



By Patrick Fearon-Hernandez, CFA

November 10, 2025

Meet Sanae Takaichi

In October 2025, Japan made history by electing its first female prime minister, Sanae Takaichi, a staunch conservative and protégé of former Prime Minister Shinzo Abe. Her rise to power marks a significant shift in Japan's political landscape, with implications for foreign affairs, domestic policy, and financial markets. As we show in this report, Takaichi's administration promises a blend of hawkish national security, aggressive fiscal expansion, and economic revitalization, all underpinned by a nationalist ideology. As always, we wrap up the report with a discussion of the investment implications of her rise to power.

Biography

[Takaichi was born in Yamatokōriyama, Nara Prefecture, in 1961, and grew up in a working-class household.](#) Her father was a car mechanic, and her mother worked in the local police force. After high school, Takaichi studied business administration at Kobe University, commuting six hours daily due to family constraints. Her early interests included an unusual mix of motorcycles, heavy metal music, and political activism, setting her apart from traditional Japanese politicians (see Figure 1).

Takaichi's interest in politics and policy was early and broad. In 1987, she interned for US Congresswoman Pat Schroeder, gaining exposure to US legislative processes. Her domestic political journey began in 1993, when she was elected to Japan's lower

house of parliament, the Diet, at the age of 31. Takaichi initially drifted between several parties but ended up as a member of the long-ruling Liberal Democratic Party (LDP). Over the years, she held multiple ministerial roles in LDP governments, including:

- Minister of Internal Affairs and Communications
- Minister of State for Economic Security
- Minister of State for Science and Technology Policy
- Minister of Gender Equality

Figure 1



Japanese Prime Minister Sanae Takaichi rocking out. (Source: Japan-Forward.com)

Political Philosophy

Takaichi was a protégé of the conservative Prime Minister Abe, who pushed Japan toward a more hawkish foreign policy and ended its long period of economic stagnation with his "three arrows" of monetary stimulus, fiscal stimulus, and regulatory reform, especially in his second stint as Japan's leader from 2012 to 2020. Takaichi is seen as even more conservative than Abe.

She is known for her ultraconservative views, including opposition to same-sex marriage, support for male-only imperial succession, and resistance to progressive gender reforms, such as the effort by some Japanese politicians to allow married women to keep using their maiden name if they so desire. Takaichi has long admired former British Prime Minister Margaret Thatcher, and her leadership style reflects a similar blend of nationalist assertiveness and economic liberalism. The main tenets of her political philosophy can be summarized as follows:

- Strong national defense;
- Abenomics-style economic stimulus;
- Skepticism toward immigration; and
- Emphasis on traditional values.

[The LDP's new coalition with the right-wing Japan Innovation Party \(Ishin no Kai\) has further solidified Takaichi's conservative agenda, especially after the more centrist Komeito Party abandoned its long partnership with the LDP in early October.](#) Because of Komeito's pacifist, Buddhist-derived philosophy, its withdrawal from the coalition is expected to free the LDP to pursue stronger national defense policies and more market-oriented economic measures. However, Ishin's preference for a more balanced budget may constrain Takaichi's fiscal policy to some extent.

Policy Agenda: Foreign Affairs

A deeper dive into Takaichi's specific policy agenda illustrates her staunchly conservative posture. In this section, we review her goals in foreign affairs and national defense. Importantly, Takaichi appears to recognize deeply that China is building its power across many dimensions and becoming more aggressive, even as Washington signals it now expects US allies to shoulder more of the burden for their own defense. [Takaichi,](#)

[who has been described as “a hawk, through and through,” probably also focuses on the fact that Japan is surrounded closely by three different countries that have nuclear weapons, putting an even higher priority on the country's ability to defend itself.](#) She has therefore pledged to:

- Boost the Japanese defense budget to at least 2% of gross domestic product by March 2026, two years ahead of the previous government's goal.
- Revise and toughen Japan's National Security Strategy, National Defense Strategy, and Defense Buildup Program.
- Strengthen the US-Japan alliance, calling it the “cornerstone” of Japan's security policy. Indeed, in October, she held a successful summit with President Trump to help underscore that commitment (see Figure 2).
- Deepen ties with Indo-Pacific partners, including South Korea, India, Australia, and the Philippines.
- Maintain cautious engagement with China, calling it an “important neighbor,” while expressing concern over its economic and military aggressiveness.
- Support Taiwan diplomatically, raising tensions with Beijing.

