

The Weekly Observer

August 10-14, 2026

The 237th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Japan contemplating its response to President Putin's visit to the Northern Territories, JBIC's new loans for the Japan-U.S. Strategic Investment Initiative, the multilateral joint statement on ICBM launch notifications, Takaichi's August 15 speech, ongoing government discussions on the bill to introduce the consumption tax cut, Sony and TSMC's announcement on the production of next-generation image sensors, the yen's rebound following the Japan-U.S. coordinated market intervention, the Economy Watchers Survey for July, and more.

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I. News of the Week

1. Japan Scrambles to Respond to Putin's Northern Territories Visit

- On Thursday, Russian state media *TASS* [reported](#) that President Vladimir Putin visited Etorofu Island of the Northern Territories for the first time. This is the first time since then-President Dmitry Medvedev became the first Russian/Soviet leader to visit the Kunashir Island of the territories in 2010.
- Putin observed a military exercise by the Russian Navy's Pacific Fleet in Sakhalin Oblast in the Far East. In his speech, he [stated](#) that the sovereignty over the Northern Territories, already under effective control, is "stipulated in international documents as a reality resulting from World War II," and asserted that the islands have been determined to be Russian territory.
- The same day, Prime Minister Takaichi Sanae [issued](#) a strong protest, reiterating that the Northern Territories are an "inherent part of Japan's territory, both historically and under international law." She said that "this offends the sentiments of the Japanese people and is absolutely unacceptable." Minister for Foreign Affairs Motegi Toshimitsu [summoned](#) Russian Ambassador to Japan Nikolay Nozdrev, stating that the unilateral visit has an "extremely negative impact on Japan-Russia relations."
- The GOJ is [trying to understand](#) the motivations behind the visit. It comes after Takaichi informed the descendants of former Northern Territories residents in July that Japan maintains its position to sign a peace treaty and resolve the territorial dispute. It also comes as Japan attempts to stabilize relations with Russia for energy security while continuing to criticize Russia for the war it waged with Ukraine. The GOJ is [exploring](#) its response, including reinforcing economic sanctions.
- Medvedev [brushed aside](#) Takaichi's claims that the Northern Territories belong to Japan, posting on X that "nothing will change with all that idle chatter." Ambassador Nozdrev and Chinese Ambassador to Japan Wu Jianghao [issued](#) a joint statement on Thursday, arguing that China and the Soviet Union "made tremendous sacrifices during World War II to fight Nazism and Japanese militarism," and that the China and Russia "firmly opposes any actions that revive the spirit of militarism." Meanwhile, U.S. Ambassador to Japan George Glass posted on X on Friday that the United States continues its "unshakeable support" for Japan's sovereignty over the territories.
- *Jiji* [reported](#) Saturday that the Russian Government notified the GOJ that the military will conduct live-fire drills around Etorofu Island from August 10-15, and missile exercises from August 16-22. The GOJ protested through diplomatic channels.

2. Foreign Policy Developments

- On Friday, the Ministry of Foreign Affairs (MOFA) [announced](#) that Motegi will visit Saudi Arabia and Oman from August 17-22. He plans to reaffirm cooperation towards the early deescalation of the situation in the Middle East and to ensure the free and safe navigation through the Strait of Hormuz and the Bab el-Mandeb Strait.
- The Japan Bank for International Cooperation (JBIC) [announced](#) that it will join forces with Mitsubishi UFJ Bank, Sumitomo Mitsui Bank Corp., and Mizuho Bank to loan an additional \$102 million for the crude oil export terminals to be built under the first round of the Japan-U.S. Strategic Investment Initiative (SII). The JBIC also [announced](#) a loan contract amounting to \$4.6 billion with Citi Group and JP Morgan Chase for the construction of two natural gas-fired power plants.
- On Wednesday, the Consulate-General of Japan in Chongqing [announced](#) that Nishiumi Shigehiro, former deputy consul-general in Hong Kong, has taken the role of acting consul general. The seat was [vacant](#) for approximately eight months as Beijing refused to approve the successor appointment after the previous consul-general left in December 2025. This does not signal an improvement in bilateral relations.
- Takaichi [held](#) a summit telephone call with Iranian President Masoud Pezeshkian, conveying the position that it is necessary to ease the current military tensions in the Middle East, achieve early deescalation, and steadily resolve various issues in accordance with the U.S.-Iran memorandum of understanding. She underscored the importance of free and safe navigation through the Strait of Hormuz without additional costs, and the stability of the Bab-el-Mandeb Strait for energy security.
- The MOFA [issued](#) a press release stating that it communicated Japan's position on the issues concerning workers from the former Korean Peninsula (wartime labor issue) to the South Korean government following the Supreme Court of Korea's decision to dismiss Nippon Steel's appeal against the ruling ordering 80 million won (approximately ¥9 trillion) in damages to the families of wartime laborers.
- On Monday, Takaichi [held](#) a summit telephone call with Sultan Haitham bin Tariq bin Taimur Al Said, Sultan of Oman. She expressed her respect for Oman's active diplomatic efforts, including its continued coordination with Iran toward the re-opening of the Strait of Hormuz, as well as Sultan Haitham's visit to Qatar the previous day. She reiterated Japan's position on the situation in the Middle East.

