

The Weekly Observer

September 14-18, 2026

The 242nd edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Japan-China Friendship Parliamentarians' Union delegation visit to Beijing, Defense Minister Koizumi's call with U.S. Secretary of War Pete Hegseth, the Takaichi Cabinet reshuffle, the Okinawa gubernatorial election, the decision to convene the extraordinary Diet session on October 5, the BOJ raising the policy interest rate to 1.25 percent, the GOJ adopting the tax reform plan to implement the consumption tax cut, Fujitsu's plans to export AI semiconductors, the shakeup at Chubu Electric Power over the data manipulation scandal, the trade balance in August, 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 Prime Minister Takaichi Sanae will travel to New York from September 21-24 for the UN General Assembly. During her visit, she will deliver a speech at the UN and aims to meet U.S. President Donald Trump ahead of Chinese President Xi Jinping's visit to Washington. Meanwhile, Minister for Foreign Affairs Motegi Toshimitsu will [travel](#) to New York from September 20-25 for the G7 foreign ministerial and other meetings.
- *Nikkei* [reported](#) that the Japanese and U.S. governments are discussing the construction of a semiconductor factory worth approximately ¥2-3 trillion as part of the third round of the \$550 billion Japan-U.S. Strategic Investment Initiative. The factory would be operated by GlobalFoundries, a major U.S. semiconductor foundry and contract manufacturing company.
- On Wednesday, Japanese Ambassador to Russia Muto Akira [met](#) with Russian Deputy Foreign Minister Andrey Rudenko in Moscow. The Japanese side announced that the two discussed various issues including exchange programs from the perspective of properly managing bilateral relations. Rudenko stated that Japan's protests against President Vladimir Putin's visit to the Northern Territories and Tokyo's expanded military aid to Ukraine are "further distancing the prospect of normalizing dialogue."
- On Tuesday, Speaker of the House Mori Eisuke [concluded](#) a two-day visit to Ukraine, where he met with President Volodymyr Zelenskyy and delivered a speech at the Verkhovna Rada (assembly). Zelenskyy [expressed](#) his desire to meet Takaichi in Ukraine. In his speech, Mori [condemned](#) Russia's invasion, calling it a "barbaric act that fundamentally undermines the very nature and values of the international community."
- The Non-Partisan Parliamentary Association for Reconsidering Human Rights Diplomacy [submitted](#) a statement to Chief Cabinet Secretary Kihara Minoru condemning the U.S. sanctions targeting International Criminal Court (ICC) President Judge Akane Tomoko. The association asked that Takaichi express Japan's support for the ICC in her UN General Assembly speech. It also [proposed](#) a EU-style "blocking statute" prohibiting companies and individuals from complying with third-party sanctions.
- On Monday, a delegation of the cross-party Japan-China Friendship Parliamentarians' Union [met](#) with Assistant Minister for Foreign Affairs Liu Bin and Chinese People's Association for Friendship with Foreign Countries President Yang Wanming. The

delegation, led by the ruling Liberal Democratic Party's (LDP) Komura Masahiro, emphasized the importance of dialogue and expressed concerns about export controls and the safety of Japanese nationals. Yang [stated](#), "The Taiwan issue is at the center of China's core interest. We will not tolerate interference from any external forces." Dialogue has been difficult since Takaichi's Taiwan contingency remarks last year.

