

The 2025 House of Councillors Election

While political stability remains challenged, market concerns over fiscal deterioration have temporarily subsided

July 22, 2025

The ruling LDP-Komeito coalition lost its majority, while the Democratic Party for the People and Sanseito made notable gains

In the 27th House of Councillors election held on July 20, 2025, the ruling coalition of the Liberal Democratic Party and Komeito secured only 47 seats, falling short of a majority (125 seats) when combined with their 75 uncontested seats. Amid rising inflation and concerns over US tariff policies, the coalition's political dominance has visibly weakened. Meanwhile, the opposition landscape has shifted, with the Constitutional Democratic Party failing to increase its seats while the Democratic Party for the People and Sanseito garnered increased support, signaling a trend toward greater party fragmentation.

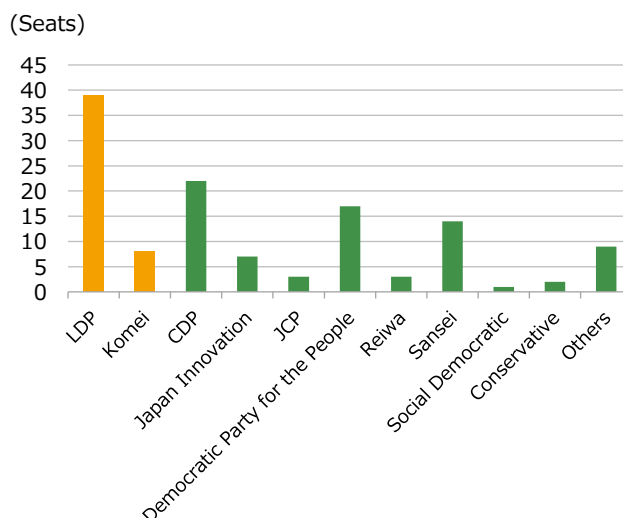
Following the ruling coalition's defeat in the House of Councillors election, Prime Minister Ishiba has expressed his intention to remain in office, citing the need to manage US-Japan tariff negotiations. However, growing dissatisfaction within the party has intensified speculation over his political future. Looking ahead, several scenarios are being considered for the future structure of the administration: (1) continuation of a minority government, (2) expansion of the ruling coalition through broader alliances, and (3) a change in government driven by opposition party unification. However, due to insufficient coordination among opposition candidates and inadequate policy consultations, the possibility of an immediate change in government remains low. For the time being, a political framework based on policy cooperation and coalition arrangements is expected to continue. Under any of the scenarios, fiscal expansionary policies such as a consumption tax cut, as pledged by opposition parties, are expected to be more easily enacted. However, with the House of Councillors election having produced results largely in line with expectations, concerns over fiscal deterioration have temporarily subsided. Nevertheless amid growing political uncertainty, if policies lacking sustainability are prioritized - even while aligning with public expectations - confidence in fiscal discipline may be undermined, increasing the risk of sovereign credit downgrades and triggering a "Japan sell-off" in financial markets.

Number of seats won by ruling and opposition parties

Ruling party 122 seats		Majority 125 seats		Opposition parties and others 126 seats	
Non-revised	This time			This time	Non-revised
75	47			78	48

(Source: various media reports; Compiled by Daiwa Asset Management)

Number of seats won by each party



(Source: various media reports ; Compiled by Daiwa Asset Management)

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