

The Weekly Observer

August 31-September 4, 2026

The 240th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on Motegi's visit to Europe and Asia, the Quad sherpa's meeting, the MOD's analysis on AI use in warfighting, the FY 2027 budget requests, the failed opposition merger, the latest on the Cabinet reshuffle, Bessent reportedly pressuring Japan to address the weak yen, nine-year funding for domestic shipbuilding, Akazawa's meetings with Lutnick and Greer, consumer spending trends, and more.

By Content

I. News of the Week

Foreign Policy/Security

1. Motegi Travels to Europe and Asia
2. Foreign Policy Developments
3. Security/Defense Developments

Domestic Politics

4. FY 2027 Budget Request Hits a Record High of ¥143 Trillion
5. CRA Merger Ends in Failure
6. Key Political Developments

Economics/Finance

7. Bessent Puts Pressure on Japan to Address the Weak Yen
8. Economic Security and Tech Developments
9. Key Developments
10. State of the Economy

II. Public Opinion Polls

1. Asahi Shimbun (8/30)

I. News of the Week

1. Motegi Travels to Europe and Asia

- Minister for Foreign Affairs Motegi Toshimitsu [traveled](#) to Turkmenistan, Slovakia, Austria and Mongolia from August 29-September 4.
- Motegi [explained](#) at a press conference that there were three objectives for the visit: 1) reaffirming cooperation to maintain and strengthen a free and open international order based on the rule of law; 2) promoting economic cooperation, including in energy and infrastructure; and 3) strengthening cooperation with like-minded countries and the Global South.
- Motegi [visited](#) Turkmenistan on Sunday and met with Deputy Chairman of the Cabinet of Ministers and Minister of Foreign Affairs Rashid Meredov. He mentioned close cooperation in natural resources and energy fields, stating that Japan is ready to further expand mutually beneficial cooperation in fields of AI and resource circulation taking continuous advantage of Japanese technology in the future.
- On Tuesday, Motegi [participated](#) in the Eighth “Visegrad 4 Plus Japan” foreign ministers’ meeting with counterparts from the Slovak Republic, Czech Republic, Hungary, and Poland near Bratislava, Slovakia. The ministers confirmed their intention to cooperate in three fields: strengthening scientific and technological cooperation, cooperation on global AI governance, and supporting a united Europe and revitalizing collaboration under the “Western Balkans Cooperation Initiative.”
- Motegi [visited](#) Austria and met with Federal Minister for European and International Affairs Beate Meinl-Reisinger. The ministers confirmed their intention, taking the current international situation into consideration, to deepen cooperation in such areas as the economy and science and technology, economic security, including the strengthening of supply chain resilience, as well as emerging technologies such as robotics and AI.
- On Thursday, Motegi [visited](#) Mongolia and met with Minister for Foreign Affairs Batmunkh Battsetseg. They reaffirmed the importance of the 2022 Joint Statement, in which Mongolia identified Japan as the most important “Third Neighbor” and both sides reaffirmed the Free and Open Indo-Pacific (FOIP). The ministers agreed on the expansion of Chinggis Khaan International Airport, which is key to improve air connectivity, utilizing yen loans. They also agreed to continue communication toward cooperation under the POWER Asia initiative.