Figure 2



President Trump and Prime Minister Takaichi at an October 2025 summit (Source: msn.com)

Consistent with the way many liberal democracies in the US-led geopolitical bloc have realized their need to strengthen their defense production capabilities, Takaichi's administration also plans to liberalize the Japanese defense industry, with measures including:

- Removing restrictions on arms exports;
- Building weapons factories operated by private firms; and
- Investing in defense R&D, including sixth-generation fighter jets and hypersonic missiles.

Policy Agenda: Economics

In line with her espousal of former Prime Minister Abe's "Abenomics," Takaichi's economic agenda is geared toward boosting economic growth, spurring investment, and shoring up the country's supply chains. In this section, we begin with an overview of Japan's current economic situation and then discuss Takaichi's economic agenda.

Current Economic Situation. Japan's economic output has grown only modestly this year, with GDP increasing at an average annualized rate of just 1.2% over the first two quarters of 2025 (see Figure 3). That's much better than Japan's average annual growth rate of about 0.5% over the last two decades, but it's much slower than growth in the US and other key developed countries. In part, it reflects Japan's low birth rate and declining working-age population. At the same time, Japan's consumer price inflation has been running above 3.0%, unsettling many consumers who had gotten used to the flat prices or outright deflation over several decades (see Figure 4). One reason for the elevated price inflation is the weak yen. On the other hand, moderate growth plus relatively high price inflation has modestly cut the ratio of government debt to GDP, which now stands at about 235%.

Looking forward, economists often suggest that Japan needs to boost investment, especially by boosting bank lending to smaller firms and encouraging more foreign direct investment in new factories. Japan is also seen as needing to continue making improvements in its corporate culture, bolster and broaden its defense industry, bring down energy prices, and solidify the country's industrial and critical minerals supply chains.

Figure 3

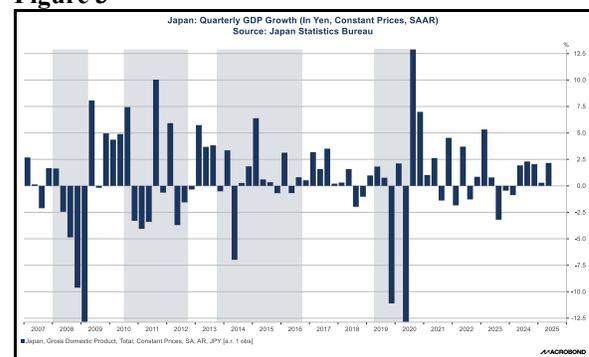
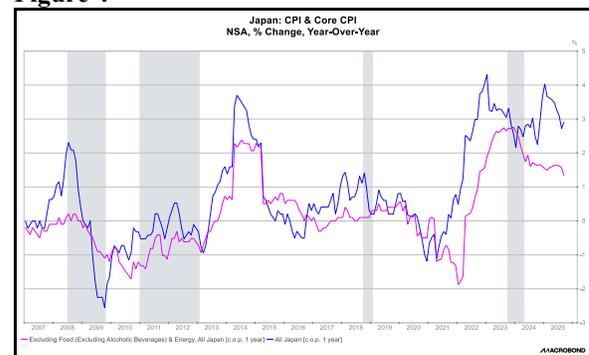


Figure 4



Economic Policy Agenda. [Among the policies that Takaichi has proposed or supported to boost growth and spur more investment, the key is probably a stimulus package exceeding 13.9 trillion JPY \(\\$90.2 billion\), targeting household support and corporate investment.](#) Takaichi also supports raising the income tax exemption threshold and abolishing the country's provisional gasoline tax. Takaichi has offered rhetorical support for more domestic corporate investment in artificial intelligence,

semiconductors, and biotechnology, arguing that *deregulation* and support for strategic partnerships will also help attract foreign direct investment.

