The Weekly Observer

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The 247th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the anticipated summit-level diplomatic engagements in the coming month, GOJ plans to expand the scope of defense-related expenditure, the Takaichi Administration reaching its one-year milestone, the start of deliberations on the food consumption tax cut bill, Japan's "cyber emergency," the GOJ's AI/Digital Reform Promotion Council, the conditional resumption of foreign worker admissions, the trade balance in the April-September period, 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 Vietnamese President To Lam and German Chancellor Friedrich Merz will be visiting Japan from November 8-11 and October 28-29, respectively. *Jiji* reported that President José Antonio Kast of Chile will visit on November 20 after taking part in the APEC Leaders' Summit in Shenzhen, China, from November 18-19.

- Prime Minister Takaichi Sanae held a summit meeting with President Wesley W. Simina of the Federated States of Micronesia. Takaichi expressed that Japan will continue its cooperation to enhance "the freedom to decide for itself" and "resilience," including the decision of conducting JICA survey for providing a cargo passenger ship.

- Minister for Foreign Affairs Motegi Toshimitsu revealed that the GOJ delivered a "care package" to the *Hokkaido Shimbun* reporter detained in Russia. The GOJ continues to ask for a consular meeting with the reporter, which should have taken place within four days of detainment based on the Japan-USSR consular convention. Meanwhile, Director-General Nakamura Kimitake of the European Affairs Bureau visited Moscow to meet with Director Vorobyova Lyudmila Georgievna of the Third Asian Department, making a demarche and an argument on various bilateral issues.

- U.S. Secretary of State Marco Rubio revealed on Tuesday in an interview with Indian media that the next Quad summit meeting is scheduled to take place in Manila in November alongside the ASEAN-related summit meetings. This would be the first summit meeting between the four leaders under the Trump Administration.

- Takaichi held a summit telephone meeting with President Ferdinand Marcos Jr. of the Philippines. She stated that Japan would like to cooperate with the Philippines, this year's ASEAN Chair, toward the ASEAN-related summit meetings in November. She also stated that it is important to work together to strengthen economic and energy resilience amid prolonged instability in the Middle East.

- *Nikkei* reported Monday that the U.S. Federal Communications Commission and Japan's Ministry of Internal Affairs and Communications signed a memorandum of cooperation to establish a new framework to discuss economic security issues, such as import restrictions on information and communications technology equipment. As Washington moves to exclude products made in China and other countries, the two sides are seeking ways to cooperate, such as ensuring a smooth supply of components for data centers. Japan is seeking exceptions to U.S. import restrictions.

2. Security/Defense Developments

- *Nikkei* reported Friday that the GOJ has begun considering expanding the scope of expenses eligible for inclusion in the defense budget starting in FY 2027. Areas such as economic security and official development assistance (ODA) that contribute to national security are among the options under consideration. The ruling parties plan to begin discussions on the revised strategic national security documents in mid-November; the GOJ expert panel plans to submit recommendations in early December, slightly later than the original plan to focus on the consumption tax cut.

- The GOJ adopted a bill to strengthen regulations on the acquisition of land and other properties deemed important for national security like JSDF facilities. The GOJ plans to introduce a "permit system" under which permits will not be granted if a preliminary review determines that there is a risk. Penalties apply for violations.

- Minister of Defense Koizumi Shinjiro said that the Acquisition, Technology and Logistics Agency (ATLA) will fundamentally reorganize the organizational structure of its research institutes, responsible for R&D of defense equipment. He indicated plans to reorganize the institutes, currently structured around specific types of equipment like aircraft and naval vessels, into functional units focused on areas like AI and cybersecurity, which have become synonymous with new modes of warfare.

- *Asahi* reported Thursday that Japan and India plan to convene the next security consultative committee ("2+2") meeting in mid-November in Tokyo. This would be the first time since August 2024 that a "2+2" meeting will be held. Takaichi agreed to hold a "2+2" by the end of the year during a meeting with Prime Minister Narendra Modi in July in India.

- On Tuesday, the ATLA announced the results of the "Security Technology Research Promotion Program," which supports basic research likely to be applied in the defense sector in the future. In FY 2026, a record 560 applications were received, and forty-seven were selected. Thirty projects were led by researchers affiliated with universities. For the first time, the projects were selected from eleven universities, including Osaka University, Nagoya University, and Keio University.

