

# Japan's Defense Report Card



Progress,  
Partnerships, and  
Pressure Points

August 2025

## Scorecard Table

Japan is pursuing the most ambitious defense expansion in its postwar history—yet it faces fiscal, political, and alliance-management headwinds. The scorecard below provides TAG’s snapshot assessment of Japan’s evolving defense policy at a critical time for its bilateral relationship with the United States and Indo-Pacific regional security. We made the evaluation using three lenses, with pre-Shinzo Abe and Fumio Kishida Japanese security policy as the uniting reference point: Japan’s domestic defense efforts, alliance cooperation with the United States, and regional security partnerships.

Issue Area	Grade	Current Snapshot Summary	Future Trend
Defense Budget Trajectory	A	On track to 2% GDP by 2027, but weak yen and political pressures	↑
Procurement and Capability Delivery	B+	Investing in strike, real-time monitoring, and autonomous platforms, but delays emerging; early update expected on yen/new tech needs	→
R&D and Technology Integration	B+	Strong AI and autonomous push; defense R&D budget growing	↑
Cyber/Infrastructure Resilience	B+	Notable investments, but limited implementation details	↑
Defense Exports	A-	Policy changes to relax restrictions on export of defense equipment; robust campaign to win the SEA3000 frigate competition in Australia	↑
U.S.-Japan Alliance Integration	B	Progress on establishing Japan Joint Operations Command (JJOC), but uncertain commitment to more integrated bilateral C2 structure	→
Security Ties Beyond U.S.	A	Robust momentum with Indo-Pacific and European partners	↑

# I: Japan's Domestic Defense Efforts

## Rebuilding the Arsenal: Expectations and Budget Realities

### BUDGET EXECUTION AND 2 PERCENT GDP GOAL

- Japan remains on track to reach its defense spending target of 2 percent of GDP by FY2027 but rising expectations from Washington and persistent yen depreciation present medium-term risks to its sustainability. A Defense Ministry review panel is also expected to propose the government consider raising defense spending beyond the current 2 percent goal.
- In a major milestone for its postwar defense posture, Japan will spend an estimated JPY 8.4 trillion on defense-related outlays in FY2025. This marks a roughly 9 percent increase over the JPY 7.7 trillion allocated in FY2024 and positions Japan's defense budget at roughly 1.5 percent of GDP, with plans to hit the 2 percent threshold by 2027 still intact. Compared to its long-standing informal 1 percent cap, this represents a fundamental shift in Japan's approach to defense spending

### PROCUREMENT AND CAPABILITY DELIVERY

- Japan's 2022 National Defense Strategy (NDS) represents a break in doctrine from decades of "exclusively defense-oriented" policy. This strategic shift centers on the acquisition of long-range precision strike weapons, enhancement of targeting capabilities, and expansion of uncrewed, AI-enabled systems to offset operational challenges tied to geography, force size, and recruitment constraints.
- Japan is rapidly acquiring U.S. and indigenous long-range missile systems to enable a credible counterstrike posture, but still faces major gaps in targeting, tracking, and command-and-control integration. Japan will likely be dependent on the U.S. for these enabling capabilities for the foreseeable future.
- Tokyo is expanding investments in unmanned aerial vehicles (UAVs) and autonomous platforms to offset recruitment shortfalls and strengthen capabilities in intelligence, surveillance, and reconnaissance (ISR). Still, institutional procurement delays and technical integration challenges risk undermining these efforts.

- Japan's defense procurement is ambitious and aligned with its strategic national security goals, but yen depreciation, global supply chain snags, and implementation and integration challenges—especially in long-range munitions and uncrewed systems—are causing significant delivery delays and underscore limits in readiness and execution.

