

The Weekly Observer

July 13-17, 2026

The 233rd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on China's protest to Foreign Minister Motegi's South China Sea statement, Defense Minister Koizumi's scheduled travel to Europe, extension of the Diet session, the Diet enacting proposed amendments to the Imperial Household Law, progress on key legislation, the cross-party agreement on the cash handout in FY 2029, the updated AI Basic Plan and the Integrated Innovation Strategy 2026, the launch of a Japanese consortium building a domestic foundation AI model, the Nikkei stock index dropping from a cooling off of AI momentum, the increase in average household income, and more.

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I. News of the Week

1. Foreign Policy Developments

- On Friday, the Ministry of Foreign Affairs (MOFA) [announced](#) that Minister for Foreign Affairs Motegi Toshimitsu will travel to Manila, the Philippines, from July 21-24 for ASEAN-related meetings. He is also [expected to meet](#) with his counterparts from the United States, Australia, and India for a Quad foreign ministers' meeting.
- On Thursday, Motegi [hosted](#) Greek Foreign Minister Georgios Gerapetritis in Tokyo for a foreign ministers' meeting. The ministers confirmed that they would work together to ensure freedom of navigation and the safety of sea lanes, noting that both Japan and Greece attach great importance to the United Nations Convention on the Law of the Sea (UNCLOS).
- On Tuesday, Prime Minister Takaichi Sanae [issued](#) a written message for the "Leaders Meeting of the Coalition of the Willing on Ukraine," which was hosted by the French Government. She stated, "In order to achieve a just and lasting peace, it is essential that relevant countries work together in unity and solidarity to support Ukraine, with involvement of the United States in encouraging Russia to take positive actions immediately."
- The G7 foreign ministers [issued](#) a joint statement urging the Rapid Support Forces and allied armed groups to immediately cease any action likely to lead to further atrocities or endanger civilians in El-Obeid (Sudan), including drone strikes and impediments to humanitarian access.
- On Monday, Chief Cabinet Secretary Kihara Minoru [expressed](#) concerns about reignited tensions between the United States and Iran in the Middle East and the Iranian claim to re-blockade the Strait of Hormuz. While all Japanese affiliated oil tankers have [reportedly passed](#) through the Strait, the GOJ [plans to update](#) nautical charts for five strategic chokepoints that may present as alternative passage routes.
- On Sunday, the Chinese Government [issued](#) a protest over Motegi's statement on the South China Sea, stating that "he attacked China's legitimate claims and made the baseless claim that Japan is a stakeholder in the South China Sea issue." Motegi [issued](#) a statement clarifying that the 2016 arbitral award confirms that there is "no legal basis" for Chinese claims in the South China Sea based on international law.

2. Security/Defense Developments

- On Friday, the Ministry of Defense (MOD) [announced](#) that Minister of Defense Koizumi Shinjiro will be traveling to the United Kingdom, France, and Belgium from

July 19-23 for bilateral ministerial meetings and a trilateral meeting with his counterparts from the United Kingdom and Italy.

- On Thursday, the Japan Joint Staff [issued](#) the “U.S.-ROK-Japan Trilateral Chiefs of Defense Joint Statement,” which stated that Joint Staff Chief of Staff Gen. Uchikura Hiroaki and his counterparts met in Washington, D.C., on July 15 and reaffirmed that enhanced trilateral security cooperation is critical to effectively respond to the North Korea’s expanding nuclear and missile threats, as well as to regional challenges and threats that could affect peace and stability on the Korean Peninsula, in the Indo-Pacific region, and beyond.
- The GOJ and Government of New Zealand [exchanged](#) diplomatic notes for the entry into force of the agreement concerning reciprocal provision of supplies and services between the JSDF and the New Zealand Defense Force (ACSA). This will facilitate smooth and prompt provision of supplies and services between the two sides.
- *Asahi* [reported](#) Wednesday that Koizumi plans to visit India in mid-August to discuss strengthening bilateral defense cooperation and cooperation in the field of defense equipment transfers. Koizumi [met](#) Defense Secretary Rajesh Kumar Singh on Monday, reaffirming their desire to strengthen cooperation in light of the agreement between the two countries’ leaders at the recent summit meeting to deepen cooperation toward achieving mutual goals like the Free and Open Indo-Pacific (FOIP) initiative.
- Koizumi [held](#) a meeting with Gen. Phan Van Giang, deputy prime minister and minister of national defense of Vietnam in Tokyo. The ministers agreed to further strengthen efforts in defense equipment and technology cooperation, including the possibility of the joint development and production of fast landing craft.
- *Asahi* [reported](#) that the GOJ plans to commit to “achieve a transformation of defense capabilities within five years,” while referring to NATO, South Korea, and other like-minded partner commitments to 3 or 3.5 percent of GDP on defense spending in the upcoming Basic Policy on Economic and Fiscal Management and Reform (Honebuto) to be adopted by the end of month.