2. Foreign Policy Developments

- On Friday, the United Nations [released](#) the latest version of the speaking order list for the General Assembly's general debate, which will begin on September 22 in New York. Prime Minister Takaichi Sanae's scheduled appearance was moved up from the 24th, as announced in early July, to the first day of the general debate. U.S. President Donald Trump is scheduled to deliver a speech on the same day.
- On Thursday, Senior Deputy Minister for Foreign Affairs Namazu Hiroyuki [attended](#) the Quad Sherpas' Meeting in Delhi, India. The sherpas reviewed progress across ongoing Quad initiatives and discussed ways to further strengthen practical cooperation, including in maritime and transnational security, economic prosperity and security, critical and emerging technologies, and humanitarian assistance and emergency response.
- The Japan-U.S.-ROK consultations on international disaster relief were [held](#) in Tokyo. Participants agreed on cooperation on relief efforts, including rapid information sharing in the event of disasters occurring overseas, and reaffirmed continuing discussions and maintaining close coordination going forward. The participants also [discussed](#) the landslide and flooding in Nepal.
- Japan-China Parliamentary Friendship Association Chairperson Moriyama Hiroshi [revealed](#) that a group of younger Diet members plan to visit China this month, seeking a breakthrough in diplomatic relations with Beijing. The Chinese foreign ministry [stated](#) that, "As long as they abide by the four political documents between Japan and China, promote friendship with China, and value Japan-China relations, we are prepared to engage with them and deepen mutual understanding and trust."
- On Tuesday, Takaichi [held](#) a summit telephone call with Prime Minister Balendra Shah of Nepal. She expressed her condolences for the victims of the flash floods and landslides that occurred on August 26 in the areas near the Nepal-China border. She requested Nepal's fullest cooperation for the swiftest possible search and rescue for the five Japanese nationals who are unaccounted for.

3. Security/Defense Developments

- *Asahi* [reported](#) Friday that Minister of Defense Koizumi Shinjiro will miss the Seoul Defense Dialogue hosted by the ROK Ministry of National Defense from September 7-9 due to scheduling conflicts. Vice Minister of Defense for International Affairs Ando Atsushi will attend in his place.
- The Ministry of Defense (MOD) [released](#) an analysis stating that the U.S. military is utilizing AI to enable rapid and accurate decision making in its attacks on Iran in coordination with Israel. It points out that "future national security is inconceivable

without AI.” The MOD is currently reviewing the three strategic national security documents.

- On Thursday, the GOJ [finalized plans](#) to expand “official security assistance” (OSA) recipients to approximately twelve countries in FY 2026 from the current eight countries. It includes Kenya, Cambodia, Vietnam, and East Timor, with one eye on supporting countries facing maritime coercion from China.
- *Nikkei* [reported](#) Wednesday that Boeing will propose a drone jointly developed with the Royal Australian Air Force to the MOD as the latter aims to materialize the “SHIELD Initiative” for coastal defense in FY 2027. Airbus is also planning to propose its own drones produced in collaboration with Kawasaki Heavy Industries.
- On Monday, Koizumi [held](#) a defense ministerial meeting with Belgian Minister of Defense and Foreign Trade Theo Francken in Tokyo. Recognizing that the security of the Euro-Atlantic and the Indo-Pacific is inseparable, they agreed to continue working closely together and further deepening defense cooperation and exchanges.
- On Sunday, the JMSDF’s Aegis destroyer *Chokai*, the first vessel equipped with the capability to launch U.S.-made Tomahawk cruise missiles, [returned](#) to home port JMSDF Sasebo Base in Nagasaki Prefecture. *Chokai* had been deployed to the United States about a year ago for repairs, which enabled it to launch Tomahawk missiles.

4. FY 2027 Budget Request Hits a Record High of ¥143 Trillion

- On Friday, the Ministry of Finance (MOF) [announced](#) that the total estimated budget request for the general account in FY 2027 was ¥143.07 trillion, an [increase](#) of ¥20.6 trillion and exceeding the record high for the fourth consecutive year. The budget increased due to the integration of the initial and supplementary budgets, as well as the removal of spending caps for growth investments.
- The investment frame with no spending cap [amounted](#) to ¥12.1 trillion. Requests for “item-based requests” without specific funding amounts almost guarantees a further increase in spending. Three issues with the spending targets include the item-based requests, interest payments on JGBs, and the transition from forming supplementary budgets, which are designed to allocate funds during emergencies or disasters.
- As long-term interest rates rise, government spending on items such as interest payments on JGBs is also increasing. The MOF is [requesting](#) ¥36.64 trillion for bond expenses, which are used to cover principal and interest payments. This represents a 17.1 percent increase from last year and marks a record high. The assumed interest rate for interest payments has been raised to 3.8 percent, up from 3 percent last year.