- On Monday, Koizumi held a meeting with Minister of Defense of Malaysia Mohamed Khaled Nordin. Koizumi proposed elevating bilateral maritime security cooperation, agreeing with the minister to develop a comprehensive cooperation plan on maritime security for the common interests of both countries. Elsewhere, Motegi signed off on the provision of UAV countermeasure systems, such as radar and cameras, designed to counter drones worth approximately ¥1.65 billion to Malaysia. This is the first time Japan has provided drone countermeasure systems as official security assistance.

3. Takaichi Reaches One Year Milestone in Office

    - On Wednesday, the Takaichi Administration turned one year old. Takaichi told reporters that, "We have worked tirelessly over the past year, driven by the belief that our mission is to steadily fulfill each and every campaign promise."

    - Takaichi emphasized that while measures to address rising prices would remain the top priority for her administration, it will also work to strengthen intelligence capabilities and transform its security policy.

    - Takaichi argued that the Japanese economy is on the upswing thanks to her "proactive responsible fiscal policy" approach, pointing to nominal GDP nearing ¥700 trillion and wage hikes exceeding 5 percent for the third consecutive year. She stated that, "We are at a turning point: will we be able to break out of the stagnation — where wages have remained stubbornly low despite nearly thirty years of a deflationary economic structure — and embark on a path toward a virtuous economic cycle?"

    - The coalition between the ruling Liberal Democratic Party (LDP) and Japan Innovation Party (*Nippon Ishin no Kai*) also turned a year old on Tuesday. *Ishin* believes 56 percent of the sixty-two items included in the coalition agreement signed in October 2025 have been achieved so far. *Ishin* has made some compromises already on issues like the "second capital initiative" and stable Imperial Household succession. The focus now is on reducing the number of Lower House seats.

    - While Takaichi "owes" her current political position to *Ishin* for joining the coalition, the strong "co-dependence" between the two sides may become a friction point in the future. The LDP is not as forward leaning on reducing Lower House seats, while its Osaka branch is in a rivalry with *Ishin* in the latter's home base. There also remains maneuvering within the LDP to bring in the Democratic Party for the People (DPFP), which could complicate relations between the LDP and *Ishin*.

4. Key Political Developments

    - On Friday, the House Committee on Finance and Banking effectively began deliberations on the GOJ's food consumption tax cut bill. The ruling parties aim to minimize deliberation hours — perhaps even to a sixth of the time it took to discuss the 2012 tax cut — to enact the bill by the end of the Diet session in December. While Takaichi presented a proposal for the income-tied benefits program — benefits to approximately twenty million people with a ¥3.5 million cap on annual income — opposition parties continue to question the effectiveness of the tax cut and how the GOJ plans to cover the ¥5 trillion per year revenue shortfall.

- Takaichi revealed plans to review the subsidies that have kept the national average price of gasoline at around ¥170 per liter. The GOJ/ruling parties are mulling a plan to cut back the subsidy and raise the average price to around ¥180 per liter. This comes as a growing chorus of lawmakers across the aisle raise concerns about costs.

- On Thursday, the LDP proposed a "compromise plan" for electoral system reform in the House, shifting from reducing seats by forty-five in proportional representation to thirty-one to ensure enactment of a bill by the end of the year. While Komeito opposes the compromise, the DPFP took the proposal positively, pointing out that its opinion to take population decline into account was reflected in the plan. The proposal also raises the minimum vote share required for proportional representation (resurrection of those who lose in districts) from "one-tenth" to "one-sixth."

- The House Commission on the Constitution convened a session for the first time this Diet session to discuss the Commission delegation's visit to Europe in September. *Ishin* called for the early drafting of the "emergency situations clause," which stipulates the extension of lawmakers' terms and the strengthening of Cabinet authority in the event of a large-scale disaster.

- On Wednesday, the LDP and *Ishin* resumed talks on social security reform, with the focus on reviewing the out-of-pocket medical expenses paid by those over the age of seventy. Three proposals are being considered: 1) revising the income criteria to expand the scope of those subject to 20 percent and 30 percent copayments; 2) introducing more granular copayment rates, such as "1.5 percent" and "2.5 percent"; and 3) raising the age thresholds, currently set at seventy and seventy-five, at which copayment rates change. The plan is to draw up a reform roadmap by year-end.