2. Security/Defense Developments

- On Saturday, Minister of Defense Koizumi Shinjiro [had](#) a phone call with U.S. Secretary of War Pete Hegseth, agreeing to meet in-person soon. Koizumi stated that, "I feel a sense of urgency that we must work toward reforming our defense capabilities with greater speed and intensity than ever before."
- On Thursday, the GOJ's expert panel reviewing the three strategic national security documents [convened](#) a session on cross-governmental initiatives to strengthen comprehensive deterrence and response capabilities. Experts urged the GOJ to move forward with AI R&D, the development of public infrastructure to build transportation networks, and to improve the working conditions of JSDF and Coast Guard officers. Some experts also [called](#) on the GOJ to include nuclear power submarines in the revised documents to be finalized by the end of the year.
- *Nikkei* [reported](#) Wednesday that Mitsubishi UFJ Bank will soon establish criteria for providing loans to defense-related companies. While the bank has been traditionally cautious, it will now consider providing loans as long as they are consistent with the GOJ's national security policies. While loans have been provided to large companies that manufacture defense equipment in the past, they were working capital loans not tied to specific projects.
- On Tuesday, Koizumi [held](#) a video conference with South Korean Minister of National Defense Ahn Gyu-back, who will soon [step down](#) from his post and be replaced by Ambassador to Saudi Arabia Kang Shin-chul (former four-star general). They welcomed progress made in bilateral defense cooperation and agreed to continue to work toward the further development of bilateral and trilateral cooperation with the United States.
- On Monday, the LDP and Taiwan's ruling Democratic Progressive Party [held](#) a "2+2" foreign policy and security dialogue in Tokyo to discuss security and economic security cooperation in light of coercive actions taken by China. Former Justice Minister Suzuki Keisuke, who serves as the chair on the LDP side, stated that, "We must firmly establish a shared understanding regarding the 'gray zone'. We must thwart China's ambitions to change the status quo by force."

- Vice Minister of Defense for International Affairs Ando Atsushi [met](#) Permanent Secretary of the Ministry of Defense of Finland Janne Kuusela in Tokyo. The two sides agreed that, under the current severe security environment, the security of the Euro-Atlantic and Indo-Pacific regions is inseparable.

3. Takaichi Reshuffles Her Cabinet and LDP Leadership

- On Thursday, Takaichi [reshuffled](#) her Cabinet and formed the second Takaichi reshuffled Cabinet. Ten new ministers have come in, with seven who are taking up a ministerial role for the first time. Despite this, there is a lack of “surprise” in the reshuffle as many major roles stayed with the incumbents.

2nd Takaichi Reshuffled Cabinet (Sept. 2026)

				
Prime Minister Takaichi Sanae Nara 2 nd (11) None Age: 65	Minister for Internal Affairs and Communications Fuji Hisayuki Hyogo 4 th (6) None (Sugal) Age: 55	Minister of Justice Yamashita Takashi Okayama 2 nd (6) Ex-Motegi Age: 61	Minister for Foreign Affairs Motegi Toshimitsu Ibaraki 5 th (12) Ex-Motegi Age: 70	Minister of Finance Katayama Satsuki PR (3+1) Ex-Abe Age: 67
				
Minister of Education, Culture, Sports, Science and Technology Seki Yoshihiro Hyogo 3 rd (7) Ex-Abe Age: 61	Minister of Health, Labor and Welfare Ueno Kenichiro Shiga 3 rd (7) Ex-Moriyama Age: 61	Minister of Agriculture, Forestry and Fisheries Yana Kazuo PR North Kanto (6) Ex-Abe Age: 47	Minister of Economy, Trade and Industry Akazawa Ryosei Tottori 2 nd (8) None (Ishiba) Age: 65	Minister of Land, Infrastructure, Transport and Tourism Ibayashi Tatsunori Shizuoka 2 nd (6) Aso Age: 50

2nd Takaichi Reshuffled Cabinet (Sept. 2026)

				
Minister of Environment Sasagawa Hiroyoshi Gunma 3 rd (6) Ex-Motegi Age: 60	Minister of Defense Koizumi Shinjiro Kanagawa 11 th (7) None Age: 45	Chief Cabinet Secretary Kihara Minoru Kumamoto 1 st (7) Ex-Motegi Age: 57	Minister for Digital Transformation Furukawa Toshiharu Saitama (4) Ex-Abe Age: 63	Minister for Reconstruction Hosono Goushi Shizuoka 5 th (10) Ex-Nikai (Takeda) Age: 55
				
Chairperson of the National Public Safety Commission Hanashi Yasuhiro Ibaraki 3 rd (6) Ex-Kishida Age: 66	Minister of State for Regulatory Reform Nakatsuka Hiroshi Osaka 11 th (3) Ishin Age: 70	Minister of State for Economic and Fiscal Policy Kuchi Minoru Shizuoka 7 th (8) Ex-Moriyama Age: 61	Minister in charge of Economic Security Onoda Kimi Okayama (2) Ex-Motegi Age: 43	

