

Economic Research View:

Japan Prime Minister Ishiba's Resignation Leads to LDP Leadership Election

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On September 8th, Prime Minister Shigeru Ishiba announced his resignation as Liberal Democratic Party (LDP) president, confirming the decision to hold the party leadership election to prevent proceeding with confirming the intent of requesting for an extraordinary leadership election. When conducted in full format, the voting process typically takes about a month from the resignation announcement. Some reports suggest the voting could take place in early October. The next leadership candidates are expected to largely overlap with the previous lineup, with Ms. Sanae Takaichi and Mr. Shinjiro Koizumi seen as leading contenders. However, under the minority ruling coalition, there is no guarantee that the new LDP president will win the prime ministerial election. There may also be moves to seek cooperation with opposition parties concurrently with the leadership election.

Ishiba Announces Resignation as LDP President

Ahead of the scheduled vote on whether to hold an extraordinary leadership election on September 8, Prime Minister Shigeru Ishiba announced his resignation as president of the Liberal Democratic Party at a press conference on September 7 at 6pm. At the House of Representatives and House of Councillors joint caucus meeting on September 2, Ishiba had stated, "I am not someone who clings to office out of attachment; it is my duty to face responsibility and make a proper decision at the appropriate time." He explained that with a milestone reached in negotiations regarding US tariff measures, he believed now was the right time to step aside and make way for the next generation. He also revealed concerns that confirming the will to request an extraordinary leadership election could cause a decisive split within the party. Ishiba will not run in the upcoming leadership election triggered by his resignation, but will remain as prime minister until a new party president is chosen.

Evening of September 6: Meeting with Vice President Suga and Agriculture Minister Koizumi

There were reports that Prime Minister Ishiba was considering seeking a vote of confidence through a snap general election if the leadership election was moved forward. As support for holding an extraordinary leadership election gained momentum, on the evening of September 6, Prime Minister Ishiba met with former Prime Minister and LDP Vice President Yoshihide Suga and Agriculture Minister Shinjiro Koizumi, who reportedly urged him to resign voluntarily.

Schedule of the LDP Leadership Election

According to the LDP's party rules, "When an extraordinary leadership election is held during the incumbent president's term, the Party Headquarters Management Committee shall promptly decide and announce the election date after deliberation by the General Council." The rules also state that, "The announcement of the leadership election must be made at least twelve days before the voting day by LDP-affiliated Diet members." The schedule varies depending on whether the election is conducted in full or in a simplified format. However, the simplified format tends to attract criticism. Looking at past cases, full-scale leadership elections typically take about one month from the former president's resignation announcement until the new leader is chosen. There have been reports suggesting the voting might take place in early October this time as well.

- In the previous leadership election that elected Ishiba as the LDP president, Prime Minister Kishida announced on August 14, 2024, that he would not run in the September leadership election. The official announcement and candidate registration took place on September 12. The Diet members vote and the subsequent counting occurred on September 27.

The election prior to this one (which elected Kishida) followed a similar timeline. Prime Minister Suga announced his resignation on September 3, 2021; the election was announced and candidates registered on September 17; and voting and counting took place on September 29. Earlier, during the election that elected Suga, Prime Minister Abe announced his resignation on August 28, 2020. The election was announced and candidate registration accepted on September 8; with voting and counting occurring on September 14, in a simplified election.

Potential Candidates for the Next LDP President

Apart from the candidates who ran in the September 2024 leadership election, the only realistic new candidate would be former Prime Minister Fumio Kishida; however, he has denied any intention of making a comeback. Candidates include former Economic Security Minister Sanae Takaichi, Agriculture Minister Shinjiro Koizumi, Chief Cabinet Secretary Yoshimasa Hayashi, former Economic Security Minister Takayuki Kobayashi, and former LDP Secretary-General Toshimitsu Motegi. According to public opinion polls, the frontrunners are particularly Takaichi and Koizumi, who may differ significantly in their policies and in their implications over financial markets.

In the 2024 presidential election, Takaichi advocated for strategic fiscal spending, stating that she would build a strong economy through bold crisis management investments and growth investments. In an interview held in April 2025, she also mentioned the benefits of a weaker yen. If Takaichi's chances of winning increase, the yen is likely to depreciate further, which could put upward pressure on long-term interest rates due to a rise in the fiscal risk premium.

Koizumi, on the other hand, said that in the 2024 presidential election, he would inherit the basic economic policy direction of the Kishida administration and increase the intensity and speed of policies to accelerate the positive momentum. He focused on regulatory reforms such as the full deregulation of ride-sharing services and the review of dismissal and overtime regulations, though some criticism was directed at these measures. Compared to Takaichi, if Koizumi's chances of winning increase, the reaction in the bond and foreign exchange markets is expected to be limited. Meanwhile, if expectations for regulatory reforms—including labor market reforms—rise, the stock market might respond favorably.

The LDP President Does Not Automatically Become Prime Minister

When a new LDP president is elected, the Ishiba Cabinet will resign en masse, and a prime ministerial election will be held in the Diet. If the ruling coalition holds a majority in the House of Representatives, the LDP president usually becomes the new prime minister automatically. However, the current situation is different. (1) If the opposition unites to vote for a candidate other than the new LDP president in the runoff vote, or (2) If the LDP and coalition party Komeito facilitate the opposition joining a coalition government and concede the prime minister position, a prime minister from outside the LDP could emerge. However, these two scenarios are currently considered unlikely. As a result, the pattern may resemble the previous election, where the opposition failed to unify in the runoff vote, many invalid votes were cast, and the new LDP president was elected prime minister.

- The prime ministerial election is conducted by single-round secret ballot, and the candidate who receives a majority of votes is elected. If no candidate wins a majority in the first round, a runoff vote between the top two candidates is held, and the one with the majority is chosen.
- If the House of Representatives and the House of Councillors select different candidates, a joint committee is convened. If they still fail to agree or if the House of Councillors does not decide within 10 days (excluding recess periods) after the House of Representatives' decision, the House of Representatives' selection becomes the decision of the Diet.
- When Ishiba was elected previously, in the first vote in the House of Representatives, the LDP and Komeito voted for Ishiba, while other parties voted for their own candidates, leading to a runoff. In the runoff, the candidates were Ishiba and Yoshihiko Noda, leader of the Constitutional Democratic Party. Although Noda increased his votes by 9 to 160, Ishiba maintained 221 votes. With 84 invalid ballots, Ishiba was elected prime minister.

The commentary is based on personal views and does not necessarily reflect the house view.

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