The Weekly Observer

November 2-6, 2026

The 249th edition of the weekly newsletter aggregating news on Japanese politics. This week focuses on the Russian Government seizing JT's Russian operations, the virtual APEC Ministerial Meeting, Koizumi's video conference with Ukraine's new defense minister, the House passing the consumption tax cut bill, the first Okinawa Policy Council meeting in thirteen years, the GOJ's emergency cybersecurity package in response to ongoing data breaches, the GOJ proposal to revamp the K Program for economic security R&D, the GOJ naming sixteen priority areas for its Growth Strategy, tax revenue for the April-September period, and more.

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I. News of the Week

1. Moscow Seizes Japan Tobacco's Russian Operations

- On Thursday, Russian President Vladimir Putin signed a decree placing four Russian subsidiaries of Japan Tobacco (JT) under temporary management by Russian companies. JT keeps legal ownership but effectively loses control. The move is seen as pressure on Japan amid worsening bilateral ties. JT shares fell to their daily limit-down level in after-hours trading.

- Russia is JT's top market, with about 37 percent share, and contributed roughly 10 percent of group revenue and 25 percent of adjusted operating profit in FY 2025. Prolonged control could hurt earnings further. Moscow has used similar measures on Danone, Carlsberg, and Nestlé, likely to push countries to revise their Russia policy.

- A senior Ministry of Foreign Affairs (MOFA) official said on Thursday evening that the GOJ plans to protest to Russia soon over its move to place JT's Russian operations under temporary management. Japan sees it as likely retaliation for its sanctions over the Ukraine invasion.

- On Friday, Putin followed up the decree with an additional one placing shares in three more JT non-manufacturing entities under temporary management. One Russian company will manage all the assets, and *Kommersant* reported it may have ties to Kremlin-linked figures.

- Minister of Economy, Trade and Industry (METI) Akazawa Ryosei said Japan protested to the Russian government and urged an immediate withdrawal of the measure, sending two senior officials to Russia. Chief Cabinet Secretary Kihara MInoru demanded protection of Japanese interests, while Minister of Finance Katayama Satsuki pledged close coordination with JT and relevant ministries.

2. Foreign Policy Developments

- On Friday, the MOFA announced that Minister for Foreign Affairs Motegi Toshimitsu is scheduled to visit Paris, France, from November 8-11 for the G7 foreign ministers' meeting. Meanwhile, Chief Cabinet Secretary Kihara revealed Thursday that Prime Minister Takaichi Sanae will skip the COP31 Conference in Türkiye next week due to scheduling conflicts; Environment Minister Sasagawa Hiroyoshi will attend instead.

- Takaichi said that Japan will pursue dialogue to build a constructive, stable relationship with China, calling China an important neighbor. Keidanren Chairman Tsutsui Yoshinobu called the relationship "severe," warning that China's critical

minerals export restrictions could deepen their impact, and urged public-private efforts to improve relations.

- On Thursday, Takaichi and French President Emmanuel Macron spoke over the phone, agreeing to deepen cooperation in security, AI, space and economic security. Takaichi raised Japan's serious concerns about the EU's Industrial Accelerator Act. Both leaders pledged to work on Middle East stability and keep close communication on energy security.

- *Yomiuri* reported that the GOJ is moving to pay its 2027 International Criminal Court (ICC) contributions early, after U.S. sanctions on the court and its president, Akane Tomoko, raised fears of a cash crunch. As the largest donor, covering about 15 percent of the roughly €200 million budget, Tokyo plans to fund this through a supplementary budget, following an ICC request during a visit by the Nonpartisan Parliamentary Association for Reconsidering Human Rights Diplomacy (Chair: Nakatani Gen) to The Hague.

- On Tuesday, Motegi participated in the APEC Ministerial Meeting virtually. He urged strengthening a free, fair, rules-based economic order, backed the FTAAP agenda, and highlighted Japan's digital trade and AI rulemaking projects. He also stressed Middle East de-escalation for energy security, while ministers broadly agreed on leveraging AI and digital growth engines.

