

**1 April 2025**

## **Ishiba survives budget season, but major tests await**

### **Key takeaways**

- Prime Minister Ishiba Shigeru accomplished his most important task, passing a budget before the end of the fiscal year.
- However, he enters the second half of the Diet session embattled and facing multiple fights on unfriendly terrain.
- Ishiba may survive to lead the Liberal Democratic Party into upper house elections in July, his position remains tenuous.

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**A**fter the House of Councillors passed a revised FY2025 budget earlier in the day, the House of Representatives approved it in the waning hours of 31 March, shortly before the end of the fiscal year.

On the one hand, securing a budget on schedule is a political victory for Prime Minister Ishiba Shigeru, who navigated it through the Diet despite lacking a majority in the House of Representatives and having to negotiate with multiple opposition parties in search of votes, despite having to revise the budget after dropping a controversial healthcare proposal in the face of criticism, and despite being implicated in a scandal during the budget review process. In fact, this was the first time under the postwar constitution that the House of Representatives voted on a budget for a second time after the initial version was revised by the House of Councillors.

On the other hand, Ishiba may be increasingly vulnerable as the Diet session enters its second half. With the budget unpassed, his opponents were constrained in being able to challenge him; it made little sense to pressure the prime minister while his government was still trying to work with opposition parties to move the budget through the Diet before the end of the fiscal year. Now, with attention shifting to the upper house elections, Liberal Democratic Party (LDP) lawmakers, particularly vulnerable upper

house incumbents, may become more vocal in trying to remove him with enough time to improve the LDP's fortunes. Nevertheless, despite the [drop](#) in his approval ratings, Ishiba's prospects have improved slightly, if only because many in the LDP – whatever their concerns about Ishiba's leadership – appear reluctant to gamble on a new party leader, particularly when there are no guarantees that the party would be able to ensure the new leader's selection as prime minister by the Diet.

Ishiba may also be protected by a frankly unenviable set of political challenges. Most significantly, he needs to address the **public's concerns about the rising cost of living**. In his press conference on Tuesday, 1 April, the prime minister touted the results of the spring *shuntō* wage negotiations, noted that both large employers and small-and-medium-sized enterprises (SMEs) delivered significant increases for their workers. He acknowledged, however, that additional measures are necessary in order to magnify the real impact of pay increases. Ruling party lawmakers are highly concerned that inflation – particularly energy and food prices, with the prices of more than 4,000 food items expected to rise in April – will be the predominant issue during the campaign, and therefore the LDP and Kōmeitō needs to have an effective program ready. Ishiba and Kōmeitō leader Saitō Tetsuo met on 25 March to discuss their plan for battling inflation, but the substance of the government's plan is still undecided. Ishiba appeared to rule out a supplemental budget last week – though some LDP lawmakers have suggested that one may be necessary to help offset the impact of pending US tariffs – and in his press conference Tuesday he mostly highlighted policies included in the new budget that he said would help support real income gains, while rejecting a proposal from opposition parties to reduce the consumption tax on either food products or across the board. How his government handles this issue will impact the ruling coalition's prospects in the upper house elections more than any other issue.

To be sure, before the upper house elections the Ishiba government will also be assessed on **its response to the Trump administration's pending tariffs** on automobiles as well as other possible "Liberation Day" tariffs that are expected to be announced on 2 April. In his press conference Tuesday, Ishiba emphasized that his government is still prioritizing talks with the United States aimed at securing exemptions – bilateral working-level talks began late last week – but also announced that his government will open roughly 1,000 inquiry counters across the country to help SMEs navigate the new trade barriers and, depending on the specific measures adopted by the US, could use public financial institutions to make financing available to businesses impacted by the tariffs. Meanwhile, the LDP launched a new strategic headquarters on Tuesday that will assess the impact of US tariffs on Japan's economy and offer recommendations for how to respond. As discussed [previously](#), the opposition parties will be watching the government's handling of this issue closely, particularly in light of the worsening macroeconomic outlook.