3. Security/Defense Developments

- On Friday, the Ministry of Defense (MOD) [announced](#) that Minister Koizumi Shinjiro will visit Australia and India from August 17-21 to meet with his counterparts. He

will meet Deputy Prime Minister and Defense Minister Richard Marles in Canberra on August 18; and Defense Minister Rajnath Singh in New Delhi on August 20.

- *Nikkei* [reported](#) Thursday that the Japan Financial Services Agency (JFSA) has begun assessing the actual state of investment and lending in the defense industry by major domestic financial institutions, including the three megabanks and major life insurance companies like Nippon Life Insurance and Dai-ichi Life Insurance. The JFSA seeks to understand the operating rules of these institutions, which are sources of funding for the growth sector, and review the status of funding provisions.
- *Yomiuri* [reported](#) that the MOD plans to introduce low-cost unmanned underwater vehicles (UUVs) equipped with AI and capable of long-range navigation to the JSDF. The equipment will be swapped out depending on the mission, enabling a variety of uses, such as launching missiles and torpedoes, conducting surveillance and patrols, and performing oceanographic observations. The MOD will incorporate the plan in the updated strategic national security documents, with the goal of introducing the vessels by FY 2031.
- On Wednesday, the MOD [announced](#) that North Korea launched at least one ballistic missile that flew a maximum altitude of ninety kilometers and a distance of 690 kilometers. It landed outside Japan's exclusive economic zone. This is the second launch this month, [likely in response](#) to the scheduled U.S.-ROK military exercises.
- On Tuesday, forty-one countries including Japan and the United States [issued](#) a joint statement calling for at least twenty-four hours' advance notice regarding the launch of intercontinental ballistic missiles (ICBMs), submarine-launched ballistic missiles (SLBMs), and space launch vehicles. The statement [reads](#): "The recent missile test in the Pacific region did not follow the notification and collision-avoidance practices adopted by most countries." It is referring to China's SLBM launch on July 6.

4. Takaichi Delivers Speech at Memorial Ceremony for the War Dead

- On Saturday, Takaichi [delivered](#) a speech at the Memorial Ceremony for the War Dead on the day marking the end of World War II in Japan. She stated, "We will never allow the horrors of war to be repeated. We will pass down this resolute pledge across generations and remain steadfast in upholding it."
- In line with the late Abe Shinzo, she [removed](#) language included in last year's speech by then-Prime Minister Ishiba Shigeru referring to "reflection" and a "pledge against war." She added her own color to the speech, stating that, "We can become a nation that is relied upon as a shining beacon in the Indo-Pacific."

- Takaichi [decided](#) not to visit Yasukuni Shrine out of diplomatic considerations. Instead, she chose to “remote worship” from the parking lot of the Nippon Budokan, located about two hundred meters away. This seemingly [showed](#) her personal desire to visit the shrine to conservative voters hoping she would make the visit.
- Meanwhile, four ministers — Koizumi Shinjiro, Onoda Kimi, Kiuchi Minoru, and Kikawada Hitoshi — [made the trip](#) to Yasukuni. Ruling Liberal Democratic Party (LDP) executives Suzuki Shunichi, Arimura Haruko, and Nishimura Yasutoshi also [visited](#) together. Policy Research Council Chairperson [Kobayashi Takayuki](#) and Executive Acting Secretary General [Hagiuda Koichi](#) made separate visits.
- A cross-party Diet members’ federation of eighty-nine members [visited](#) the shrine. The group, which includes lawmakers from the LDP, Japan Innovation Party (*Nippon Ishin no Kai*), the Democratic Party for the People (DPFP), *Sanseitō*, and Team Mirai, make annual visits during the spring/fall festivals and in August.
- The Yasukuni visits drew criticism from both China and South Korea. The Chinese foreign ministry [issued](#) a “formal request and strong protest” over visiting the effective “war criminal shrine,” stating that, “no matter what excuses Japanese politicians may offer, they cannot hide their intent to cover up war crimes and accelerate militarization.” The South Korean foreign ministry [called](#) it an “anachronistic act that ignores history.”