- On Monday, Vice Minister for Foreign Affairs Funakoshi Takehiro and South Korea's First Vice Foreign Minister Park Yoon-joo held the Seventeenth Bilateral Strategic Dialogue. They agreed to keep close communication to develop ties, reaffirmed coordination on North Korea's denuclearization and abductions amid its Russia and China ties, and pledged stronger trilateral cooperation with the United States.

3. Security/Defense Developments

- *Yomiuri* reported Saturday that South Korea's Army and Navy chiefs of staff are expected to visit Japan this month to meet their JGSDF and JMSDF counterparts, reciprocating recent Japanese visits to Seoul. Amid North Korean missile launches, the talks aim to advance defense cooperation, as exchanges grow through joint submarine drills and the first JASDF refueling of Korean aircraft.

- *Mainichi* reported Thursday that the GOJ has decided to keep Japan's three Non-Nuclear Principles in the year-end revision of the three key strategic national security documents. Although some officials favored a change, it was judged to have little point in changing the language. Tokyo is, however, adjusting the current documents' wording that the policy of upholding the principles will not change.

- Minister of Defense Koizumi Shinjiro held a video conference with Ukraine's new Defense Minister Yevhenii Leonidovych Khmara, stressing Japan's steadfast support, including JSDF vehicles and treatment of wounded Ukrainian soldiers. Khmara expressed gratitude, while Koizumi pledged to work with the international community toward a just, lasting peace. Both also discussed Russia-North Korea cooperation.

- The Ministry of Finance's Fiscal System Council Expenditure Reform Division said that Japan should not rely on government bonds to fund higher defense spending under the revised security documents, urging stable financing with public understanding. Members warned that peacetime bond reliance could erode wartime capacity, and urged dual-use production bases, citing Ukraine's example.

- On Tuesday, Koizumi said that the MOD will revise the two-year-old basic policy on AI use, citing rapid advances in AI, drones and cyber. He called for bolder preparations to handle highly classified information on networks, and repeated the need for open discussion on nuclear issues during the security document revision.

- On Monday, Koizumi held a phone call with Saudi Defense Minister Prince Khalid bin Salman, expressing sympathy for the damage from Houthi attacks on Saudi Arabia. The two discussed the regional situation and the future direction of bilateral defense cooperation, and agreed to continue advancing their cooperation.

4. Consumption Tax Cut Bill Passes the House

- On Friday, the House passed the bill cutting the food consumption tax from 8 percent to one percent for two years from April 2027, with a support payment scheme following. The ruling Liberal Democratic Party (LDP) and Japan Innovation Party (*Nippon Ishin no Kai*) backed it, while all opposition parties opposed it. The ruling parties aim to enact it by the end of the Diet session on December 12.

- The ruling parties are four seats short of a majority in the Senate, with two seats from the Japan Conservative Party still insufficient to close the gap. Leaders are courting parties like the Democratic Party for the People (DPFP) and Komeito. If enacted, it would be Japan's first consumption tax cut since the tax's 1989 introduction.

- Takaichi told the House Finance Committee that the income-tied payments would cover at least 30 percent of workers, matching other countries, and that the roughly ¥3.5 million income cap would be broadened. Komeito Chief Representative Okamoto Mitsunari had said twenty million recipients was too few. Opposition parties criticize the lack of funding sources indicated in the bill.

- Takaichi addressed the DPFP's alternative proposal, which combines resident tax cuts with payments. She said that raising the basic deduction for individual resident tax requires sorting out its role as a community fee, its local fiscal impact, and permanent funding sources.

- On Wednesday, the Senate set up a forty-member special committee, with nineteen ruling and twenty opposition members excluding the chair, the LDP's Matsumura Yoshifumi. A united opposition could defeat the bill. The ruling parties agreed to maximize Takaichi's attendance in the committee, public hearings, and other ministers' participation.