3. Special Diet Session Extended Until July 25

- On Friday, the Lower House [passed](#) a motion submitted by the ruling Liberal Democratic Party (LDP) and Japan Innovation Party (*Nippon Ishin no Kai*) to extend the special Diet session by a week from July 17 to July 25.
- The ruling parties aim to use the extended time to enact the “second capital initiative” bill which prepares Japan for disasters by relocating key capital functions to

prefectures other than Tokyo. It also plans to enact other legislation such as the proposed amendments to the national referendum law. A session of intense deliberation with Takaichi — demanded by the opposition — will be held on July 24.

- The “second capital initiative” bill is a [major pillar](#) of the LDP-*Ishin* policy agreement signed in October 2025. While it [passed](#) through the Lower House on Friday, it faces fierce resistance from opposition parties in the Upper House where the ruling parties are a few votes short of a majority.
- The ruling parties [secured](#) support for the bill from Team Mirai but is still two votes short of the majority needed to enact the bill. The Democratic Party for the People (DPFP) remained open to supporting the bill if its demands were met, but the ruling parties refused to make compromises to establish “special cities” independent from prefectures or to prohibit referendums and local elections from taking place at the same time. The DPFP has [announced](#) that it will vote against the bill.
- Other opposition parties are [criticizing](#) the bill out of suspicion that *Ishin* is using the bill as part of the process to realize the “Osaka Metropolis Plan.” It remains to be seen whether the week-long extension will result in enactment.
- Meanwhile, Takaichi [stood](#) in the Diet on Wednesday for a political party leaders’ debate to answer questions from opposition leaders on a range of issues from the proposed amendments to the Imperial Household Law to the allegations that her camp posted videos slandering rival candidates in last year’s LDP presidential election.

4. Diet Enacts Proposed Amendments to Imperial Household Law

- On Friday, the Diet [enacted](#) proposed amendments to the Imperial Household Law. This is the first time since 1947 that the law has been amended. The bill was enacted on a 184-57 vote despite all parties agreeing to a “legislature’s consensus.”
- The bill centers around two proposals to secure stable Imperial Family succession — allowing married female members of the Imperial Family to retain their imperial status, and establishing a system to admit male-line descendants of the eleven former Imperial Houses, which left the Imperial Family in 1947, into the Imperial Family through adoption. A supplementary provision commits to review every thirty years.
- Takaichi [told](#) reporters after the bill was enacted that, “it is deeply moving that, after many years of deliberation, we have reached a conclusion and brought about this amendment.” The ruling parties, DPFP, Komeito, *Sanseitō*, Team Mirai [supported](#) the bill, while the Constitutional Democratic Party (CDP), Japan Communist Party, *Reiwa Shinsengumi*, Socialist Democratic Party, and others opposed it.

- Opposition parties [fiercely criticized](#) the GOJ's bill for deviating from the "legislature's consensus." The criticism has centered around the idea that a son born to an adopted male descendant would be eligible to succeed the Imperial throne. An opposition leader called it a "mockery of the Diet and the people."
- Votes on the bill were postponed a few times over such disagreements. One opposition leader [stated](#): "The GOJ has stated that there is a gap of thirty-six to thirty-eight degrees of kinship with the current Emperor. Under the Civil Code, individuals separated by six degrees of kinship are not considered relatives. At thirty-eight degrees of kinship, isn't this person practically a complete stranger? While blocking the path for a woman to become Emperor, they are seeking to adopt someone from a very distant bloodline and, if that child is a boy, grant him the right to succeed to the throne. This will never gain the understanding of the people."
- The CDP submitted a proposal on Thursday to revise the bill and delete the provision regarding "adoption." While the CDP argued that this did not reflect the legislature's consensus, the submitted motion was struck down in the Upper House.

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

- **Enacted:**
 - **National Flag Desecration Act:** [Enacted](#) on Friday. A punishment of up to two years imprisonment or ¥200,000 fine for "openly damaging, removing, or defacing" flags in a manner that causes "significant discomfort or disgust."
 - **Amendments to Code of Criminal Procedure:** [Enacted](#) on Friday. Mandating the disclosure of evidence in retrial proceedings and "generally prohibiting" prosecutors from filing appeals against decisions to grant a retrial.
 - **Amendments to Electricity Business Act:** [Enacted](#) on Friday. Through the "Organization for the Promotion of Wide-Area Power System Operation," a government-authorized corporation that balances electricity supply and demand, loans will be provided using fiscal investment and loans, among other means.
 - **Amendments to the Public Offices Election Act and Information Distribution Platform Act:** [Enacted](#) on Friday. Taking effect in March 2027, it deems posting false information online as an "illegal act" that undermines the fairness of elections. Social media platforms will be required to take measures to prevent the spread of false information.

