## 8. Economic Security and Tech Developments

- On Friday, METI Minister Akazawa [held](#) a meeting with critical infrastructure operators, sharing their understanding of the necessary measures to mitigate cybersecurity risks in critical infrastructure sectors like electricity and gas in light of the [emergence](#) of high-performance AI like Anthropic's Claude Mythos.
- On Thursday, major machine tool manufacturer Makino Milling Co. [announced](#) that it has terminated the tender offer agreement with Asian investment fund MBK Partners. This comes after the GOJ recommended that the acquisition be terminated on grounds that it could pose a national security risk.
- On Tuesday, ROHM Semiconductor [announced](#) that it has concluded its review of the merger proposal by DENSO following the [withdrawal](#) of the acquisition proposal the previous day. ROHM said that discussions will continue on collaboration between the two companies in the production and development of analog semiconductors.
- The METI [released](#) a draft document on additional guidelines for corporate conduct regarding mergers and acquisitions (M&As). It [stated](#) that factors other than price, such as economic security and employees, should also be taken into consideration. This is contingent upon the board of directors providing objective justification.
- On Monday, the METI [announced](#) the updated "Guidance on Preventing Technology Leakage," which made revisions focused around the addition of new provisions primarily related to joint research with domestic and international partners and coordination during the procurement process.
- *Nikkei* [reported](#) Sunday that the GOJ will pursue cooperation with the European Union (EU) in the protection, installation and maintenance of submarine cables. This reflects concerns surrounding the series of incidents in various countries raising suspicion of sabotage or tampering by third parties. To be included in a joint statement to be announced following the Japan-EU Digital Partnership Ministerial in May, the parties will also discuss the establishment of a new route connecting Japan and Europe via the North American side of the Arctic Ocean.

9. Key Economic/Financial Developments

- On Friday, the METI and the MOFA [announced](#) that the International Atomic Energy Agency (IAEA) published a report on Thursday concerning the safety related aspects of the discharge of ALPS treated water into the sea at Tokyo Electric Power Company's (TEPCO) Fukushima Daiichi Nuclear Power Station. The report reiterates that the Task Force did not identify anything that is inconsistent with the requirements in the relevant international safety standards regarding the discharge.
- On Thursday, the Ministry of Agriculture, Forestry and Fisheries (MAFF) [announced](#) the results of the second bidding round for the purchase of GOJ-stockpiled rice from the 2026 harvest. The total volume of successful bids was 159,722 tons, bringing the total volume to 171,432 tons. The success rate relative to the planned purchase volume of 207,521 tons was 82.6 percent. There is currently a surplus of rice, with private sector inventories at their highest level since 2015.
- *Nikkei* [reported](#) that the Ministry of Finance (MOF) is stepping in to establish a system for international money transfers in Pacific Island nations and territories. This comes as “correspondent banks” handling transfers are withdrawing from the region. The MOF will work with the United States, Australia, the World Bank, and others to establish an alternative payment network as renminbi settlements become widespread.
- On Tuesday, the Ministry of Health, Labor and Welfare (MHLW) [revised](#) the guidelines for the “equal pay for equal work” system — which prohibits unreasonable disparities in treatment between regular and non-regular employees — for the first time. It [calls](#) for part-time workers who work on a continuous basis to be provided with family allowances equivalent to those of full-time employees. The guidelines will take effect on October 1.
- Hokkaido Electric Power Co. [announced](#) that the completion of construction on the seawall designed to protect the No. 3 reactor at the Tomari Nuclear Power Plant in Hokkaido Prefecture from tsunamis will be delayed by about four months. The timing of the restart of the reactor will likely be delayed until the summer of 2027.
- On Monday, the GOJ's Japan Growth Strategy Council's Talent Development Subcommittee [drafted](#) a new talent development vision, which [set](#) the goal of re-skilling 600,000 individuals annually by 2030. Takaichi [instructed](#) Minister for Digital Transformation Matsumoto to promptly revise the guidelines governing the use of generative AI in educational settings. Civilian members of the subcommittee [urged](#) for a shift in focus in elementary education from an overemphasis on knowledge to a “fundamental improvement in information literacy” including AI.