## R&D AND EMERGING TECHNOLOGY INTEGRATION

- Japan is investing heavily in AI, space, and hypersonic capabilities with growing synergy between defense modernization and industrial policy. Integration, export constraints, and institutional adaptation remain works in progress.
- Japan's defense R&D surge is increasingly aligned with the country's broader industrial strategy. The Startup Development Five-Year Plan, backed by a USD 7 billion government funding, is nurturing deep-tech ecosystems in areas such as AI, robotics, unmanned systems, and advanced sensing.
- In June 2025, Japan's Ministry of Defense (MOD) established a "Defense Science and Technology Board" modeled after the United States' Defense Science Board. The Board is made up of 15 experts in areas such as AI, space, cyber, quantum, semiconductors, robotics, and is responsible for advising the ministry on dual-use technologies. In addition, Japan's newly established Defense Innovation Science and Technology Institute (DISTI), modeled after the U.S. Defense Advanced Research Projects Agency (DARPA), signals Japan's intent to accelerate defense innovation. With a dedicated budget of USD 140 million and a staff of around 100 personnel, including AI and robotics experts, the institute aims to support cutting-edge R&D and foster greater collaboration between government, academia, and the private sector. While still in its early stages, DISTI represents a promising but untested step in reshaping Japan's defense-industrial ecosystem.

However, Japan's growing emphasis on indigenous R&D and production—while important for economic security and supply chain resilience—risks complicating interoperability with allies and delaying fielding of mature capabilities. Striking the right balance between self-reliance and joint operability will be key to ensuring Japan's defense investments contribute effectively to alliance deterrence.

- Although Japan ranks third globally in overall R&D spending and patent filings, its historical constraints on arms exports have limited the development of a robust defense-focused innovation ecosystem. In addition to Japan's first-ever transfer of finished weapons systems (Patriot missile batteries) to the United States in Summer 2025, Tokyo's



participation in the Global Combat Air Programme (GCAP) will require Japan to produce and export parts of the aircraft. Moreover, Tokyo is vigorously competing to export fully armed Mogami frigates to Australia and is considering exporting used but fully armed frigates to the Philippines. Still, political sensitivities around Article 9 of the pacifist constitution and arms sales linger.

#### REVISING THE FIVE-YEAR DEFENSE BUILD-UP PLAN

- Japanese defense officials have signaled that the JPY 43 trillion five-year buildup plan may be revised to reflect shifting priorities—particularly a growing emphasis on autonomous systems, unmanned platforms, and AI-enabled capabilities in response to a worsening security environment. The Defense Ministry is also weighing the impact of yen depreciation, which is eroding purchasing power, and may begin work on the next defense buildup plan earlier than scheduled. These changes could push Japan's overall defense spending beyond the current 2 percent of GDP target.
- Japan has already decided to acquire long-range missiles, including U.S.-made Tomahawk cruise missiles and upgraded Type-12 anti-ship missiles. An MOD review panel urges even greater stockpiles of missiles and ammunition to strengthen deterrence. In a notable shift, experts on the MOD panel have even deliberated deploying submarines armed with long-range missiles, potentially including nuclear-powered subs, to enable strikes from distances beyond an adversary's reach. Such ideas face political and legal hurdles but also underscore the breadth of new capabilities Japan is considering to plug gaps in its defense.

#### CYBERSECURITY AND INFRASTRUCTURE

- The National Diet passed a bill in June 2025 to introduce active cyber defense (ACD), which will reorganize Japan's cybersecurity operations and enable the government to respond to cyber-attacks originating beyond Japan's borders. The bill establishes a public-private information sharing mechanism, empowers the government to monitor private communications related to cyber threats, and allows the police and/or Japan's Self-Defense Force (SDF) to preemptively neutralize cyber-attacks.
- Another major initiative underway is to modernize the SDF's digital infrastructure through cloud integration. Japan's Defense Ministry is working with the government's Digital Agency to adopt a secure government cloud as the backbone for military IT systems. By centralizing networks and data on the cloud, the MOD aims to break down stovepipes between the Ground, Maritime, and Air SDF systems and improve the speed and resilience of information flow.

- Still, Japan's reliance on on-premises and legacy IT systems and its reluctance to partner with international firms offering cutting-edge cloud technology creates significant security vulnerabilities, limiting its ability to defend against cyber threats and leverage new technologies for defense. Japan is rapidly expanding its cyber defense force and budget, but persistent personnel shortages—driven by competition from the private sector and a shrinking youth population—pose major challenges to filling cyber, IT, and engineering roles critical to sustaining digital defense capabilities.