- Four LDP lawmakers — former Prime Minister Ishiba Shigeru, Obuchi Yuko, Furukawa Yoshihisa, and Funada Hajime — left the chamber before the vote, citing fiscal concerns and doubts about price effects. They had opposed the cut in August. Secretary General Suzuki Shunichi requested a written explanation by November 9 as a matter of party discipline.

5. Key Political Developments

- On Friday, the first Okinawa Policy Council was held in thirteen years, signalling a shift from confrontation to cooperation under new Governor Koja Genta, who took office on September 30. Unlike his predecessors, Koja accepts the Henoko relocation and Osprey deployment, scrapped the Henoko countermeasures office, and prioritizes economic gains, while still pressing Tokyo on base burdens after a murder case involving a U.S. Marine.

- The GOJ's Population Strategy Headquarters held the first meeting of a fourteen-member expert panel chaired by Masuda Hiroya, aiming to craft a comprehensive population strategy by the end of the year. It targets growth and security amid population decline, covering birthrate measures, social security, and regional services, though no numerical targets on foreign residents are planned.

- On Thursday, the LDP, *Ishin*, and DPFP discussed the working level draft of a bill to cut thirty-one proportional representation seats in the House. They discussed block-by-block seat allocations, deposit-forfeiture standards, and challenges of joint party lists, such as dual candidacy and subsidies. They agree to aim for bill submission during the current Diet session.

- LDP's Shindo Yoshitaka urged the House Commission on the Constitution to set up a drafting committee for topics already well discussed, such as the emergency situations clause, reflecting Takaichi's goal of a referendum-initiation outlook by February 2027. The opposition parties did not endorse it. DPFP President Tamaki Yuichiro said that Article Nine revision lacks supermajority support in the Diet.

- The Japan Board of Audit submitted its FY 2025 report to Takaichi, flagging 250 cases totaling about ¥144.6 billion in wasteful or improvable spending, led by the Small and Medium Enterprise Agency. It also found stockpiled rice releases by the Ministry of Agriculture, Forestry and Fisheries (MAFF) took seventy-two days on average and up to 310 days to reach buyers.

- On Monday, the GOJ launched the Disaster Management Agency as the disaster response command center, with Hosono Goushi as its first minister. Reorganized from the Cabinet Office unit and housing 352 staff, it will coordinate ministries and hold recommendation powers. It urges citizens to stockpile at least three days of supplies, and plans regional bureaus and disaster-tech exports.

6. GOJ Issues Emergency Cyber Response as Data Breaches Mount

- On Friday, the GOJ adopted an emergency cybersecurity package built on four pillars: AI-aided basic measures, information gathering, stronger investigation and analysis, and victim support. The GOJ also released ¥10 billion from reserve funds, with ¥4.1 billion for active cyber defense measures.

- Takaichi instructed a review of the Active Cyber Defense (ACD) Act. The GOJ is weighing extending communications monitoring to domestic-to-domestic traffic and widening incident reporting beyond critical infrastructure. A bill could be submitted next year, with the constitutional "secrecy of communications" a key issue.

- Takaichi instructed ministers to cut the time for critical infrastructure operators to report attacks to hours, or at least the same day. The GOJ also plans to obtain undisclosed vulnerability information early from major U.S. tech firms.

- On Thursday, the National Cybersecurity Office (NCO) asked firms handling personal data to run continuous AI-assisted vulnerability scans and to secure their whole supply chain. It also noted that some leaks stemmed from weak security in app development and that AI was likely used in the attacks.

- Experts and political parties say the current system cannot keep pace with AI-driven attacks. Warrantless collection of communications data is not due to take effect until fall 2027. The LDP warned of "AI saturation attacks," and DPFP President Tamaki said the ACD Act may already be outdated.

- The Financial Services Agency (FSA) began an emergency check of about four hundred credit unions and cooperatives, while thirteen Kyushu area regional banks are launching a joint cyber team this month. Police also found more than ten firms' leaks relayed via compromised home IoT devices.