5. Key Political Developments

- *Yomiuri* [reported](#) Saturday that the GOJ plans to consolidate bills regarding a consumption tax cut on food and beverages and the creation of a new benefit program into a single bill, with plans to submit it to the extraordinary Diet session in the fall. The bill positions the consumption tax cut as a temporary measure until the benefit program commences in FY 2029.
- *Nikkei* [reported](#) Friday that the GOJ plans to tighten the criteria for designating foreign nationals as “highly specialized professionals” as early as during this year, placing greater emphasis on the quality of highly skilled talent. The GOJ will consider scrapping certain assessment criteria and raising the income criteria. Foreign nationals need to score over seventy points in order to qualify under current rules.
- On Thursday, the law criminalizing desecration of the national flag [took effect](#). Any person who publicly defaces, removes, or desecrates the national flag in a manner “likely to cause significant discomfort or disgust to others” shall be punished by imprisonment for up to two years or a fine of up to ¥200,000. It remains to be seen how the police can charge individuals without violating freedom of expression.

- *Yomiuri* [reported](#) Tuesday that the GOJ has begun considering a plan, in principle, for the government to make up for the revenue shortfall faced by local governments resulting from the consumption tax cut. The GOJ could utilize the special grants to local governments to cover the estimated ¥1.6 trillion revenue shortfall. The GOJ still [expects](#) local governments to take on part of the administrative burden to implement.
- On Monday, the Lower House Council on Electoral System Reform [convened](#) to discuss the chair's reform proposal, including one to raise the percentage of votes required to be re-elected through the proportional representation system from one-tenth to one-sixth of the vote. The proposal does not mention the proposal to reduce the number of Lower House seats given cross-party disagreements.

6. Economic Security and Tech Developments

- *Nikkei* [reported](#) Friday that many domestic IT firms are shifting the responsibility for key development processes from humans to AI. All eleven major IT companies surveyed will shift to a system where AI leads design and programming by 2030. The companies are rushing to transition from a labor-intensive model to one that generates revenue through added value. Productivity to improve by 30-50 percent.
- *Nikkei* [reported](#) Thursday that the GOJ will implement comprehensive, cross-ministerial measures in light of the widespread adoption of high-performance AI. These measures are expected to include the formulation of information disclosure rules regarding intellectual property protection, the development of legislation to strengthen cyber defense, and cooperation with other countries.
- The Ministry of Economy, Trade and Industry (METI) [announced](#) that it will host the Hydrogen Energy Ministerial Meeting on September 10 with the New Energy and Industrial Technology Development Organization (NEDO). The Global High-Level Symposium on Hydrogen and Ammonia will also be held. The meeting was first held in 2018 to enhance collaboration in promoting global use of hydrogen and ammonia.
- On Tuesday, Sony Group and Taiwan Semiconductor Manufacturing Co. (TSMC) [announced](#) an agreement to jointly mass-produce next-generation image sensors. Sony and TSMC will establish a joint venture in which Sony holds approximately 60 percent and TSMC holds approximately 40 percent of the shares. Investment will total around ¥1 trillion, with mass production set to begin in Kumamoto Prefecture in 2029. The sensors are designed for Apple's iPhone cameras.
- Minister of State for Space Policy Onoda Kimi [issued](#) a statement following the successful launch of the "Michibiki-7" satellite for the quasi-zenith satellite system by the H-3 rocket No. 9, stating that, "We were able to demonstrate the high

reliability of Japan's rocket technology. (Through Michibiki) we will continue to provide accurate positioning information both domestically and internationally."

7. Key Economic/Financial Developments

- *Nikkei* [reported](#) Saturday that the GOJ is considering submitting a bill to the extraordinary Diet session this fall to safeguard crude oil shipments through high-risk areas in response to the deteriorating situation in the Middle East. Regarding marine insurance used by tanker operators, the GOJ will establish a system whereby it will cover insurance premiums if companies are unable to secure reinsurance contracts due to insurance companies being unwilling to take on high-risk cases.
- On Friday, the Nikkei Stock Average (Nikkei 225) [rose](#) for the fourth consecutive day, reaching the first high point in about a month at ¥68,713.80 (+¥405.21). Buoyed by fading expectations of an early interest rate hike by the U.S. Federal Reserve, U.S. stock markets rose the previous day, resulting in buying activity in Japanese markets.
- On Monday, the Bank of Japan (BOJ) [released](#) a summary of opinions from its monetary policy meeting in July. Expressing concern over the risk of rising prices, some board members [noted](#) that "we have entered a new phase that requires flexible responses and discussions on the magnitude of interest rate hikes," seen as a sign of willingness to accelerate the pace of rate hikes.
- The yen temporarily [fell](#) to the ¥159 to the dollar range in the New York foreign exchange market, hitting a new low following the unprecedented coordinated intervention by Japanese and U.S. authorities that began in late July, losing more than half of the gains made as a result of the intervention.
- *Nikkei* [reported](#) that the JFSA plans to ease regulations as early as in 2027 to make it easier for small-scale funds and other entities to raise capital and to establish a system that will increase lending. The move aims to support the management of startups to foster the development of cutting-edge technologies like AI and new drugs in Japan.