## II: The U.S. – Japan Alliance

### **Integrated but Uneasy: Defense Coordination Amid Trade Tensions**

#### ALLIANCE COMMAND AND CONTROL

- In March 2025, U.S. Secretary of Defense Pete Hegseth and Defense Minister Gen Nakatani announced the formal elevation of U.S. Forces Japan to a joint force headquarters, a long-sought move to enable real-time, theater-wide coordination with the newly established Japan Joint Operations Command. Together, these two new commands will enable more integrated operations between U.S. Forces and the Japan Self-Defense Forces.
- Tokyo's new "one-theater approach" proposal, which would unify operational planning across the East China Sea, South China Sea, and Korean Peninsula, aligns with this arrangement. Practical implementation will require expanded intelligence sharing, joint targeting frameworks, and staff integration between the two nations.
- Tokyo is heavily investing in new facilities, air defense systems, and munition stockpiles in the Southwest Islands (Nansei Shoto) in preparation for a potential contingency involving China. The allies have also updated joint operational plans and expanded the scale and complexity of bilateral exercises—most notably in amphibious and island defense scenarios—reflecting a shared view that China, not North Korea, now poses the primary military challenge in the region. The integration is designed to ensure faster decision-making and more seamless coordination in a crisis, particularly around Taiwan or the East China Sea.

- Ongoing exercises, bilateral planning, and bilateral information-sharing cells are helping establish habits of cooperation, though legal and doctrinal differences remain hurdles.

#### DEFENSE INDUSTRY COOPERATION

- Japan is gradually expanding its co-production and MRO (maintenance, repair, overhaul) efforts, especially in shipbuilding and airframe sustainment. These efforts create opportunities for U.S. firms to partner with Japanese industry under the current five-year defense buildup plan.
- Japan has taken recent steps to allow the export of completed defense equipment products to countries where the patent holders are based and for re-export to third countries with permission, enabling Japan's participation in GCAP and the transfer of Patriot missile batteries to the United States. However, despite these policy shifts, Japan's defense industry remains hesitant to enter the global arms market. Without broader reforms to Japan's export restrictions and stronger incentives for private-sector participation, these industrial ties will remain shallow compared to those between the United States and other allies like Australia or the United Kingdom.
- Positive developments include Japan's 2023 accession to the Multinational Industrial Security Working Group, active participation in the U.S. Department of Defense-led Partnership for Indo-Pacific Industrial Resilience (PIPIR), and its enactment of new defense industrial security legislation, which may pave the way for deeper U.S. technology transfers and joint development projects in the coming years.

### III: Broader Security Partnerships

#### **Diversifying the Deterrent: Japan's Strategic Outreach Beyond the Alliance**

Japan is proactively expanding defense cooperation with like-minded partners—particularly Australia, the Philippines, the ROK, India, and select European countries. These deepening partnerships reflect Japan's evolving defense doctrine: More forward-leaning, expeditionary, and more integrated with regional and global actors.

#### INDO-PACIFIC ENGAGEMENTS



- **Australia:** Australia is Japan's most advanced security partner after the United States; bilateral cooperation spans military exercises, defense-industrial collaboration, and operational planning. In July 2025, the two countries—alongside the United States—signed their first trilateral logistics and interoperability agreement aimed at streamlining maritime operations. The pact enhances coordination on ship and aircraft repairs, airfield restoration, medical evacuations, and logistics integration during naval exercises and joint contingencies. The two countries are implementing their Reciprocal Access Agreement (RAA) and working toward deeper joint production initiatives—including as finalists for the Australian Navy's next-generation frigate project. Tokyo established a public-private joint promotion committee—co-led by the MOD and defense industry—to coordinate its USD 6.4–6.6 billion bid for Australia's SEA 3000 frigate program.
- **Philippines:** Japan's defense partnership with the Philippines has grown significantly through equipment transfers, capacity-building, and legal agreements. The two countries signed an RAA in 2023, and Japan has transferred air surveillance radars and is in discussions to transfer naval assets to the country, including six retired Abukuma-class destroyer escorts. Joint patrols and maritime security cooperation are increasing, particularly in response to Chinese aggression in the South China Sea.
- **India:** While Japan-India security ties remain strategic but measured, cooperation continues through Malabar naval exercises and bilateral defense dialogues. Defense tech cooperation remains limited but shows potential, especially in unmanned maritime systems and logistics support.
- **South Korea:** Bilateral security ties remain cautious, but trilateral coordination with the United States is deepening. Japan, the United States, and South Korea have expanded sharing of real-time missile warning data. They have also institutionalized trilateral military exercises, though Japan-ROK defense co-production or force rotations are not currently being openly discussed.
- **Official Security Assistance (OSA):** Japan's OSA framework, launched in 2023, provides grant-based transfers of defense equipment and infrastructure to like-minded Indo-Pacific partners as part of its strategy to uphold a rules-based order and deter unilateral changes to the status quo. Initial recipients include the Philippines, Malaysia, Bangladesh, and Fiji, with the program expanding in 2024–2025 to include Indonesia, Thailand, Sri Lanka, Papua New Guinea, Timor-Leste, and Tonga.