7. Economic Security and Tech Developments

- *Nikkei* reported Saturday that the Ministry of Health, Labor and Welfare (MHLW) will designate about thirty advanced-care hospitals by 2028, starting with at least one in each of Japan's eight regions next year as critical infrastructure under the Economic Security Promotion Act. Designated hospitals must notify the GOJ before introducing key equipment such as electronic medical records. The MHLW can recommend changes or cancellations if cyber attack risks are high.

- On Friday, Takaichi said during a House Finance Committee meeting that gains from the Bank of Japan's (BOJ) ETF sales will fund a new special account for economically critical sectors. The GOJ expects about ¥1 trillion a year in extra gains and will issue bridge bonds against them, with details to be set during budget formulation.

- *Nikkei* reported Wednesday that Mitsui Chemicals is set to acquire most of semiconductor-materials maker JSR from the state-backed fund Japan Investment Corporation (JIC) for over ¥1.3 trillion, which would be Japan's largest chemical industry deal. The Development Bank of Japan is expected to take about 10 percent in preferred shares, as Mitsui Chemicals adds JSR's photoresist business, the world's second largest, though Mitsui says nothing is finalized.

- The Cabinet Office (CAO) presented reform plans for the Economic Security Critical Technology R&D Program (K Program), which funds key technologies for economic security, at a LDP meeting. Technologies would be sorted into three categories, such as scaling up and accelerating deployment, allowing flexible support. Program directors would gain more discretion, covering areas like rare earth development off Minamitorishima and drone detection sensors.

- The K Program has so far backed critical technologies with a roughly ¥500 billion budget, with the reformed version slated to start in FY 2027. It will replace the rigid five-year, fixed-plan format with flexible terms. The three categories are national large-scale, implementation acceleration and exploratory incubation. The GOJ is also weighing a new funding mechanism beyond New Energy and Industrial Technology Development Organization (NEDO) and Japan Science and Technology Agency (JST) funds.

- On Monday, GMO Internet Group CEO Kumagai Masatoshi apologized for failing to act on a 2024 vulnerability warning in its FX auto-trading service, with executives announcing pay cuts. Separately, GMO disclosed on October 30 that a misconfiguration exposed data of 45,030 users at 2,492 companies, via its GMO Trust Login service, for about nine years.

8. Key Economic/Financial Developments

- *Yomiuri* reported Saturday that the LDP aims to submit a lawmaker-initiated Fusion Energy Promotion Act during the extraordinary Diet session to encourage private sector entry into fusion power. According to the draft, fusion would not be subject to nuclear power plant standards, since it produces no long-lived radioactive waste. The GOJ would be required to draft new safety policies, strengthen private sector cooperation, and secure and train talent.

- On Friday, the GOJ convened the Japan Growth Strategy Council and named sixteen priority items, including AI and shipbuilding, for public-private investment over the next five years, emphasizing economic ripple effects and economic security. It grouped the earlier seventeen strategic sectors into forty items and will disclose public and private investment amounts by the end of the year.

- On Thursday, the BOJ released a summary document from its monetary policy meeting on September 17-18, which found that two of nine board members opposed the rate hike from one to 1.25 percent. Some members urged moving quickly toward the approximate goal and accelerating hikes if prices overshoot, while most agreed underlying inflation was nearing 2 percent and policy would remain accommodative.

- Akazawa held an online meeting with Minister of Oil of Kuwait Tareq Sulaiman Al-Roumi, thanking Kuwait for continued crude oil supplies despite Strait of Hormuz navigation challenges. They reaffirmed the importance of the joint crude oil stockpiling arrangement in Japan, agreed to strengthen cooperation under "POWERR Asia," and pledged to deepen their longstanding energy partnership.

- On Wednesday, the Cabinet Office released a summary document from the Council on Economic and Fiscal Policy meeting held on October 29, which showed that civilian member Nagahama Toshihiro urged using the entire surplus of the foreign exchange fund special account as general account revenue, not just for next year's budget but continuing afterward. He argued that the current rule of retaining at least 30 percent of surplus should be revisited.