- Takaichi aims to maintain the Cabinet's core structure while bringing in new faces with expertise in their respective fields, serving the dual purpose of preparing for the execution phase of the GOJ's core policy initiatives and appeasing lawmakers waiting in line to become ministers ahead of next year's LDP presidential election. On Friday, the Cabinet [announced](#) twenty-seven state ministers and twenty-eight parliamentary vice ministers, which includes ten slush fund implicated lawmakers (two as ministers too) and five Japan Innovation Party (*Nippon Ishin no Kai*) lawmakers.
- Takaichi [stated](#) that her reshuffled Cabinet will adopt the overarching policy of "responsible proactive fiscal policy," accelerate policies aimed at building a strong economy, and make the Japanese archipelago stronger and more prosperous. Two key documents were released: the [basic policy](#) of the new Cabinet and Takaichi's [instructions](#) to each of the eighteen ministers under their restructured roles (e.g., AI policy has been moved from economic security minister to digital minister). *English version of the instructions can be found [here](#) (AI translated)*
- On Wednesday, Takaichi also [launched](#) the reshuffled party leadership team, which maintained the core structure around Vice President Aso Taro and Secretary General Suzuki Shunichi. Other key executives stayed put, including Policy Research Council Chairperson Kobayashi Takayuki. The two changes were General Council Chair Kajiyama Hiroshi (former Diet Affairs chair) and Diet Affairs Chair Murai Hideki.

LDP Leadership (Sept. 2026)

				
President Takaichi Sanae Nara 2 nd (11) None Age: 65	Vice President Aso Taro Fukuoka 8 th (16) Aso Age: 85	Secretary General Suzuki Shunichi Iwate 2 nd (12) Aso Age: 73	General Council Chair Kajiyama Hiroshi Ibaraki 4 th (10) None Age: 70	Policy Research Council Chair Kobayashi Takayuki Chiba 2 nd (6) Ex-Nikai Age: 51
				
Election Strategy HQ Chair Nishimura Yasutoshi Hyogo 9 th (9) Ex-Abe Age: 63	Party Organization & Campaign HQ Chair Matsuno Hirokazu Chiba 3 rd (10) Ex-Abe Age: 64	Public Relations HQ Chair Suzuki Takako Hokkaido 7 th (6) Ex-Motegi Age: 40	Diet Affairs Chair Murai Hideki Saitama 1 st (6) Ex-Kishida Age: 46	Executive Acting Secretary General Hagiuda Koichi Tokyo 24 th (8) Ex-Abe Age: 63
				
Senate Chair Matsuyama Masaji Fukuoka (5) Ex-Kishida Age: 67	Senate Secretary General Aoki Kazuhiko Tottori/Shimane (3) Ex-Motegi Age: 65	Senate Policy Board Chair Suematsu Shinsuke Hyogo (4) Ex-Abe Age: 70	Senate Diet Affairs Chair Isozaki Yoshihiko Kagawa (3) Ex-Kishida Age: 69	

- Another major change was the formal introduction of *Ishin* as a coalition partner. Former Secretary General Nakatsuka Hiroshi was appointed as Minister of State for Regulatory Reform. The coalition partner will now be fully committed to backing the GOJ's policy agenda. It remains to be seen how forward-leaning its policy demands

can be given the disproportionate power dynamics between the two parties. Senator Shibata Takumi has been [named](#) *Ishin*'s new secretary general replacing Nakatsuka.

- A major omission from the reshuffled lineup was Minister for Internal Affairs and Communications Hayashi Yoshimasa, who has not hidden his aspirations to become Japan's prime minister. His [removal](#) from the Cabinet creates an opening for Hayashi to challenge Takaichi in next year's presidential race. The [public "spat"](#) between Takaichi and former LDP Senate Secretary General Ishii Junichi — replaced by Aoki Kazuhiko reportedly over Takaichi's frustrations surrounding the delayed budget enactment earlier this year — could create a powerful partnership between the former senator and Ishii's caucus within the LDP's Senate delegation (created in April).