- **Amendments to the Financial Instruments and Exchange Act:** [Enacted](#) on Wednesday. Positions cryptocurrencies as “financial instruments” as more people invest in cryptocurrencies like Bitcoin.
- **Amendments to Act on Promotion of Part-time Courses and Correspondence Courses of High Schools:** [Enacted](#) on Wednesday. To ensure the quality of education at part-time and correspondence high schools, and to accommodate the diverse needs of students — including those who attend high school while working — the law designates it as the responsibility of school authorities to establish appropriate management and operational systems.
- **Bill Establishing the Disaster Management Agency:** [Enacted](#) on Monday. Aims to establish a new agency by November replacing the Cabinet Office’s Disaster Management Division reporting directly to the prime minister.
- **Amendments to the Act on the Activation of Science, Technology, and Innovation:** [Enacted](#) on Monday. A new corporation will be established next year to commercialize research results in cutting-edge technologies such as AI and semiconductors. A framework will be put in place to nurture startups originating from universities and research institutions.
- **Approved by Cabinet:**
 - **Ordinance concerning the Environmental Impact Assessment Act:** [Adopted](#) on Friday. Starting April 2027, it lowers the threshold for power generation capacity subject to environmental impact assessments from “30,000 kilowatts or more” to “15,000 kilowatts or more” for megasolar power plants.

6. Key Political Developments

- On Friday, the GOJ [informed](#) the LDP that it plans to incorporate language in this year’s *Honebuto* committing to come to a conclusion on the consumption tax cut on food and beverages early next month based on the interim report drafted by the National Conference on Social Security. The Conference [agreed](#) on Thursday to implement the new cash handout tied to income levels in FY 2029, but has thus far failed to come to a consensus on the consumption tax cut.
- Concessions were made to the opposition, including a review of benefits for low-income workers who have been excluded from the program due to their low tax and social insurance contributions. Opposition parties disagree with the consumption tax as the most effective inflation relief measure, arguing that it would be challenging to raise the tax rate back in two years if the economic situation is not good.

- On Thursday, the Lower House Commission on the Constitution [held](#) a “comprehensive discussion” reflecting on the debates of the current special Diet session. The ruling parties and the DPFP argued for “expedited deliberation” on the emergency situations clause allowing for the extension of Diet member terms in the event of a major disaster. *Ishin* also requested that a drafting committee be established to move the ball forward on this matter and to amend Article Nine.
- On Wednesday, the LDP and CDP [agreed to postpone](#) a vote on the proposed amendments to the national referendum law that would set the stage for a national referendum concerning the Constitution. The two parties agreed to hold a session of intense deliberation in the Upper House on Friday with Takaichi in attendance.
- On Tuesday, executives of the Lower House Council on the Electoral System [agreed](#) to come to a conclusion on specifics to reduce the number of Lower House seats by September, when the census results are finalized. The ruling parties made concessions to opposition parties demanding that discussions take place simultaneously with broader electoral system reform.

7. GOJ Adopts Updated AI Basic Plan and Integrated Innovation Strategy 2026

- On Tuesday, the GOJ [adopted](#) the updated AI Basic Plan, which was first adopted in December 2025. The swift update reflects a desire to address rising risks related to high-performance AI models.
- The document [states](#) that the GOJ will urgently establish systems to guard against the misuse of high-performance AI models like Anthropic’s Claude Mythos, while utilizing such models for cybersecurity measures and safety assessments. It also stated that the GOJ will “continuously strengthen” cybersecurity measures.
- The document also strengthens the role of the AI Safety Institute, which will be responsible for evaluating high-performance AI models. The GOJ plans to revise existing regulations like the AI Promotion Act reflecting such evaluations to keep pace with rapidly evolving AI developments.
- The GOJ also [adopted](#) the Integrated Innovation Strategy 2026 the same day. It is centered around strengthening research foundations and human resource development.
- The GOJ set the goal of producing 20,000 doctoral degree recipients annually by FY 2030 and sending a cumulative total of 30,000 young researchers abroad. It will support cutting-edge research through measures such as expanding the grants-in-aid for scientific research (*kakenhi*).