- On Tuesday, Akazawa virtually participated in the APEC Ministerial Meeting, where he called for a "hybrid trade strategy" combining free trade and rule of law with supply chain resilience. He stressed high standard regional rules, the "POWERR Asia" energy resilience initiative, and avoiding arbitrary critical mineral export restrictions, while ministers reaffirmed the WTO-centered multilateral trading system.

9. State of the Economy

- On Friday, the MHLW announced that real wages rose 2.2 percent year-on-year in September, the ninth straight monthly increase. Nominal pay averaged ¥311,409, up 4.6 percent, the fastest growth in twenty-nine years and eight months. Base pay rose 3.7 percent, helped by this spring's wage hikes and last year's minimum wage hike.

- Meanwhile, consumer price inflation accelerated to 2.4 percent from 2.2 percent, but gasoline tax abolition and electricity and gas subsidies held it down. On the latest 2025 base, the energy subsidies cut overall inflation by 0.82 percentage points, widening real wage growth. Total hours worked fell 1.4 percent to 132.7 hours.

- On Wednesday, the MHLW announced that the total number of children born in Japan between January and June totaled 320,458, up 0.4 percent year-on-year and the first increase in half a year in eleven years, possibly reflecting a rebound in marriages. However, births fell in July and August and annual births declined for ten straight years, leaving an annual increase in doubt.

- On Monday, the Ministry of Finance (MOF) announced that the general account tax revenue for the April-September period rose 12.2 percent year-on-year to ¥23.78 trillion. Private sector estimates say full-year revenue could top ¥90 trillion for the first time, compared to ¥84.2 trillion in FY 2025. Income tax revenue rose 17.1 percent, corporate tax by 30.9 percent, and consumption tax by 13 percent.

- A tax windfall could reduce deficit bond issuance and ease funding debates over the food consumption tax cut, which needs about ¥5 trillion a year. Some in the GOJ want new bonds held near ¥40 trillion in the FY 2027 budget. Revenue in September rose 6.9 percent, helped by global minimum tax receipts and a tripled departure tax.

II. Public Opinion Poll

- A JNN poll released on Monday found that the Takaichi Cabinet's approval rating was 65 percent, up two points from September, while disapproval fell one point to 33 percent.
    - 39 percent of respondents said that they approve of the Takaichi Cabinet because it seems better than the alternatives; 26 percent said because they have high hopes for its policies; and 15 percent said because they trust Takaichi.
    - 31 percent of respondents said that they disapprove of the Cabinet because they have no hopes for its policies; 22 percent said because it is centered around the LDP; and 18 percent said because they do not trust Takaichi.
    - 46 percent of respondents said that they want Takaichi to remain prime minister for as long as possible; 36 percent said until her tenure as LDP president ends in September 2027; and 14 percent said they want her out as soon as possible.
    - 54 percent of respondents said that they support the food consumption tax cut, while 35 percent said they oppose it.

- 62 percent of respondents said that they support the proposal to cut back proportional representation seats in the House by thirty-one, while 19 percent said they oppose the proposal.
- 48 percent of respondents said that they are very concerned about the ongoing cyber attacks and data breaches; 39 percent said they are somewhat concerned; 10 percent said they are somewhat unconcerned; and 3 percent said they are not concerned at all.
- 42 percent of respondents said that they somewhat disapprove of the GOJ's response to cyber attacks; 34 percent said they somewhat approve; 16 percent said they strongly disapprove; and 5 percent said they strongly approve.

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

Political Party	**Approval Rating (%)**
Liberal Democratic Party	32.9 (-1.8)
Japan Innovation Party	3.7 (+0.5)
Democratic Reform Party	0.7 (+0.3)
Democratic Party for the People	3.2 (+0.3)
Suffrage Party (Sanseitō)	3.6 (+0.2)
Team Mirai	1.4 (+0.8)
Japan Communist Party	2 (-0.5)
Reiwa Shinsengumi	0.5 (+0.2)
Japan Conservative Party	1 (+0.2)
Social Democratic Party	0.4 (+0.1)
Constitutional Democratic Party	2.1 (-0.4)
Komeito	2.1 (-0.7)
Independent (No Party)	42.7 (+1.3)