Meanwhile, **political reform – and the LDP scandals that have spurred the debate – remain prominent issues** on the agenda. Ishiba tried again to put the gift-giving [scandal](#) behind him on Tuesday, offering another apology and explanation for his conduct. But even if some of the pressure on Ishiba himself lifts, the LDP's campaign

finance practices will remain under heavy scrutiny during the remainder of the Diet session. In the coming weeks, Sekō Hiroshige, a former Abe faction leader, will face questioning in the upper house budget committee – he is a former upper house member who jumped to the lower house last year – for his party in the kickback scandal. Sekō's testimony was the price the government paid for the opposition's acquiescence to passing the budget before 1 April. Meanwhile, the ruling and opposition parties are still battling over the next round of political funding reform, having missed their self-imposed 31 March deadline for agreeing on new legislation. The LDP got its way in negotiations with Kōmeitō and the Democratic Party for the People (DPFP) on a joint proposal to increase transparency around corporate contributions; their joint proposal lowers the threshold for reporting donations from JPY 10mn to JPY 50,000 per year but does not include Kōmeitō-DPFP proposals that would limit which organizations could receive donations (or which organizations can give them). While the Constitutional Democratic Party (CDP) and Ishin no Kai may be softening their demand for an outright ban on corporate political donations, they criticized the LDP-Kōmeitō-DPFP proposal as not actually strengthening regulations of corporate giving, suggesting that the Ishiba government could still face a difficult fight on unfavorable terrain over the remainder of the Diet session.

Similarly, Ishiba also facing a difficult fight over pending **legislation that would allow spouses to use separate surnames**. The CDP, upon taking the chair of the lower house's judicial affairs committee after last year's general election, quickly signaled that it wanted to move ahead with this reform, which has been stalled for three decades, due largely to opposition from conservatives in the LDP. The CDP is working with other parties to draft a bill that addresses some of the concerns raised by critics but intends to submit its bill in April. It would be difficult to find an issue better designed to drive a wedge between Ishiba and the LDP right; the latter does not trust Ishiba to oppose the issue and is mobilizing to block the CDP bill and present an alternative proposal. This issue also could complicate Ishiba's relationship with Kōmeitō, which has generally favored this reform. Perhaps the worst-case scenario for Ishiba is if the opposition parties pass the bill through the lower house, but the ruling coalition-controlled upper house either blocks it – which could anger a voting public that has been supportive of the idea – or passes it with Kōmeitō breaking ranks with the LDP to support it. The surname issue has virtually no upside for Ishiba, but he is also not in a position to control events either.

Another legislative proposal – a pending government proposal to **shift funding to the basic pension system** – has also become a headache for the prime minister, as he wants to move the legislation during the current session but LDP lawmakers have balked at starting this debate ahead of the upper house elections. Here too, Ishiba is in a no-win situation. He has already faced criticism from opposition parties for delaying the bill's submission – they have accused him of playing politics with an important national issue – but they are also prepared to attack the government's proposal if it is submitted. LDP lawmakers, meanwhile, could try to stall the debate and shelve the legislation even if it is submitted.

The upshot is that even if Ishiba is able to weather the acute crisis surrounding his gifts to first-term LDP lawmakers – which is more likely with the passage of time – he faces a political minefield before the Diet session ends on 22 June, all of which could make it difficult for him to reverse the drop in his approval ratings and position his party for success in the upper house elections. Of course, looming over the next ten weeks will be the threat of a no-confidence motion by the opposition, which they could use to break a legislative deadlock or otherwise put the LDP in the uncomfortable position of having to either contest another general election under Ishiba's leadership or scramble to replace him. It is an open question whether the opposition parties would unite behind a no-confidence motion, but the threat will give CDP leader Noda Yoshihiko in particular meaningful leverage in his legislative battles with Ishiba.

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