4. LDP Retakes Okinawa Governorship for First Time in Twelve Years

- On Sunday, former Naha Deputy Mayor Koja Genta [defeated](#) incumbent Okinawa Governor Tamaki Denny to become the first governor born after Okinawa was formally returned to Japan in 1972. He won with over 400,000 votes for the first time in an Okinawa gubernatorial race (423,124 votes to Tamaki's 276,060).
- This signals a shift in Okinawa politics, long dominated by the "All Okinawa" reformist forces opposing U.S. presence in Okinawa. Koja is [supportive](#) of the relocation of U.S. Marine Corps Air Station Futenma to Henoko. The LDP won back the governor's mansion for the first time in twelve years and got a pro-relocation governor to work with on its defense reforms.
- *Asahi*'s exit poll [found](#) that 50 percent of voters cared most about "economic revitalization," followed by the base issue (21 percent) and personality and background (18 percent). Compared to 2018 and 2022, voters choosing the economy increased from 34 to 41 to 50 percent. Of those who chose the economy, a whopping 79 percent said they voted for Koja. The base issue is no longer a top priority.
- *Jiji*'s exit poll also [found](#) that 33.2 percent of voters who supported Tamaki in 2022 voted for Koja in this election. This suggests that Tamaki's focus on the U.S. base issue has driven voters toward a new face prioritizing the economy. Koja's victory owes to widespread support from voters affiliated with the LDP, *Sanseitō*, Komeito, the Japan Conservative Party, the Democratic Party for the People, and *Ishin*.
- The LDP's victory didn't end there, as the party [retook](#) the local assembly by winning two by-elections the same night to get to a twenty-five seat majority in a forty-eight seat assembly. The new governor and assembly will now be aligned on pushing for the relocation of MCAS Futenma to Henoko.

- On Tuesday, Takaichi [met](#) Koja and congratulated him on his victory. They agreed to cooperate on economic revitalization. Koja also met with LDP executives and exchanged views on resuming the “Okinawa Policy Council” between the two governments last held in 2013.

5. Key Political Developments

- On Friday, the GOJ and ruling parties [agreed to convene](#) the extraordinary Diet session on October 5. The session will run for around seventy days until mid-December. The session will feature the consumption tax cut bill and the bill to reduce the number of Lower House seats.
- The Lower House Election System Council [convened to discuss](#) the chair’s draft report (LDP’s Suzuki Keisuke), which explicitly states that efforts will be made to reach a conclusion by the end of October (finalized census data) regarding the reduction of Lower House seats and revising the current mixed-member proportional representation system. A third-party expert panel will be set up to compile measures toward fundamental reform within one year.
- Hitachiomiya City (Ibaraki) Mayor Suzuki Sadayuki [revealed](#) in the city assembly that the decision on whether to accept the GOJ’s proposal for a literature survey toward selection as a final disposal site for high-level radioactive waste from nuclear power plants has been postponed due to concerns raised by citizens about reputational damage, among other factors.
- On Thursday, former Constitutional Democratic Party lawmakers in the Lower House who left the Centrist Reform Alliance (CRA) [established](#) the “Democratic Reform Party.” The new party will maintain the CRA’s charter and keep Ogawa Junya as leader. Ogawa hopes to bring all twenty CRA lawmakers who joined from the CDP into the new party and join forces with Komeito in the Lower House as a caucus.
- On Tuesday, the GOJ [released](#) its first-ever report on the ownership of land and buildings nationwide by foreign residents, including Japanese nationals. Of these, building ownership rate was approximately 0.2 percent of the total. By country and region, China accounted for the largest share at 44.2 percent, followed by Taiwan at 18.6 percent and the United States at 11.3 percent. China also [accounted](#) for over half of purchases made for the purpose of holding assets or reselling (30 percent of total).

6. BOJ Raises Policy Interest Rate to 1.25 Percent

- On Friday, the Bank of Japan (BOJ) [decided](#) to raise the policy interest rate by 0.25 percentage points to 1.25 percent. This [marks](#) the first additional rate hike in three

months since the June monetary policy meeting, accelerating the pace of rate hikes, which generally had been once every six months since March 2024.