- The ministries requested the following amounts for the next fiscal year:

Ministry/Agency	FY 2027 Request	FY 2026 Request	Net Change
Cabinet Office	¥1.03 trillion	¥633.5 billion	+¥392.6 billion
Cabinet Secretariat	¥302.7 billion	¥112.2 billion	+¥190.5 billion
Digital Agency	¥1.03 trillion	¥519.8 billion	+¥509.7 billion
MOD	¥8.89 trillion	¥8.81 trillion	+¥81.5 billion
MOE	¥515.1 billion	¥205.9 billion	+¥309.2 billion
MLIT	¥8.77 trillion	¥7.08 trillion	+¥1.69 trillion
METI	¥7.79 trillion	¥3.07 trillion	+¥4.72 trillion
MAFF	¥3.14 trillion	¥2.30 trillion	+¥840 billion
MHLW	¥36.58 trillion	¥35.04 trillion	+¥1.54 trillion
MEXT	¥8.86 trillion	¥5.89 trillion	+¥2.89 trillion
MOF	¥38.69 trillion	¥33.61 trillion	+¥5.08 trillion
JFSA	¥24.51 billion	¥24.60 billion	-¥86.28 million
MOFA	¥547.64 billion	¥572.91 billion	-¥25.27 billion
MOJ	¥985.61 billion	¥877.46 billion	+¥108.15 billion
MIC	¥919.6 billion	¥392.3 billion	+¥646.9 billion

5. CRA Merger Ends in Failure

- On Monday, the opposition Centrist Reform Alliance (CRA), Constitutional Democratic Party (CDP), and Komeito [officially agreed](#) to scrap plans for a merger. CRA lawmakers from the CDP and Komeito plan to split, ending the dream of a wide-tent opposition party in just seven months.
- While the three parties had been working toward a merger since January, heavy defeat in the February Lower House election changed the calculus, with both local and defeated CDP members expressing skepticism about the plan. The CDP announced its decision to not seek a merger on August 28.
- CRA leader Ogawa Junya [told](#) his party lawmakers that “we want to start fresh and expand the influence of the centrist movement in a new form.” He also [stated](#) that,

“Regardless of the methodology or form it may take, we made a pledge to the voters in the recent general election that the unification, growth, and expansion of the centrist reformist forces would contribute to the peace and stability of Japanese society and, by extension, to world peace and stability. I ask that you keep in mind that this pledge stands behind us.”

- Ogawa [conducted](#) hearings on Thursday with the twenty-one CRA lawmakers who joined from the CDP. He indicated during those hearings that “there is a need for lawmakers who joined from the CDP to join forces.” It remains unclear whether these lawmakers will rejoin the CDP or form a new party.
- The lawmakers are [split](#) on what to do going forward, with some believing in the need to continue political activities as the CRA and others wanting to return to the CDP. Over ten former lawmakers who were defeated in February have also announced their decision to leave the party already. The division of the CRA will further dilute the opposition forces.
- Meanwhile, Komeito Secretary General Nishida Makoto [indicated](#) that it would be difficult to coordinate with the CDP in the future as “we disagree on fundamental aspects.” He refuted claims that his party would rekindle its relationship with the ruling Liberal Democratic Party (LDP). Former CRA co-leader Saito Tetsuo [said](#) that “we will reach out to a wide range of people from various political parties to build a centrist bloc.”

6. Key Political Developments

- *Jiji* [reported](#) Thursday that Takaichi will reshuffle her Cabinet and LDP leadership as early as September 16-18, on the condition that the tax system reform plan to implement the food consumption tax cut is adopted on September 15. The GOJ [aims to convene](#) the extraordinary Diet session around October 5.
- On Tuesday, the Lower House Budget Committee [convened](#) an executive meeting, where the opposition parties demanded a session of intense deliberation on the situation in the Middle East, inflation relief, and response to the Kumamoto earthquake. The ruling parties will take the request back and consider it.
- The LDP Tax Research Commission [convened](#) an executive meeting, where it approved a proposal for a tax system design that includes provisions such as special exceptions to the legally mandated “total price display” requirement, in preparation for situations in which price tags cannot be replaced in time for the tax cut. Meanwhile, the GOJ [revealed](#) plans to implement compensation measures to offset the loss of local tax revenue resulting from the two year tax cut.

