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Takaichi will lean on conservative inner circle despite balanced cabinet

Key takeaways

- Liberal Democratic Party (LDP) leader Takaichi Sanae was elected as prime minister by the Diet on Tuesday, 21 October.
- Her cabinet appointments reflected competing needs to bolster unity in the LDP, reward supporters, and ensure that some of her loyal allies are around the table.
- However, her more important personnel decisions may be in her “inner cabinet,” the senior posts in the prime minister’s office that set the direction for the government; most of these posts went to Takaichi’s fellow conservatives, with implications for how she will manage the government.

There were no surprises when the Diet voted on Tuesday, 21 October for a new prime minister. In the lower house, Takaichi Sanae won on the first ballot with 237 votes, picking up several votes from independent and quasi-independent lawmakers, while in the upper house she fell just short of a majority and had to face a runoff before being confirmed as prime minister. Constitutional Democratic Party (CDP) leader Noda Yoshihiko had no success gaining votes from other opposition parties, making the outcome a foregone conclusion.

Takaichi was then able to unveil her cabinet. The new lineup is marginally younger than Ishiba’s – the average age is 59 compared to the Ishiba cabinet’s 63 – and ten of eighteen members are joining the cabinet for the first time. Despite Takaichi’s talk of wanting to appoint more women to her government, her cabinet includes only two, Finance Minister **Katayama Satsuki** and Economic Security Minister **Onoda Kimi**.

The Takaichi cabinet’s three tendencies

The political color of the cabinet is multi-faceted, which may reflect Takaichi's competing political needs. The largest portion of the cabinet – six of eighteen appointees – were members of the former Motegi faction, including **Motegi Toshimitsu** himself, who is returning to the foreign ministry where he served under Abe Shinzō and Suga Yoshihide. While Asō Tarō's role in backing Takaichi's candidacy has been recognized (and repaid through his influence in the party executive), Motegi and his allies were an important part of Takaichi's winning coalition, for which he was rewarded. Several of the older cabinet members receiving their first cabinet posts – a kind of reward for their service – are members of former Motegi faction members.

There is some overlap, however, between the Motegi group in the cabinet and the second major bloc, Takaichi loyalists. Onoda, who had been a member of the Motegi faction, was one of Takaichi's endorsers and a campaign surrogate; she is being consciously cultivated as a next-generation leader of the Liberal Democratic Party (LDP) right. Katayama and Digital Affairs Minister **Matsumoto Hisashi** were also among her endorsers during the leadership election. (Katayama and Matsumoto are also former Abe faction members, a potential source of risk for Takaichi.)

The third portion of the Takaichi cabinet may best be referred to as “party unity” picks. Accordingly, she retained four members of the Ishiba government, two of whom – **Koizumi Shinjirō** (who moves from agriculture to defense) and **Hayashi Yoshimasa** (who leaves the chief cabinet secretary post to become minister of internal affairs and communications) – were her rivals for the LDP’s leadership. The two others are **Akazawa Ryōsei** and **Kiuchi Minoru**; Akazawa passes the economic affairs portfolio to Kiuchi and will be elevated to minister of economy, trade, and industry. In the same vein, whatever friction there is between Takaichi and former prime minister Kishida Fumio, she included three former Kishida faction members (Hayashi included) in her cabinet.

The conservative inner cabinet

At least as important as the cabinet is the leadership team around Takaichi in the prime minister’s office. It is here that Takaichi’s conservative leanings are more visible. Chief Cabinet Secretary **Kihara Minoru**, a former defense minister, has been, along with Takaichi and several other cabinet members, a member of Sosei Nippon, the group of conservative lawmakers that was instrumental in Abe’s comeback in 2012. Both of the deputy chief cabinet secretaries, an important role for cultivating future leaders, are also Takaichi loyalists. **Ozaki Masanao**, the deputy chief cabinet secretary from the House of Representatives, was one of Takaichi’s endorsers this year. **Satō Kei**, the deputy CCS from the House of Councillors, endorsed Takaichi in 2024 and has been a member of several study groups she has led. Another endorser, **Matsushima Midori**, will serve as Takaichi’s aide for foreign population issues. Another member of this “inner cabinet” will be executive secretary **Iida Yūji**. Takaichi, like both Abe and Kishida, chose a former senior official from the Ministry of Economy, Trade, and Industry (METI) for this multifarious role, which can include supporting the prime minister’s political decision-making but also managing the bureaucracy. Iida left METI in July after two years as the administrative vice minister, the top bureaucratic post in the ministry. Iida has worked

extensively on energy issues but may also have fiscally dovish leanings that align with Takaichi's, and his role in the government could signal a power shift away from the Ministry of Finance (MOF) and back towards METI, which would be unsurprising given not only Takaichi's fiscal dovishness but also her emphasis on economic and energy security and strategic investments via industrial policy.

This "inner cabinet" can make or break a premiership, as it serves simultaneously as an information-gathering hub, decision-making group, and vehicle for imposing the executive's will on the bureaucracy. Part of the success of the second Abe administration was that Abe's inner cabinet was more pragmatic and less ideological, which made it a useful body for policy deliberations and decision-making. Takaichi's reliance on ideological allies for her inner cabinet raises the risk that it could amplify rather than check some of her riskier ideological commitments, including on fiscal policy. Both the membership of her inner cabinet and her selection of loyalist Katayama as finance minister suggest the prime minister could be insulated from calls to pursue a more cautious approach to fiscal policy.

Policy risks

These personnel choices could have consequences – and risks – that are felt immediately in key policy areas.

The importance of fiscal policy may make Katayama's appointment Takaichi's single riskiest appointment. Katayama's ministerial experience is limited to one year as minister for regional revitalization (2018-2019), a portfolio that did not entail leading a ministry. She does not have a clear set of commitments on fiscal and monetary policy, suggesting she may default to Takaichi's views. She also has a reputation for being both gaffe-prone and a difficult boss, which could make her a lightning rod for scandal in the new government. In short, with Katayama at MOF, the center of gravity for fiscal policymaking will likely not be MOF itself but rather in Takaichi's inner cabinet. This could prompt a pivot away from the Ishiba government's steps towards greater fiscal discipline and could also result in conflict between the ministry's officials and the Takaichi government, the former already defensive in light of the LDP right's hostility to the ministry and fiscal consolidation more broadly. To be sure, these are not the only considerations given the Takaichi government's dependence on Ishin no Kai to pass budgets, but it does suggest the Takaichi government's orientation could be as dovish as expected, which will shape negotiations with Ishin no Kai.

Another potential issue for the Takaichi government is the possibility of friction in managing the relationship with the United States, particularly between Akazawa – who managed the trade negotiations under Ishiba and has been in constant communication with Trump administration officials – and Motegi, who is more senior than Akazawa and has prided himself on his own experience negotiating with the first Trump administration. At METI, Akazawa's portfolio may not necessarily include managing talks with the United States regarding the implementation of the bilateral trade and investment agreement; ostensibly that responsibility should be Kiuchi's, as he inherits

Akazawa's post. However, Akazawa's appeal to continuity and Motegi's appeal to experience could result in competing claims and divided authority in managing the relationship. To the extent that Japan's defense budget and support from US forces in Japan will also be on the bilateral agenda, Koizumi too will have a stake in managing the relationship, potentially complicated internally by Koizumi being more of a fiscal hawk and less enthusiastic about large defense spending increases. These competing power centers in managing relations with the United States – which will clash not only with each other but with Takaichi and her inner cabinet – point to the larger question about Takaichi's premiership, the degree to which it will be tested not only by the challenges of running a minority government with an external partner but also by the competing strains within the LDP itself.

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