- Board members Asada Toichiro and Sato Ayano — both nominated by the GOJ and known fiscal “doves” — opposed the hike, arguing that the economy is not in a strong position. The BOJ still voted to raise the interest rate to 1.25 percent, the [highest rate](#) it has been since 1995.
- Governor Ueda Kazuo explained during the post-meeting press conference that “the policy stance has shifted” toward containing the risk of inflation rising above target and stabilizing it near the 2 percent target. He [added](#) that, depending on the risk of inflation exceeding expectations, the possibility of consecutive rate hikes or larger hike increments “cannot be ruled out.”
- The BOJ’s move comes as the central banks in the United States and Europe also [raised](#) their policy interest rates. This is a historic phenomenon, the first of its kind in roughly half a century since the Second Oil Crisis. It symbolizes a new normal in which global divisions have revived a common global enemy: persistent inflationary pressures that must be combated by central banks.
- The yen [temporarily fell](#) to the ¥158 to the dollar range in the foreign exchange market after the BOJ meeting. The yen was sold as expectations for further rate hikes faded with the two dissenting votes. The market seems to believe that the votes reflected the GOJ’s stance that it does not want the BOJ to raise interest rates aggressively.
- Meanwhile, the yen [surged](#) by more than ¥1 against the dollar to the upper ¥156 range from late on Friday to early Saturday (Japan time). The BOJ conducted a “rate check,” in which it surveyed market participants on exchange rate levels. Concerns grew over potential intervention by the GOJ and BOJ to buy yen and sell dollars.

7. GOJ Adopts Tax Reform Plan for Consumption Tax Cut

- On Tuesday, the GOJ [adopted](#) a tax reform plan that explicitly states its policy to lower the consumption tax on food and beverages to one percent for a limited period of two years starting in April 2027.
- The new benefit program will be [fully implemented](#) starting in FY 2029. In FY 2027 and 2028, benefits will be provided earlier to low- and middle-income earners using funding equivalent to a one percent increase in the consumption tax rate. The GOJ plans to submit legislation to the extraordinary Diet session, aiming to implement a campaign pledge made in the February Lower House election.

- The GOJ has not indicated funding sources for the benefit program, arguing that this will be discussed as part of the legislative process. Keio University economist Doi Takeru has [calculated](#) four separate scenarios based on funding/benefit amounts.
 - A funding source of **¥1.8 trillion** would provide a flat annual payment of ¥22,000 to those with an annual income of ¥1.06 million or more, with the amount increasing based on income starting at ¥1.1 million. Those with an annual income between ¥2-2.5 million would receive the full annual payment of ¥66,000, and the payment would cease at an annual income of ¥3 million. Approximately **thirty million people** would be eligible for this benefit.
 - If the initial benefit amount is set at ¥15,000 and the full benefit amount is reduced to ¥50,000, the income threshold for receiving the full benefit will rise to ¥3.35 million, and the income threshold at which benefits cease will rise to ¥3.85 million. This measure also incorporates benefit restrictions for cases where a spouse has a high income. The number of recipients will increase to **thirty-seven million**.
 - If the income tax reform generates **¥4.9 trillion** in revenue by placing an additional burden on high-income earners, it will be possible to increase the benefit amount and expand the eligibility criteria. The minimum benefit amount would be ¥60,000, and the maximum would be ¥180,000, nearly three times the amount in the initial estimate. The annual income threshold for eligibility would be ¥3.6 million, and the number of eligible recipients would reach **thirty-three million**.
 - If the budget is large enough, it is possible to maintain a fixed benefit amount even while significantly expanding the number of eligible recipients. Even if the full benefit amount is reduced to half (¥90,000), recipients with an annual income of up to ¥7.75 million would still be eligible for the full amount. The benefit would be capped at an annual income of ¥8.75 million, and the number of eligible recipients would increase to over **fifty-one million**.
- Despite the LDP approving the plan, there are elements within the party who do not support it. Former LDP Tax Research Commission Chairperson Miyazawa Yoichi [skipped](#) the vote on Tuesday out of protest. Former Defense Minister Nakatani Gen urged the GOJ to indicate funding sources to the LDP and Japanese citizens.
- LDP Acting Secretary General Furukawa Yoshihisa [told Jiji](#) in an interview that he opposes the tax cut, explaining that “we need fiscal flexibility in an era marked by a succession of climate change and infectious disease crises.” On the policy to steadily reduce the debt-to-GDP ratio, Furukawa said that the GOJ should “specify by when and to what level this will be achieved.”

