

Japan's National Defense Playbook under the New Leadership

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Introduction



Mr. Shigeru KITAMURA
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- **Shigeru KITAMURA** is a former National Security Advisor and Director of Cabinet Intelligence, served under Prime Ministers Noda, Abe, and Suga. He led the creation of the economic division within Japan's National Security Secretariat and played a key role in the enactment of the **Special Secrets Protection Act of 2013 & the Economic Security Promotion Act of 2022**.
- After retiring from public service, he founded **Kitamura Economic Security Inc.(KES)**, a consulting firm specializing in six practice areas: economic security, cybersecurity, compliance, research&analysis, defense, and corporate advisory.
- KES partners with **American Global Strategies(AGS)**, led by former U.S. National Security Advisor **Robert O'Brien**, to provide clients with strategic advisory, market entry support, public affairs, policy analysis, and corporate intelligence.



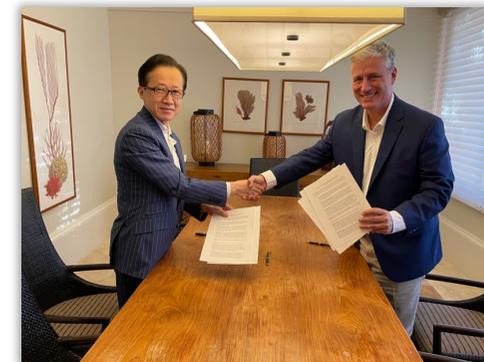
Prime Minister Abe & May



President Trump



Prime Minister Takaichi

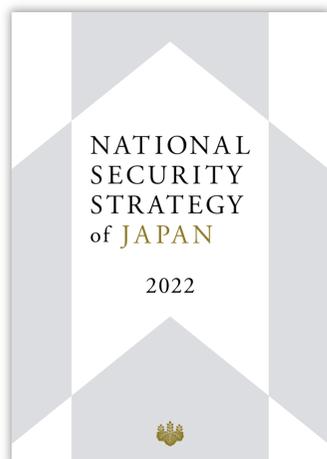


NSA Robert O'Brien

1. The Current State of Japan's Defense Industry
2. Japan's National Defense Playbook under the New Leadership

The Three Security Documents of 2022

- In December 2022, the Government of Japan recognized that we are facing *“the most severe and complex security environment since the end of World War II.”*
- This is driven by three major factors: ① A serious missile gap in East Asia, ② Persistent gray-zone situations in the East China Sea, and ③ Hybrid threats, such as cyberattacks.
- To respond, Japan released *the Three Security Documents*—the National Security Strategy (NSS), National Defense Strategy (NDS), and Defense Buildup Program (DBP)—and launched *“the Fundamental Reinforcement of Defense Capabilities.”* Importantly, the defense industry is now positioned as *“a partner responsible for national defense along with MOD and JSDF.”*



National Security Strategy (NSS)