- The GOJ [approved](#) a Cabinet decision to allocate ¥616 billion from the FY 2026 reserve fund to continue subsidies and other measures aimed at keeping the retail price of regular gasoline at around ¥170 per liter. The GOJ has been providing gasoline subsidies since March in response to the situation in the Middle East.
- On Monday, Hokkaido Governor Suzuki Naomichi and Osaka Governor Yoshimura Hirofumi [signed](#) a cooperative agreement toward designation as a “second capital” to serve as a backup for Tokyo’s functions in the event of a major disaster or emergency. Yoshimura said that the plan is “not to create a mini Tokyo,” arguing that the designation of both prefectures as second capitals would strengthen the nation and contribute to the local economies.
- A special division of the Central Council for Education [presented](#) a draft revision to the curriculum guidelines, which establishes standards for the educational content of elementary, middle, and high schools. Information education will be significantly expanded starting in elementary school. Classes on the mechanisms and risks of AI, as well as AI-assisted learning, will begin in earnest.

7. Bessent Puts Pressure on Japan to Address the Weak Yen

- On Tuesday, the *New York Times* [reported](#) that U.S. Secretary of the Treasury Scott Bessent spent more than two hours during a dinner in May with Minister of Finance Katayama Satsuki venting his dissatisfaction with the Takaichi Administration’s economic policies. He [reportedly felt](#) that the yen has depreciated too far, questioning why the Bank of Japan (BOJ) has not been given the autonomy to raise interest rates.
- Bessent [said](#) at a press conference the same day in North Carolina that he informed the Japanese side that it should abandon its reflationary policies (fiscal expansion and monetary easing). He [informed](#) BOJ Governor Ueda Kazuo in a meeting on Monday that, “We strongly support Japan taking resolute market and monetary policy measures to address the significant undervaluation of the yen.”
- The yield on newly issued ten-year JGBs, an indicator for long-term interest rates, [rose](#) to 3.015 percent on Wednesday before [settling down](#) at 2.895 percent on Thursday. The yen’s appreciation against the dollar appears to have eased inflation concerns, while the decline in U.S. interest rates may have had a ripple effect on the Japanese market. Meanwhile, LDP Policy Research Council Chairperson Kobayashi Takayuki [indicated](#) that the administration’s “responsible proactive fiscal policy” approach remains unchanged despite long-term interest rates reaching 3 percent.
- The yen [appreciated](#) to ¥155 to the dollar on Thursday, the highest level against the dollar since August 3. In addition to speculation that the BOJ will accelerate interest

rate hikes, Bessent's comments have fueled expectations of a correction in the yen's weakness, leading to a surge in yen buying.

- Katayama and Bessent [met](#) on Monday in North Carolina, where the two “reaffirmed that maintaining an orderly yen market is essential for the stability of global financial markets, including those of the U.S, and that continued joint efforts of the U.S. and Japan would help advance this shared objective.”
- Katayama and Ueda were both in North Carolina for the G20 Finance Ministers and Central Bank Governors' Meeting. While no joint communiqué was [issued](#), the United States [issued](#) a chair's statement that was agreed upon by all members except China. The Chinese objected to the paragraphs referring to rare earths export controls, non-market policies worsening trade imbalances, and sovereign debt.