- On Tuesday, Takaichi revealed that the GOJ plans to establish a new consultative body between central and local governments to discuss social security and education by the end of the year. The National Governors' Association had been calling for such a body due to disparities in healthcare and education owing to differences in local governments' financial capacity.

5. PHP Vulnerabilities Expose Japan's "National Cyber Emergency"

- On Wednesday, Takaichi posted on X about the vulnerabilities found in PHP, which a majority of online websites run on, writing: "Please make preparations so that these measures can be implemented as soon as possible… For example, temporarily suspending websites and other services is one effective measure for reducing risk."

- PHP, a programming language introduced around 1959, was exposed for having a serious cybersecurity vulnerability, which could lead to websites being hijacked or

data being stolen. The operating organization released a patch around 11 PM Japan Standard Time the same day.

- This time, the vulnerability, which had gone unnoticed for over a decade, was discovered by Amazon using cutting-edge AI. There were concerns that "damage could have spread across Japan overnight" if a malicious actor had found the vulnerability first. Delays in addressing the issue increases the risk of exploitation; however, there are also problems such as systems running outdated versions that cannot be patched.

- According to a tally by independent researchers, as of Thursday morning, more than two hundred websites in Japan had announced that they were offline. Several GOJ ministries like the Ministry of Education and Ministry of Health, Labor and Welfare also temporarily took their sites offline to deal with the situation. The number of affected sites continues to grow daily.

- On Friday, the LDP Headquarters for National Cybersecurity Strategy submitted policy recommendations to Takaichi, characterizing the current situation as the "eve of a cyber emergency." The LDP urged the Prime Minister's Office-led "Cyber Response Headquarters" to serve as the command center and convene cross-ministry meetings promptly. The LDP also called for the proactive use of the "active cyber defense" law to neutralize cyber threats and share information with the private sector.

- Minister of Economy, Trade and Industry (METI) Akazawa Ryosei announced that a specialized unit of ethical hackers will be set up in the Information-technology Promotion Agency (IPA) as early as next month to identify system vulnerabilities through penetration testing and other methods that utilize high performance AI.

6. Uptick in Fraudulent Access and Data Breaches Partially Attributed to Chinese AI

- *Nikkei* reported Tuesday that GMO Cybersecurity by Ierea, a subsidiary of GMO Internet Group, found that the Chinese-developed AI tool "ARTEX" was used to access Japanese IT systems without authorization. ARTEX is a tool used to identify system vulnerabilities through simulated attacks.

- The attackers narrowed their focus to industries such as finance and targeted at least about eighty Japanese companies. The six servers used in the attacks were directed almost exclusively at IP addresses in Japan. ARTEX was used in all of the attacks.

- Microsoft announced on Wednesday that a hacker group known as "Storm-0940" has been carrying out cyberattacks since September using ARTEX to target hundreds of companies and organizations around the world. Microsoft did not indicate whether the group was involved in attacks targeting Japanese companies.

- Although the anonymous developer has discontinued public distribution, third parties are modifying downloaded versions of ARTEX to enhance its attack capabilities. The assessment is that the open-source nature of the software, which allows for modification, is being exploited, leading to the spread of malicious modifications.

- Chief Cabinet Secretary Kihara Minoru commented on the situation, stating on Tuesday that, "We will strive to uncover the true nature of the attackers and the source of the attacks while considering all possibilities, including the possibility of foreign involvement."

7. Economic Security and Tech Developments

- On Friday, the GOJ decided to add ECMO (extracorporeal membrane oxygenation), which is used to treat COVID-19 and other diseases, to the list of "specified critical products" aimed at ensuring a stable supply under the Economic Security Promotion Act (ESPA). Economic Security Minister Onoda Kimi said that, "Although these are vital medical devices that are directly linked to human life, Japan relies on foreign sources for their key components and materials."

- The MIC released draft guidelines calling on social media companies to take measures against false and misleading information during elections. The measures include urging the suspension of systems that generate revenue based on page views. Specific measures will be left to individual businesses. There are no disciplinary actions or penalties, calling into question how effective the measures will be.

- On Thursday, the GOJ convened the inaugural session of its "AI/Digital Reform Promotion Council," which will play a prominent role in advising the GOJ as it compiles a concrete vision for "AI transformation" (AX), principles for regulatory and institutional reform in the AI era, and an action plan to accelerate social implementation of AI by the end of the year. The Council's recommendations, to be compiled around June 2027, will inform updates to the AI Basic Plan and the Priority Plan for the Advancement of a Digital Society.