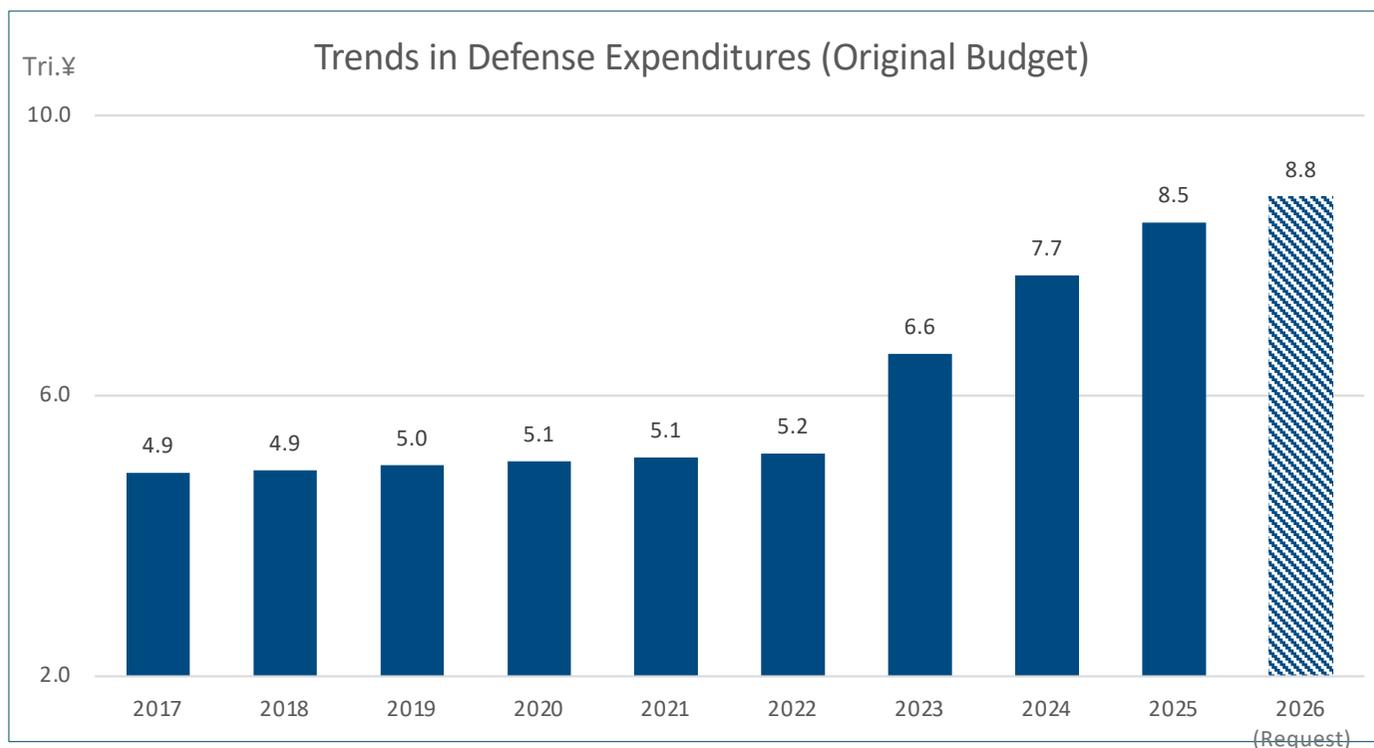
Japan's defense production and technology base is an indispensable foundation for ensuring stable research and development, production, and procurement of defense equipment in Japan. Therefore, Japan will advance defense production and technology bases because *they are characterized as defense capabilities themselves.*

National Defense Strategy (NDS)

Japan's defense industry is important, considered as *a partner responsible for national defense along with MOD/SDF* in terms of securing equipment for SDF to carry out its missions, and it is necessary to maintain and reinforce the capability to produce high performance equipment and secure high operational rates.