- Japan has [set forth](#) a new plan to expedite support for cutting-edge research in response to intensifying competition over AI and quantum technology. Since the emergence of generative AI, cutting-edge technologies have become strategic assets that influence not only economic growth but also national security and industrial competitiveness. The United States is leading the race to develop AI, primarily through its major tech companies, while China is expanding state-led investment in AI and semiconductors.

8. Economic Security and Tech Developments

- On Friday, the Japan Fair Trade Commission (JFTC) [opened](#) a public comment period for proposed changes to its guidelines for screening mergers and acquisitions (M&A) concerning large companies. The JFTC [made clear](#) its policy of tolerating a certain degree of damage to the domestic competitive environment if it contributes to promoting innovation and economic security.
- On Thursday, Noetra, a consortium of forty-four domestic companies developing a domestic AI platform, was [officially launched](#). The new company will build a foundation AI model in FY 2026 for “physical AI,” integrating AI with data from production sites to enhance competitiveness of the manufacturing industry. The GOJ plans to invest up to ¥1 trillion in the project.
- *Nikkei* [reported](#) Wednesday that Tokyo Electric Power Co. (TEPCO) and seven other major electricity companies will expand power transmission infrastructure by building or expanding substations at thirty locations nationwide. The rapid increase in new data center construction driven by demand for AI has created a shortage of power transmission infrastructure. The companies plan to expand the infrastructure at twice the pace of projected electricity demand to support AI investment.
- Nvidia CEO Jensen Huang, who was visiting Japan this week, [told](#) reporters that “a nation’s intelligence must be nurtured, strengthened, and developed within the country. It must be built within the country.” Nvidia [announced](#) several partnerships with Japanese companies during Huang’s visit, including Toyota for the Woven City project and Mizuho Bank to [build](#) advanced computing infrastructure to power generative AI.
- Nichirei, a major food and logistics company, [announced](#) that it will gradually resume loading and unloading operations at the refrigerated warehouse in the cold-chain logistics business on Friday, which had been disrupted due to a system failure. The company revealed that servers were targeted by a cyberattack and that there is a possibility that personal information was leaked.

- On Tuesday, the Ministry of Economy, Trade and Industry (METI) [announced](#) that it plans to more than triple guaranteed revenue of up to ¥700,000 per kilowatt for twenty years for six offshore wind power projects that were selected through a public bidding process. This aims to mitigate the cost burden on businesses caused by inflation and to prevent them from going out of business. Meanwhile, METI will also [begin](#) pilot tests of around twenty floating offshore wind power facilities in areas with challenging installation conditions, with an eye toward overseas business expansion.

9. Key Economic/Financial Developments

- On Friday, the Nikkei Stock Average (Nikkei 225) continued its [sharp decline](#), closing at ¥64,141.12, down ¥2,694.42 (4.03 percent) from Thursday. It marked the fifth largest single-day drop on record and the largest weekly decline ever recorded. As a result, Kioxia Holding's share prices [halved](#) and market capitalization fell from over ¥60 trillion to below ¥30 trillion. Globally, expectations for excessive growth in the AI industry have [cooled](#), with concerns about overvaluation prompting selling.
- The Ministry of Health, Labor and Welfare's (MHLW) Central Minimum Wages Council [convened](#) the third meeting to discuss the minimum wage target. The gap in minimum wage across the nation has remained over ¥200 for thirteen consecutive years. Labor has been calling for the target increase in prefectures with lower minimum wages to be set higher than in prefectures with higher minimum wages.
- On Thursday, the Nuclear Regulation Authority (NRA) [broadly approved](#) the plan necessary for the No. 6 reactor at TEPCO's Kashiwazaki-Kariwa nuclear power plant in Niigata Prefecture to continue operations until 2036. In order to continue operating a nuclear power plant for more than thirty years after it begins operation, the power generator must submit a "Long-Term Facility Management Plan" every decade and obtain the NRA's approval. The reactor hits that limit in November 2026.
- NHK [reported](#) on Wednesday that the results of self-assessments conducted by various ministries and agencies as part of the review of special tax measures have been compiled, finding only one project was identified for possible abolition. Out of the 120 projects deemed potentially "ineffective" from a policy perspective, only METI indicated that a measure to reduce the "registration and license tax" rate when companies restructure their businesses can be considered for abolition. The review of special tax measures remains critical to the GOJ's efforts to restructure finances.
- *Nikkei* [reported](#) Tuesday that the Japan Financial Services Agency (JFSA) has begun an unprecedented investigation into regional banks nationwide to determine whether they are managing their operations in a way that can withstand rising interest rates. In August, the JFSA will begin full-scale hearings targeting specific institutions. It will

assess whether these institutions are in a financial position to cope with competition for deposits and unrealized losses on their bond holdings, and urge them to make improvements if any issues are identified.