- The MIC held the first meeting of an expert panel to discuss cyber defense and data protection for telecommunications carriers. As the trend toward moving away from an in-house approach — through the outsourcing of communications infrastructure and the use of cloud services — gains momentum, it has become necessary to prepare for emergencies in a way that accounts for these structural changes. Meanwhile, the National Police Agency also convened an emergency meeting with critical infrastructure vendors to share the techniques and responses to cyberattacks.

- On Tuesday, the Leading-edge Semiconductor Technology Center (LSTC), which includes Rapidus and The University of Tokyo among its participants, along with

Hokkaido University, Fujifilm, and others, announced that they will develop a medical AI system using cutting-edge two nanometer semiconductors. It will increase image processing speed by more than five times and energy efficiency by more than ten times compared to current GPUs. Meanwhile, the METI indicated on Monday that it will request public investment of ¥400 billion to Rapidus between FY 2027-2029.

- *Nikkei* reported that the METI will take steps to curb excessive investment in grid-connected battery storage facilities. It will raise the fees for applications required to connect to the power grid. The ministry aims to curb "speculative applications," where companies secure the right to connect to the grid even for plans with little chance of implementation, and encourage appropriate investment by operators.

8. Key Economic/Financial Developments

- On Friday, the METI released its 2026 Energy White Paper, which reports progress in Fukushima's recovery, including concrete preparations for large-scale fuel debris removal at No. 3 reactor, completion of the large cover at No. 1, the start of tank dismantling following ALPS-treated water discharge, and advances in residents' return and industrial redevelopment. It also analyzes how the Middle East situation, particularly the difficulty of passage through the Strait of Hormuz after the February attacks, affected energy prices and shipping across Asia, and outlines Japan's responses and directions for further strengthening its energy supply-demand structure.

- The GOJ adopted legislation that would require all domestic corporations to report information on their beneficial owners — those holding more than 25 percent of the total voting rights. Penalties will be imposed for failure to report or for submitting falsified reports. The measure is intended to combat money laundering through the misuse of shell companies and to enhance economic security.

- *Nikkei* reported Thursday that the Bank of Japan (BOJ) plans to keep its policy interest rate at 1.25 percent at its next monetary policy meeting on October 29-30 to assess the impact of hiking rates in September. It is highly likely that the Bank will indicate its view that the underlying inflation rate has effectively reached the 2 percent target. Meanwhile, the Japanese Trade Union Confederation (RENGO) announced that it will set the total wage hike rate target at "5 percent or more" for this year's spring wage negotiations (same as last year), though it would "focus on (getting to) 6 percent."

- *Nikkei* reported that the Japan Fair Trade Commission (JFTC) is teaming up with various ministries and agencies to address unfair practices in subcontracting. As a first step, it will conduct a nationwide survey of the transportation industry — where practices such as truck drivers loading and unloading cargo for free still persist — in

collaboration with the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the METI. The JFTC aims to rectify "subcontractor abuse" by working in coordination with relevant regulatory bodies.

- On Tuesday, Akazawa said that the GOJ will "strongly urge the European Union (EU) to make revisions" to the agreement between the German and French governments to exclude Japanese-made vehicles from the EU's electric vehicle incentive program. Akazawa emphasized that "it would be a stretch to say that the impact is minor," and expressed his intention to demand that Japanese-made vehicles be treated on an equal footing as other vehicles.

- On Monday, the GOJ presented a plan regarding the temporary suspension of new admissions under the "Specified Skilled Worker Type One" status for foreign workers in the food service sector to an expert panel. The plan is to transfer these workers, limited to food service staff at medical and welfare facilities, to the food and beverage manufacturing sector and resume admissions. Meanwhile, *Jiji* reported Sunday that the Immigration Services Agency plans to raise the minimum annual income requirement this year for the "Highly Skilled Professional" status — a residency status for foreign nationals with advanced technical skills or specialized knowledge — from the current "¥3 million or more." In light of recent wage hikes, experts had argued that stricter conditions were necessary to ensure the appropriate acceptance of highly skilled professionals.