Increase in Defense Expenditures

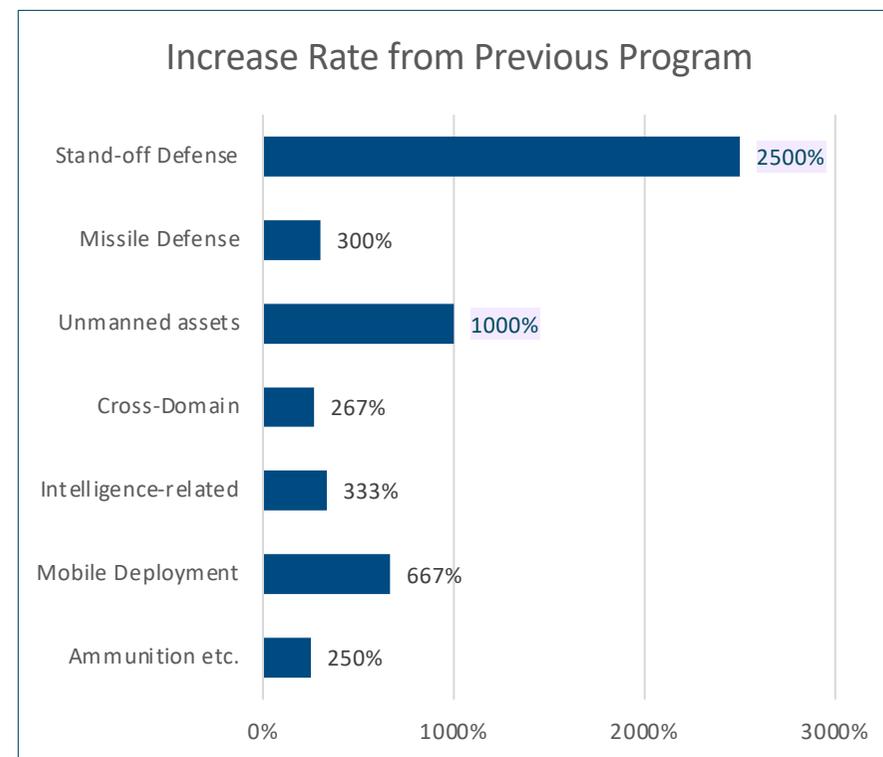
- The Three Documents call for a major reinforcement of defense capabilities, including counterstrike capability, aiming for defense spending to reach **2% of GDP by FY2027**, with about 43 trillion yen (\$286.7 billion USD) over five years.
- In FY2025, the defense original budget is 8.5 trillion yen (\$56.7 billion USD), and with related expenditures totals 9.9 trillion yen (\$66 billion USD), or 1.8% of GDP. Importantly, **80% - 90% of this spending is domestic**, providing a significant boost to Japan's defense industry.



Defense Buildup Program (2023-27)

- The “*fundamentally reinforced defense capability*” must be able to respond to “*New Ways of Warfare,*” which combine large-scale missile attacks with enhanced precision strike capabilities, hybrid warfare including information operations, and asymmetric attacks using drones.
- The DBP (2023-27) allocates a defense budget of 43.5 trillion yen over five years to secure **7 key functions and capabilities**. Budget growth for stand-off missiles like Tomahawk and unmanned assets such as drones stands out.

	Stand-off Defense Type12 SSM, Tomahawk etc.	5 trillion yen
	Missile Defense SM-6, PAC-3MSE missiles etc.	3 trillion yen
	Unmanned Defense	1 trillion yen
	Cross-Domain Operation F-35A, F-35Bs, New FFM etc.	8 trillion yen
	Command and Control Intelligence-related Functions	1 trillion yen
	Mobile Deployment	2 trillion yen
	Ammunition, Missile, Fuel & Facilities	15 trillion yen



Reinforcing Defense Production Base

- Japan's defense industry has long faced structural challenges due to reliance on the JSDF as its sole customer, resulting in small-scale operations and frequent divestment—**about 100 firms exited in the past 20 years.**
- Labor shortages and rising cyber risks have underscored the need to strengthen the production base.

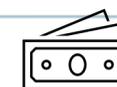
The Act on Enhancing Defense Production and Technology Bases



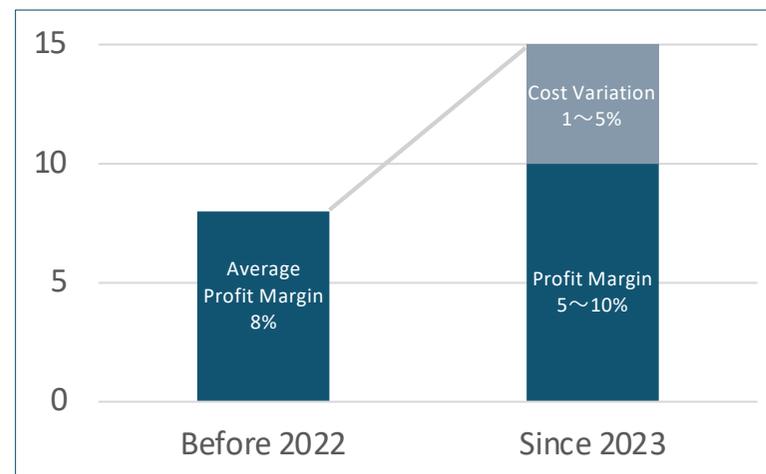
- Enacted in November 2023 as **Japan's first defense industry support law**, various measures are being implemented to maintain and strengthen the development and production base of defense equipment.