8. Economic Security and Tech Developments

- *Nikkei* [reported](#) Saturday that NEC has halted development of a working quantum computer, likely determining that it would take time to bring the technology to market and that it would be difficult to generate a return on investment. NEC had been a pioneering force in the quantum space, having laid the groundwork for the superconducting method that is now the mainstream approach worldwide.
- On Friday, Minister of Land, Infrastructure, Transport and Tourism (MLIT) Kaneko Yasushi [announced](#) that the ministry approved three capital investment plans involving a total of eight companies — led by Imabari Shipbuilding, Japan Marine United, and Namura Shipbuilding — toward revitalizing the shipbuilding industry. The ministry will allocate approximately ¥213.1 billion over nine years.
- *Nikkei* [reported](#) Friday that Rakuten is partnering with U.S. satellite communications company AST SpaceMobile to launch a service enabling direct communication between satellites and smartphones as early as this year. One of AST's strengths is in video streaming and voice calls, a service that leading provider SpaceX's “Starlink” satellite network does not yet provide.
- *Bloomberg* [reported](#) Thursday that Anthropic is expected to secure a \$15 billion credit facility from a group of banks in the United States, Europe, and Japan ahead of its initial public offering (IPO). Credit limits will be set by a group led by Morgan Stanley in collaboration with Goldman Sachs, JP Morgan Chase, and the Citi Group. Japan's three megabanks — Mitsubishi UFJ Bank, Sumitomo Mitsui Banking Corp. (SMBC), and Mizuho Bank — are participating in the granting of credit limits too.
- According to *Bloomberg*, Anthropic plans to set its credit lines with each bank at \$1.25 billion, \$1 billion, and \$750 million or less, respectively. OpenAI also

announced in March that it secured a total of \$4.7 billion in credit facilities from a group of banks, including Mizuho Bank and SMBC.

9. Key Economic/Financial Developments

- On Friday, Minister of Economy, Trade and Industry (METI) Akazawa Ryosei [said](#) at a press conference that he discussed the Strategic Investment Initiative (SII) with U.S. Secretary of Commerce Howard Lutnick, indicating that the focus of investments will be on AI and semiconductor-related projects going forward. Akazawa also discussed the U.S. tariff policies with U.S. Trade Representative Jamieson Greer, [agreeing](#) no new tariffs would be levied against Japan above the rate agreed in July 2025. He was in the United States for the [G20 Innovation Ministerial](#) held on September 1-2.
- The Hitachi-Omiya City Council in Ibaraki Prefecture [received](#) a briefing from the GOJ on the literature survey regarding the selection of a disposal site for high-level radioactive (nuclear) waste, following Mayor Suzuki Sadayuki's [affirmative response](#) to METI's request for the survey on Monday. The Council will discuss the matter on September 9 before submitting opinions to the mayor.
- *Nikkei* [reported](#) Thursday that the nationwide weighted average minimum wage for FY 2026 rose ¥56 from the previous year to ¥1,177, a smaller increase than last year's record hike but larger than the GOJ's proposed target. Chief Cabinet Secretary Kihara Minoru [welcomed](#) the hike as a "result of sincere discussions among government, labor and management," stating that "wages are not merely a matter of distribution; it is the starting point for the growth strategy."
- The first trial for five petroleum product distributors charged with violating the Antimonopoly Act in connection with a diesel fuel price-fixing cartel case [took place](#) at the Tokyo District Court. The prosecution pointed out in its opening statement that sales representatives from the five companies — Higashi-Nihon Usami, ENEOS Wing, Eneks Fleet, Kitaseiki, and Kyoei Sekiyu — had been attending meetings likely to fix prices for at least fourteen years.
- On Monday, Katayama and Ueda [participated](#) in the G7 Finance Ministers and Central Bank Governors' meeting in North Carolina, where the ministers discussed financial risk management using cutting-edge AI and the situation in the Middle East. No joint statement was issued. The next ministerial will take place next month in Bangkok, Thailand.
- The Japan Chamber of Commerce and Industry and the Korea Chamber of Commerce and Industry [held](#) the "Japan-Korea Chamber of Commerce and Industry Leaders' Summit" in Sendai, Miyagi Prefecture. Recognizing the deepening people-to-people exchanges between Japan and South Korea, the two sides issued a joint statement

aimed at expanding cooperation in the fields of AI, semiconductors, and clean energy. Chamber Chair and SK Group Chairman Chey Tae-won said that both countries should play a supplemental role to each other, proposing that a realistic option is for both countries to become partners in expanding each other's markets.