9. State of the Economy

- On Friday, the MIC announced that the consumer price index (CPI) for September excluding volatile fresh food items rose 2.1 percent from September 2025 to 102.3, exceeding the 2 percent inflation target set by the GOJ and BOJ for the first time in nine months. Excluding fresh foods, 404 of the 529 items, 76.4 percent of the total, saw price increases. Until the first half of 2021, the proportion of items with price increases had been in the 40 percent range.

- On Thursday, the BOJ released the Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks, which found that the diffusion index measuring the strength of corporate funding demand stood at +3, up four points from the previous survey in July. This marks the first positive reading in two quarters. It appears that funding demand remains robust even after the interest rate hike.

- On Wednesday, the Ministry of Finance (MOF) announced that Japan ran a ¥2.82 trillion trade deficit in the April-September period, with import prices remaining high due to longer shipping distances despite efforts to source alternatives from the United States and other countries. Imports totaled ¥66.28 trillion, up 20 percent from the

same period last year, while exports totaled ¥63.46 trillion, up 18 percent. Both imports and exports reached record highs since 1979, the earliest year for which comparable data is available.

- The Japan National Tourism Organization (JNTO) announced that the number of foreign tourists traveling to Japan in September fell 5 percent from the same month last year to 3.1 million, the second consecutive month in decline. This was due to the surge in fuel prices caused by the deteriorating situation in the Middle East, which led to higher airfares.

- The METI announced that the size of Japan's domestic business to consumer e-commerce market in 2025 is projected to expand to ¥27.6 trillion, up from ¥26.1 trillion the previous year and ¥24.8 trillion two years prior, representing a 5.5 percent annual increase. In addition, the size of the domestic business to business e-commerce market is projected to reach ¥560.1 trillion, up from ¥514.4 trillion the previous year and ¥465.2 trillion two years prior, representing an 8.9 percent annual increase.

II. Public Opinion Poll

- A *Yomiuri* poll released on Monday found that the Takaichi Cabinet's approval rating was 57 percent, down two points from September, while disapproval remained at 30 percent.
    - 32 percent of respondents said that they support the Cabinet because there are no better alternatives; 22 percent said because they have high hopes for its policies; and 19 percent said because they trust the prime minister.
    - 29 percent of respondents said that they do not support the Cabinet because it is centered around the LDP; 28 percent said because they have no hopes for its policies; and 24 percent said because they do not trust the prime minister.
    - 61 percent of respondents said that they disapprove of the GOJ's inflation relief response, while 29 percent said they approve.
    - 59 percent of respondents said that they approve of Takaichi's prioritization of economic growth centered around "proactive responsible fiscal policy," while 29 percent said they disapprove.
    - 56 percent of respondents said that they support the GOJ's food consumption tax cut bill, while 37 percent said they oppose it.
    - 58 percent of respondents said that they are concerned lowering the consumption tax rate would result in a collapse of the social security system, while 36 percent said they are not concerned.
    - 65 percent of respondents said that they support the ruling parties' plan to reduce the number of Lower House seats by forty-five if the cross-party council cannot come to a consensus within a year, while 24 percent said they oppose it.
    - 46 percent of respondents said that they approve of the Takaichi Cabinet's approach to China, while 39 percent said they disapprove.

- 44 percent of respondents said that they support Takaichi spending less time in the Diet to focus on policy decisions and diplomacy, while 39 percent said they oppose it.
- 82 percent of respondents said that they believe it was the right decision for Yana Kazuo to resign as MAFF minister following a series of political scandals surfacing, while 10 percent said they do not believe it was the right decision.
- 46 percent of respondents said that they believe Takaichi's responsibility for appointing Yana is serious, while 46 percent said they do not believe her responsibility is serious.
- 89 percent of respondents said that they are concerned about the uptick in data breaches in Japan, while 7 percent said they are not concerned.

- The survey also collected data on the latest approval ratings of political parties.

Political Party	**Approval Rating (%)**
Liberal Democratic Party	34 (-1)
Japan Innovation Party	4 (±0)
Democratic Reform Party	0 (±0)
Democratic Party for the People	3 (-1)
Suffrage Party (Sanseitō)	5 (±0)
Team Mirai	1 (±0)
Japan Communist Party	1 (-1)
Reiwa Shinsengumi	1 (+1)
Japan Conservative Party	1 (±0)
Social Democratic Party	0 (±0)
Constitutional Democratic Party	2 (±0)
Komeito	2 (±0)
Independent (No Party)	41 (+1)