- *Nikkei* [reported](#) Monday that the Ministry of Internal Affairs and Communications (MIC) will develop a nationwide communications network necessary for autonomous driving, building infrastructure in line with the GOJ's goal of having ten thousand autonomous driving vehicles on the road by FY 2030. The GOJ plans to include funding for demonstration projects in its preliminary budget request for FY 2027 with Level Four autonomous driving — which eliminates the need for a driver under certain conditions — in mind.

10. State of the Economy

- On Thursday, the Bank of Japan (BOJ) [issued](#) the June edition of the Opinion Survey on the General Public's Views and Behavior, which found that the combined percentage of respondents who said prices would “rise significantly” or “rise slightly” in five years' time was 86.1 percent, an increase of 3.5 percentage points from the previous survey conducted in March.
- Of the 86.1 percent, 51.3 percent [responded](#) that prices would “rise significantly,” an increase of 5.3 percentage points. This reflects the growing sentiment among individuals that prices will rise in the future.
- On Wednesday, the MHLW [issued](#) the Comprehensive Survey of Living Conditions for 2025, which found that average household income increased 7.3 percent from the previous year to ¥5.75 trillion. The growth rate was the [highest](#) since the survey began in 1986, though the amount remains below the peak of ¥6.64 trillion in 1994.
- The median household income also rose from ¥4.1 million to ¥4.51 million. The percentage of households with income below the median fell by 0.4 percentage points to 61.5 percent. Meanwhile, the percentage of people who find life “difficult” stood at 55.4 percent, a 4.1 point increase from the comparable 2022 survey due to inflation.
- The Japan National Tourism Organization (JNTO) [announced](#) that the number of visitors to Japan from January-June 2026 was 21.08 million, a 2 percent decrease from the same period last year. While visitors from South Korea and Taiwan [increased](#) 18.6 percent and 20.9 percent, respectively, Beijing's request for citizens to refrain from traveling to Japan reduced the number of visitors by 56.4 percent.

II. Public Opinion Poll

- A FNN/*Sankei* poll [released](#) on Monday found that the Takaichi Cabinet's approval rating was 62 percent, down three points from June, while disapproval was at 31 percent, up three points.
 - 43 percent of respondents said that they believe the consumption tax cut on food and beverages can be one percent if it is implemented faster; 30 percent said they believe there should be no tax cut; and 25 percent said that they believe it should be zero percent even if it takes time.
 - 44 percent of respondents said that they support the decision to postpone the refundable tax credit and prioritize a cash handout, while 42 percent said they oppose the decision.
 - 71 percent of respondents said that they support the proposal for female members of the Imperial Household to retain their status after marriage, while 17 percent said they oppose it.
 - 48 percent of respondents said that they believe spouses and children of married female members of the Imperial Household should not be given imperial status, while 41 percent said they do not believe they should be given the status.
 - 57 percent of respondents said that they support the proposal to adopt male-lineage descendants from the former imperial families into the Imperial Household, while 32 percent said they oppose it.
 - 61 percent of respondents said that they support the children of the adopted male-lineage descendants getting succession rights, while 30 percent said they oppose it.
 - 46 percent of respondents said that they believe Lower House seats should be cut in both proportional representation (PR) and single-member districts (SMDs); 24 percent said only in PR; 17 percent said there is no need to cut seats; and 7 percent said only in SMDs.
 - 62 percent of respondents said that they support the bill criminalizing desecration of the national flag, while 29 percent said they oppose it.
 - 61 percent of respondents said that they believe the Diet should go paper-less quickly, while 33 percent said they do not believe there is a need to do it quickly.
 - 69 percent of respondents said that they believe there should be a blanket age restriction on social media use, while 28 percent said they do not believe there should be a blanket restriction.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	33.1 (-0.4)
Centrist Reform Alliance	3 (-0.1)

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Japan Innovation Party	2 (-0.5)
Democratic Party for the People	3.9 (+0.7)
Suffrage Party (Sanseitō)	3 (-1.8)
Team Mirai	1.7 (+0.2)
Japan Communist Party	2.9 (+1.3)
Reiwa Shinsengumi	0.7 (-0.4)
Japan Conservative Party	0.4 (± 0)
Socialist Democratic Party	0.2 (-0.1)
Constitutional Democratic Party	2.3 (+0.5)
Komeito	0.8 (-0.9)
Independent (No Party)	41.5 (+0.7)