10. State of the Economy

- On Friday, the Ministry of Internal Affairs and Communications (MIC) [announced](#) that real consumer spending for households with two or more people in July totaled ¥301,245, a 3.6 percent decrease from the same month last year and the eighth consecutive month in the negative range. Nominal spending fell 1.5 percent.
- MIC [analyzed](#) that there was a general trend toward keeping overall expenses down as a result of selective spending. Meanwhile, the actual income of working-class households decreased 1.7 percent in nominal terms to ¥689,476. In real terms, income fell by 3.8 percent, excluding the rental equivalent of owner-occupied housing.
- On Tuesday, the MOF [announced](#) that capital investment, including software, across all industries excluding finance and insurance in the April-June quarter rose 1.6 percent year-over-year to ¥13.03 trillion, the sixth consecutive month in the positive range. On a seasonally adjusted quarterly basis, capital expenditures rose 1.5 percent, marking the first increase in two quarters.
- The non-manufacturing sector [grew](#) 4.7 percent year-on-year, accelerating in pace from the previous quarter. The service sector and equipment rental industry drove the overall increase. Meanwhile, the manufacturing sector declined by 3.7 percent due to a pullback following an increase in production for semiconductor manufacturing, and a decline in the information and communications equipment sector. Ordinary income rose 24.6 percent to ¥44.67 trillion.
- On Monday, the Ministry of Health, Labor and Welfare (MHLW) [announced](#) that monthly wages received by foreign workers rose to ¥292,400 in 2025, a 6.4 percent increase from the previous year. This was [driven](#) by wage increases across the entire workforce regardless of nationality. The number of foreign workers increased 11.7 percent to 2.04 million.

II. Public Opinion Poll

- An *Asahi* poll [released](#) on Sunday found that the Takaichi Cabinet's approval rating remained at 53 percent, while disapproval fell two points to 33 percent.
 - 45 percent of respondents said that they support the Takaichi Cabinet because it seems better than the alternatives; 25 percent said because of its policies; and 19 percent said because Takaichi is prime minister.

- 49 percent of respondents said that they do not support the Cabinet because of its policies; 27 percent said because it is centered around the LDP; and 12 percent said because Takaichi is prime minister.
 - 51 percent of respondents said that they disapprove of Takaichi's response to inflation, while 34 percent said they approve.
 - 55 percent of respondents said that they support the two year food consumption tax reduction to one percent starting April 2027, while 37 percent said they oppose it.
 - 55 percent of respondents said that they support the cash handout to low- and middle-income earners equivalent to one percent of the food consumption tax, while 34 percent said they oppose it.
 - 44 percent of respondents said that they believe the food consumption tax cut will not be very effective as an inflation relief measure; 39 percent said they believe it will be somewhat effective; 12 percent said they believe it will not be effective; and 3 percent said they believe it will be very effective.
 - 77 percent of respondents said that they believe the GOJ should clearly indicate funding sources for the food consumption tax cut, while 18 percent said they do not believe it is necessary.
 - 42 percent of respondents said that they are somewhat concerned about the consumption tax cut having a negative impact on social security; 24 percent said they are not very concerned; 22 percent said they are very concerned; and 9 percent said they are not concerned at all.
 - 46 percent of respondents said that they believe the GOJ will be able to hike the food consumption tax back to eight percent after two years, while 44 percent said they do not believe it is possible.
 - 64 percent of respondents said that they believe there should be legal age restrictions on children's social media use, while 29 percent said they do not believe there should be legal age restrictions.
 - 56 percent of respondents said that they believe there is somewhat of a negative impact on a child's wellbeing by using social media; 28 percent said they believe there is a strong negative impact; 11 percent said they believe there is little negative impact; and 3 percent said they believe there is no negative impact.
- The survey also collected data on the latest approval ratings of political parties.

Political Party	Approval Rating (%)
Liberal Democratic Party	34 (+2)
Centrist Reform Alliance	2 (-1)
Japan Innovation Party	2 (-1)

The Weekly Observer (8/31-9/4)

Democratic Party for the People	3 (-1)
Suffrage Party (Sanseitō)	3 (-1)
Team Mirai	2 (± 0)
Japan Communist Party	3 (+1)
Reiwa Shinsengumi	0 (± 0)
Japan Conservative Party	1 (± 0)
Socialist Democratic Party	0 (± 0)
Constitutional Democratic Party	3 (± 0)
Komeito	1 (± 0)
Independent (No Party)	37 (+1)