## EUROPEAN AND NATO PARTNERSHIPS



- **UK and Italy:** Japan is pursuing its most ambitious multilateral defense development program to date: GCAP with the UK and Italy. GCAP aims to develop a sixth-generation fighter by the mid-2030s, with shared R&D, IP, and production across the three countries. Japan's participation demonstrates its increasing willingness to engage in long-term, interoperable defense R&D with trusted partners beyond the United States.
- **France and Germany:** France and Japan have ramped up Indo-Pacific maritime exercises and logistics coordination and formally launched talks toward concluding an RAA last year. Germany has deployed naval assets to the Indo-Pacific in recent years and joined multilateral exercises with Japan, highlighting growing defense policy alignment with Tokyo. Japan and Germany have also strengthened defense industry collaboration, including co-development discussions.

## When the Firewall Fades: Tariff Talks and the Future of U.S.–Japan Defense Cooperation

Japan remains on course to meet its 2 percent of GDP defense spending target by FY2027, and is making strategic investments in long-range strike, AI, and uncrewed systems to bolster deterrence in the face of growing regional threats. Tokyo's emphasis on cross-domain resilience, co-development, and outreach to emerging defense-tech players reflects a broader reorientation toward a more proactive and autonomous national defense posture.

At the alliance level, operational coordination is improving—most notably through the elevation of U.S. Forces Japan to a joint headquarters and expanded targeting and planning integration. However, politically sensitive issues such as defense spending, HNS contributions, and reciprocal defense commitments are becoming harder to isolate from U.S.–Japan trade frictions under the current administration. Japanese officials say statements from U.S. officials linking defense contributions to tariff relief—explicitly or implicitly—risk undermining public support for Japan's defense buildup and burden-sharing commitments.

Meanwhile, Tokyo is expanding its security relationships with countries like Australia, the Philippines, and the UK. Not only are these partnerships reinforcing Japan's regional presence, but they also serve as strategic hedges against a more transactional or inward-looking U.S. posture.

- **Core insight:** Japan's multi-year defense buildup is progressing—anchored by budget increases, new operational concepts, and growing diversification of security partnerships. But rising expectations from

Washington and the political strain of unresolved trade disputes are testing the alliance's ability to maintain the firewall separating defense cooperation from economic issues.

- **Observation:** Tokyo's efforts to not have defense issues linked with ongoing tariff negotiations reflects its concern that visible U.S. pressure could spark domestic backlash to politically sensitive defense issues. This dynamic highlights how alliance management is influencing not just Japan's security planning, but also its negotiating posture in sensitive trade talks.
- **Prognosis:** The credibility and durability of Japan's defense transformation will hinge on whether domestic support for a more forward-leaning security posture can remain resilient while navigating tough negotiations over trade and defense spending increases.
  - A stable, predictable trade framework would help Japanese officials and lawmakers make politically difficult defense investments and commitments.
  - Conversely, blurred lines between economic pressure and alliance cooperation could strain defense progress—particularly in areas that require public buy-in, industrial coordination, or legal reform. A favorable trade deal could restore a solid firewall between defense and economic issues and stabilize alliance ties. A failed negotiation may accelerate Japan's diversification strategy and increase pressure for early revision of domestic defense policy documents.