8. Economic Security and Tech Developments

- On Tuesday, major shipping companies Kawasaki Kisen, Mitsui O.S.K. Lines, and Nippon Yusen [announced](#) that their next-generation ships, which liquefy and transport carbon dioxide at low pressure, have received Approval in Principle (AiP) from the Japan Maritime Association as meeting safety standards.
- The three companies have also invested in MILES, a commercial ship design firm established by Mitsubishi Heavy Industries, Imabari Shipbuilding, and others. They aim to improve construction efficiency by having commercial shipping companies and shipbuilders collaborate from the design stage.
- The Ministry of Education, Culture, Sports, Science and Technology (MEXT) [announced](#) a proposal to revise its organizational structure and operations starting September, which includes the inter-university sharing of research security personnel to protect classified information. This aims to encourage the strengthening of functions, including in the field of economic security, which is a priority for the government, so that national universities can continue to fulfill the role society expects of them in the future.
- *Nikkei* [reported](#) Sunday that Fujitsu is set to begin exporting semiconductors for AI (logic chips for computation) developed using technology from the “Fugaku” supercomputer in Japan, the United States, and Asia starting in 2027.
- With the rapid spread of AI, demand is growing for AI inference, or the ability to quickly derive appropriate answers from large amounts of information. CPUs, which are logic semiconductors, are primarily used for inference. Intel and other U.S. firms hold a high share in the market. Fujitsu aims to break into the market by selling “MONAKA,” its proprietary cutting-edge CPU designed for AI. It already secured a supply deal with U.S. server manufacturer Super Micro Computer.

9. Key Economic/Financial Developments

- On Friday, Tokyo Electric Power Company Holdings (TEPCO) and Japan Atomic Power Company [announced](#) that they would jointly operate the interim storage facility for spent nuclear fuel in Mutsu City, Aomori, in collaboration with Kansai Electric Power and Tohoku Electric Power. Mutsu City Mayor Yamamoto Tomoya stated that no decision will be made immediately, as “we need to carefully examine public understanding and safety issues.”
- Japan’s three megabanks Mitsubishi UFJ Bank, Sumitomo Mitsui Banking Corporation, and Mizuho Bank [announced](#) that they would raise interest rates on

ordinary savings accounts from 0.4 percent to 0.5 percent starting November 2, the highest level in thirty-four years, in line with the BOJ's rate hike. This comes as the yield on newly issued ten-year JGBs, an indicator of long-term interest rates, [rose](#) to 3.035 percent, the highest level since August 1996.

- On Wednesday, the Ministry of Health, Labor and Welfare (MHLW) [resumed](#) discussions on amending the Labor Standards Act, including a review of the current system that allows for up to forty-eight consecutive days of work. Changes may happen given the health risks for workers coming from long periods of continuous work. The MHLW will also discuss the expansion of the scope of the discretionary work hours system.
- The Japan Financial Services Agency (JFSA) [announced](#) its financial administration policy for FY 2026 (July 2026-June 2027). Amid accelerating interest rate hikes — with long-term rates reaching the 3 percent range for the first time in thirty years — the JFSA will conduct a thorough review to determine whether financial institutions are properly managing liquidity risks related to real estate loans, ultra-long term mortgages, and deposits.
- According to the 2026 standard land prices [announced](#) by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), the average year-over-year increase nationwide for all land uses, including residential and commercial areas, was 1.5 percent, the fifth consecutive year on the rise. Price hikes were driven by urban areas where prices for rental offices and apartments continue to rise.
- On Monday, Chubu Electric Power Co. [announced](#) that President Hayashi Kingo and Chairman Katsuno Satoru will resign over the data manipulation scandal at the Hamaoka Nuclear Power Plant in Omaezaki City, Shizuoka. The report on the investigation into the scandal [did not find](#) that management was directly involved in the misconduct, but it stated that management's reprimands put pressure on staff and "contributed to the inappropriate conduct." In response to the company's announcement of its plan to resubmit an application for a safety review, Minister of Economy, Trade and Industry (METI) Akazawa Ryosei [criticized](#) the company, stating that, "This is causing anxiety and raising questions among the general public. The prerequisites for a meaningful discussion have not been met."

10. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [announced](#) that the comprehensive consumer price index in August rose 1.7 percent from the same month last year to 102, [remaining below](#) 2 percent for eight consecutive months as GOJ subsidies have kept energy prices low.