- ✓ **Supply Chain Survey:** Identify withdrawal & cyber risks
- ✓ **Base Reinforcement:** Resilience, automation, cybersecurity, succession
- ✓ **Equipment Transfer:** Fund spec changes for exports
- ✓ **Gov Ownership:** Acquire facilities if succession fails
- ✓ **Info Protection:** Legal secrecy & penalties

Making the Defense Business More Attractive



- High requirements and cost escalation have hindered fair profitability in defense projects.
- Since FY2023, profitability reforms include **QCD evaluation** and **cost adjustment rates**, raising expected margins from around 8% to up to 15%.



Reinforcing Defense Technology Base

- In the Ukraine war, advanced technologies such as AI and unmanned systems have been deployed extensively. China, under its “Military-Civil Fusion” strategy, uses cutting-edge civilian technologies and foreign intellectual property (IP) for military modernization.
- The Three Security documents and “Defense Technology Guidelines 2023” stress the need to leverage advanced civilian technologies for defense R&D through spin-on.

1. MOD Funding



- Established in 2015, the program invites advanced basic research from universities, institutes, and companies for future defense R&D, with an annual budget of ¥10 billion and 190 projects adopted by FY2024.
- Research freedom is fully respected, with no government intervention or publication restrictions.

3. Defense Innovation Institute



- Inspired by US’s DARPA, Japan created a breakthrough research unit in November 2024, recruiting private-sector experts as program managers to pursue transformative technologies beyond defense.

2. K program



- Under the Economic Security Promotion Act of 2022, Japan launched a ¥500 billion fund through JST and NEDO to develop critical advanced technologies, ensuring technological superiority and indispensability.

4. Security Clearance system



- Japan lacked a system to protect scientific and economic information among G7 nations; this new framework will enhance information security and promote international cooperation in advanced technology R&D.

Transfer of Defense Equipment

- Japan banned all arms-exports ban under the Miki Cabinet’s unified view in 1976. This principle continued until 2014, when the Abe Cabinet adopted “the Three Principles on Transfer of Defense Equipment and Technology,” shifting toward promoting overseas transfers.

Defense Buildup Program (DBP 2023-27)

Transfer of defense equipment and technology overseas is effective in ensuring the growth of the defense industry through the expansion of defense equipment market. From this perspective, the government will take the lead in promoting appropriate overseas transfer of defense equipment and technology by further cooperation between the public and private sectors.

- Progress has been slow due to factors such as corporate reluctance to the “merchants of death” image, limited experience with foreign markets, and a weakened industrial base under prolonged budget constraints.
 - Also strict screening remains, allowing exports of lethal finished products only for the so-called “5 Categories”
①Rescue②Transport③Warning④Surveillance⑤Minesweeping.
 - The government continues revising implementation guidelines, easing restrictions on licensed production and joint development, leading to multiple international projects and growing corporate investment
- ✓ Japan imposed no special restrictions on arms exports after WWII. The Sato Cabinet introduced the “Three Principles on Arms Exports” in 1967, banning exports to communist states, UN embargoed countries, and nations involved in international conflicts—marking the start of Japan’s arms export controls.

Defense & Technology Cooperation

Surveillance Radar to the Philippines (2020)



- ✓ A contract was signed between the Philippine Department of National Defense and Mitsubishi Electric to deliver four air surveillance radars for about \$100 million—the first overseas transfer of complete defense equipment by Japan.