## 10. State of the Economy

- On Thursday, the METI [announced](#) that the provisional seasonally adjusted industrial production index in March fell 0.5 percent from February to 101.9, the second consecutive month in [decline](#) as the inorganic/organic chemical industries struggle.
- Of the fifteen sectors, eight saw a decline and six saw an increase. The METI's assessment of the underlying trend in production remained unchanged at "one step forward, one step back." The inorganic/organic chemical industries continue to struggle as imports of crude oil and naphtha declined in response to the turmoil in the Middle East.
- On Tuesday, the MHLW [announced](#) that the average effective job openings-to-applicants ratio in FY 2025 fell 0.05 point from 2024 to 1.20 times, the third consecutive year in decline. The ratio in March fell 0.01 point to 1.18 times, with the number of openings down 1.1 percent and job seekers down 0.7 percent.
- Although automation has advanced, some companies are [holding back](#) on hiring due to the burden of wage increases. The sense of a labor shortage remains persistent. The wholesale and retail sector saw the sharpest decline in job openings, followed by the accommodation and food service sector. A MHLW official explained that there was a "noticeable trend toward mechanization to compensate for labor shortages."
- Meanwhile, the average unemployment rate in FY 2025 [rose](#) 0.1 point from the previous year to 2.6 percent, the first increase in five years. The unemployment rate in March rose 0.1 point to 2.7 percent, the first increase in two months.

## II. Public Opinion Poll

- A *Nikkei* poll [released](#) on Monday found that the Takaichi Cabinet's approval rating was 69 percent, down three points from March, while disapproval was 26 percent, up three points.
  - 47 percent of respondents said that they want the prime minister to focus on inflation relief measures; 37 percent said pensions, healthcare, and long-term care; and 32 percent said foreign policy and security.
  - 45 percent of respondents said that they do not believe the JSDF should be deployed to the Strait of Hormuz; 36 percent said the JSDF should be deployed after combat is over; and 12 percent said the JSDF should be deployed before the end of combat in the region.
  - 55 percent of respondents said that they do not believe Japan should expand its defense exports, while 38 percent said they believe Japan should.

- 66 percent of respondents said that they believe the GOJ’s response to surging crude oil prices has been appropriate, while 27 percent said they believe it has not been appropriate.
  - 74 percent of respondents said that they believe there is a need to conserve energy and save costs given the situation in the Middle East, while 21 percent said they do not believe there is a need.
  - 46 percent of respondents said that they do not believe the proposed National Intelligence Secretariat will function as an organization that centralized intelligence in the country, while 41 percent said they believe it will serve that function.
  - 48 percent of respondents said that they believe it is reasonable for the GOJ to collect several hundred yen per person for the “Child and Child-Rearing Support Grant,” while 47 percent said they believe it is unreasonable.
  - 47 percent of respondents said that they believe discussions on amending the Constitution should continue without a time constraint; 28 percent said the process to amend the Constitution should begin around spring 2027; and 19 percent said there is no need to amend the Constitution.
- The survey also collected data on the latest approval ratings of political parties.

<b>Political Party</b>	<b>Approval Rating (%)</b>
Liberal Democratic Party	42 (+1)
Centrist Reform Alliance	2 (-1)
Japan Innovation Party	4 (±0)
Democratic Party for the People	6 (±0)
Japan Communist Party	3 (-1)
Reiwa Shinsengumi	2 (+1)
Suffrage Party (Sanseitō)	5 (±0)
Japan Conservative Party	1 (±0)
Socialist Democratic Party	1 (±0)
Team Mirai	3 (±0)
Constitutional Democratic Party	4 (±0)
Komeito	1 (±0)
Independent (No Party)	22 (±0)