- On Wednesday, the Ministry of Finance (MOF) [announced](#) that Japan ran a ¥1.11 trillion trade deficit in August, the [fourth consecutive month](#) in deficit as rising crude oil prices, an increase in LNG imports from the United States, and imports of electronic components from Asia drove up import value. While exports increased 19.3 percent to ¥10.05 trillion, imports also increased 28 percent to ¥11.15 trillion.
- Meanwhile, crude oil imports [increased](#) 3.6 percent from the same month last year to 11.59 million kiloliters, recovering to pre-Middle East crisis levels largely due to supply diversification. Imports from the United States increased approximately sevenfold to 3.65 kiloliters, while imports from the Middle East fell for the fifth consecutive month by 30.9 percent to 7.25 million kiloliters. However, new concerns have recently emerged, such as the suspension of the Saudi Arabian pipeline for an alternative route.
- The Japan National Tourism Organization (JNTO) [announced](#) that the number of visitors to Japan in August fell 9.6 percent from the same month last year to 3.09 million, the [first decline](#) in two months. Although business was strong during the summer vacation season from East Asia, Europe, and the United States, the decline in Chinese visitors and the cancellation of some flights due to typhoons took a toll.
- On Monday, the Cabinet Office (CAO) [released](#) estimates showing that the output gap (GDP gap), which reflects the difference between supply and demand, stood at 0.7 percent for the April-June quarter of 2026. This [marks](#) the seventh consecutive quarter of positive growth since the October-December quarter of 2024, resulting in an annualized excess demand of ¥4 trillion.

II. Public Opinion Poll

- An NHK poll [released](#) on Sunday found that the Takaichi Cabinet's approval rating was 53 percent, the same as August, while disapproval fell two points to 31 percent.
 - 35 percent of respondents [said](#) that they support the Takaichi Cabinet because it seems better than the alternatives; 26 percent said because it has executive ability; and 15 percent said because they have high hopes for its policies.
 - 39 percent of respondents said that they do not support the Cabinet because they have no hopes for its policies; 27 percent said because they do not trust the prime minister; and 11 percent each said because it does not include a party they support or because it lacks executive ability.
 - 48 percent of respondents said that they support the consumption tax cut on food and beverages, while 37 percent said they oppose it.
 - 39 percent of respondents said that they are somewhat concerned about the impact of the tax cut on fiscal policy; 27 percent said they are very concerned; 18 percent

said they are somewhat unconcerned; and 9 percent said they are not concerned at all.

- 47 percent of respondents said that they oppose raising the consumption tax back to 8 percent and introducing a benefits program, while 36 percent said they support it.
 - 35 percent of respondents said that they are somewhat hopeful about the Takaichi Administration after the reshuffle; 31 percent said they are not so hopeful; 19 percent said they are not hopeful at all; and 9 percent said they are very hopeful.
 - 26 percent of respondents said that they expect the Takaichi Administration to work on inflation relief measures other than a consumption tax; 21 percent said social security and addressing the declining birth rate; and 19 percent said economic growth strategy.
 - 46 percent of respondents said that they do not really feel that the economy is getting better; 32 percent said they do not believe that it has gotten better at all; 13 percent said they believe it has gotten better somewhat; and 2 percent said they believe it has gotten significantly better.
 - 60 percent of respondents said that they do not believe the rise in long-term interest rates will not affect their livelihood; 20 percent said it will affect their livelihood negatively; and 8 percent said it will affect their livelihood positively.
 - 43 percent of respondents said that they somewhat approve of the GOJ's efforts to combat decreasing rice prices by buying back rice reserves; 27 percent said they somewhat disapprove; 11 percent each said they strongly approve or strongly disapprove.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	35.9 (+0.9)
Centrist Reform Alliance	1.2 (-0.5)
Japan Innovation Party	2.3 (-0.3)
Democratic Party for the People	2.8 (± 0)
Suffrage Party (Sanseitō)	2.5 (-0.3)
Team Mirai	0.8 (-0.4)
Japan Communist Party	2.5 (-0.9)
Reiwa Shinsengumi	0.2 (-0.5)
Japan Conservative Party	0.7 (-0.3)

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Socialist Democratic Party	0.6 (+0.4)
Constitutional Democratic Party	3.7 (+0.9)
Komeito	2.5 (+0.3)
Independent (No Party)	37.6 (-1.4)