8. State of the Economy

- On Monday, the Ministry of Finance (MOF) [announced](#) that Japan ran a ¥17.43 trillion current account surplus in the first half of 2026, a 22.5 percent increase in the surplus amount compared to the same period last year. In addition to increased exports, the surplus in the primary income balance, reflecting the flow of interest and dividends from abroad, [boosted](#) the overall figure.
- The primary income balance showed a surplus of ¥20.49 trillion, the highest surplus amount in any first half of a year. The trade balance showed a surplus of ¥742.1

billion, the first time since 2021 that the balance was a surplus in the first half of a year. Exports exceeded imports, driven by factors such as increased exports of automobiles to the United States and exports of electronic components, including semiconductors, to Asia.

- The Cabinet Office (CAO) [released](#) the Economy Watchers Survey for July, which found that the seasonally adjusted diffusion index for current economic conditions rose 1.7 percentage points to 45.7, the third consecutive month on the rise.
- The CAO [maintained](#) the overall assessment that the economy “shows signs of picking up.” Although the Kumamoto earthquake, which occurred during the survey period, did not have a clear impact on the indicators, some respondents expressed concerns over lost business opportunities and production delays or suspensions.
- The MOF [announced](#) that the so-called “national debt,” which is the total of government bonds, loans, and short-term securities, came to ¥1,346.68 trillion as of the end of June 2026. The debt [increased](#) ¥2.84 trillion from the end of March, reaching a record high. The outstanding balance of ordinary government bonds, which must be repaid primarily through tax revenue, stood at ¥1,110.88 trillion, an increase of ¥6.59 trillion.

II. Public Opinion Poll

- An NHK poll [released](#) on Monday found that the Takaichi Cabinet’s approval rating was 53 percent, down five points from July, while disapproval was at 33 percent, up six points.
 - 33 percent of respondents [said](#) that they support the Takaichi Cabinet because of its executive ability; 31 percent said because it seems better than the alternatives; and 17 percent said because they have hopes for its policies.
 - 43 percent of respondents said that they do not support the Cabinet because they have no hopes for its policies; 23 percent said because they do not trust the prime minister; and 11 percent said because it does not include a party they support.
 - 56 percent of respondents said that they somewhat approve of the GOJ’s response to the Kumamoto earthquake; 21 percent said they somewhat disapprove; 11 percent said they strongly approve; and 6 percent said they strongly disapprove.
 - 47 percent of respondents said that they are somewhat concerned about the possibility of a big earthquake hitting their residential area; 28 percent said they are very concerned; 19 percent said they are somewhat unconcerned; and 3 percent said they are not concerned at all.
 - 49 percent of respondents said that they support the GOJ’s two-year suspension of the consumption tax on food and beverages, while 39 percent said they oppose it.

- 37 percent of respondents said that they are somewhat concerned about the impact of the tax cut on national finances; 30 percent said they are very concerned; 19 percent said they are somewhat unconcerned; and 9 percent said they are not concerned at all.
 - 41 percent of respondents said that they somewhat approve of the Japan-U.S. coordinate foreign exchange market intervention; 30 percent said they somewhat disapprove; 12 percent said they strongly approve; and 7 percent said they strongly disapprove.
 - 41 percent of respondents said that they believe the amended Imperial Household Law has not gained much understanding from the public; 26 percent said they believe it has gained some understanding; 23 percent said they believe it has not gained any understanding; and 3 percent said they believe it has gained understanding.
 - 37 percent of respondents each said that they are not so or not at all hopeful of the merger between the Centrist Reform Alliance, the Constitutional Democratic Party, and Komeito; 16 percent said they have some hope; and 4 percent said they have great hope for its success.
 - 41 percent of respondents said that the nuclear threat has somewhat heightened in the world; 34 percent said it has greatly heightened; 15 percent said it has not heightened much; and 4 percent said it has not heightened at all.
 - 59 percent of respondents said that they believe the GOJ should preserve the Three Non-Nuclear Principles, while 33 percent said they believe it should be revised.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	35 (-0.7)
Centrist Reform Alliance	1.7 (-1.4)
Japan Innovation Party	2.6 (-0.5)
Democratic Party for the People	2.8 (-0.4)
Suffrage Party (Sanseitō)	2.8 (-0.1)
Team Mirai	1.2 (+0.2)
Japan Communist Party	3.4 (+1.9)
Reiwa Shinsengumi	0.7 (-0.1)
Japan Conservative Party	1 (+0.3)

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Socialist Democratic Party	0.2 (-0.3)
Constitutional Democratic Party	2.8 (-0.1)
Komeito	2.2 (+0.2)
Independent (No Party)	39 (+2)