Joint Development of Fighter Aircraft (2022)



- ✓ Japan, the UK, and Italy agreed to jointly develop a sixth-generation fighter under the Global Combat Air Programme (GCAP), with Saudi Arabia, India, Canada, and Australia expressing interest in participation or procurement.

DICAS (2024)



- ✓ Defense Industrial Cooperation, Acquisition, and Sustainment Forum (DICAS) to promote joint missile production and maintenance of forward-deployed US naval vessels and aircraft, leveraging both nations' defense industrial bases.

New FFM-Class Frigates to Australia (2025)



- ✓ Japan and Australia agreed to co-develop an enhanced Mogami-class frigate. Following the radar deal with the Philippines, a second export case—the largest to date—has been concluded.



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Prime Minister Takaichi & New Coalition

- In October 2025, LDP leader Ms. Sanae TAKAICHI became Japan's 104th Prime Minister. Under former leader Shigeru ISHIBA, LDP lost its majority in both houses and relied on coalition partners. After Komei-to ended its 26-year alliance over Takaichi's hawkish stance, she formed a coalition with the Japan Innovation Party (JIP).
- This realignment matters: LDP and JIP align on foreign and security policy, unlike Komeito, which opposed easing export restrictions under GCAP and abolishing the "5 Categories" for defense transfers. The new government is expected to strengthen Japan's defense industry.



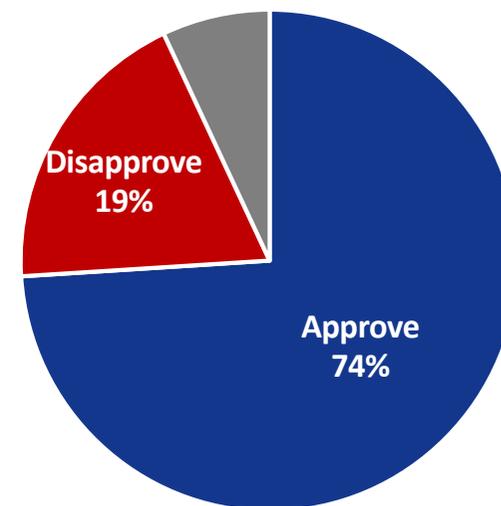
LDP–JIP Coalition Agreement



"As an independent nation, anchored in the U.S.-Japan alliance, we will take a realist approach to resolve the unfinished tasks of the past 80 years."

- ✓ Accelerating Revision of the Three Security Documents
- ✓ **Establishing National Intelligence Bureau & Foreign Intelligence Agency**
- ✓ Development of Nuclear Submarines
- ✓ **Abolition of the "5 Categories" for Defense Equipment Transfers**
- ✓ Operation of State-Owned Defense Production Facilities

- The abolition of the "5 Categories" would mark a profound shift in Japan's defense equipment transfer policy, while uncertainty remains over Japan's defense industry readiness.



- Cabinet approval rate at launch is record-high.

Policy Speech / Japan-US Summit Meeting

PM Takaichi's First Policy Speech

- Japan will accelerate efforts to fundamentally strengthen its defense capabilities in response to “New Ways of Warfare.”
- **Measures will be taken to reach a defense budget of 2% of GDP within FY2025, and the three security documents will be revised by FY2026**—an exceptional early revise, reflecting the Takaichi administration’s severe threat assessment.
- Defense priorities include unmanned systems and enhanced ammunition stocks to improve endurance, likely key areas in the next strategy.



Japan-US Summit Meeting in Tokyo (Oct. 2025)

- Japan reaffirmed its commitment to bolster defense capabilities within the Japan-US alliance, while advancing a Free and Open Indo-Pacific (FOIP) through cooperation with partners such as South Korea, the Philippines, Australia, and India.
- Both nations agreed to deepen defense equipment and technology collaboration, including joint missile production and expanded maintenance cooperation under DICAS.