Takaichi has emphasized productivity and innovation, but she has yet to address further *corporate governance reforms* to keep unwinding corporate cross-shareholdings that continue to insulate some firms from competitive pressure and stymie measures to boost shareholder value. Reforms in recent years have made some progress in those areas, helping spur Japanese stock values, but more progress would probably be useful.

Reflecting Japan's long pacifist period and previous low defense spending, the country's defense sector is underdeveloped. In fact, it accounts for less than 2% of global defense shipments. To *make the defense industry stronger, broader, and more innovative*, Takaichi aims to further loosen restrictions on Japanese arms exports and help the domestic industry gain global market share. She also hopes that aligning Japan's defense posture with US strategic interests will give an additional boost to Japan's defense industry.

To help *bring down energy prices*, Takaichi plans to expand energy subsidies and increase imports of US liquefied natural gas, while reducing the country's reliance on Russian energy sources.

Finally, to *protect Japan's industrial supply chains and ensure the country's access to critical minerals supplies*, Takaichi has supported a joint US-Japan framework to secure rare earths and critical minerals, aiming to reduce dependency on China.

Investment Implications

Reflecting investors' enthusiasm for Takaichi and her plans to again implement

Abe-like stimulus policies, Japanese stock values have risen briskly since it became clear that she would be the country's leader. Japanese bond values have rebounded modestly, but the yen has pulled back. Looking forward, we think these trends are likely to continue in the near to medium term.

Japanese Stocks. Japanese equities surged in October, with the Nikkei 225 price index rising almost 25% and breaking 52,000 for the first time. As Takaichi implements her stimulus policies, we think Japanese stocks can continue to appreciate over time. Her apparently good relationship with President Trump also may help insulate Japan from tougher US trade policies, which would probably further bolster the economy and Japanese equities. Going forward, we think Japan's best-performing stock sectors will likely include defense and aerospace, semiconductors and artificial intelligence, and export industries such as autos and electronics. We think Japanese small cap stocks and domestic demand plays may also benefit from Takaichi's policies.

Japanese Bonds. Reflecting concerns about looser fiscal policy and higher debt loads, investors have sold off long-term Japanese government bonds (JGB) this year, helping push the yield on 30-year JGBs to as much as 3.29% during the summer. However, since Takaichi came to power, she has signaled that she will pressure the Bank of Japan to stop hiking interest rates. As a result, JGB buying has strengthened modestly again, pushing the 30-year yield down to about 3.04% at the end of October. We think the risk of looser fiscal policy and higher debt loads will keep JGB yields relatively high, but if the central bank really does heed Takaichi's call to stop or slow its rate hikes, then JGB yields could fall somewhat more.

The Yen. The Japanese currency remains weak, supporting exports but raising import costs. Takaichi’s dovish stance on monetary policy and fiscal expansion may further pressure the yen, especially if the Bank of

Japan succumbs to her pressure and delays boosting interest rates further.

Patrick Fearon-Hernandez, CFA
November 10, 2025

This report was prepared by Patrick Fearon-Hernandez of Confluence Investment Management LLC and reflects the current opinion of the author. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.

Confluence Investment Management LLC

Confluence Investment Management LLC is an independent Registered Investment Advisor located in St. Louis, Missouri. The firm provides professional portfolio management and advisory services to institutional and individual clients. Confluence’s investment philosophy is based upon independent, fundamental research that integrates the firm’s evaluation of market cycles, macroeconomics, and geopolitical analysis with a value-driven, company-specific approach. The firm’s portfolio management philosophy begins by assessing risk and follows through by positioning client portfolios to achieve stated income and growth objectives. The Confluence team is comprised of experienced investment professionals who are dedicated to an exceptional level of client service and communication.

Important Disclosures

This material is for use with investment advisory clients or prospects only

The information contained herein represents the opinions of the author and not necessarily Benjamin F. Edwards®. Benjamin F. Edwards® is providing it for informational purposes only, not as investment advice or a solicitation for the purchase or sale of any security or class of securities. Benjamin F. Edwards® & Co. (BFE) is a dually-registered broker-dealer and investment adviser and member of FINRA and SIPC, and its affiliate Benjamin F. EdwardsSM Wealth Management, LLC, d/b/a Edwards Wealth Management (EWM) is an SEC-registered investment adviser. BFE and EWM are affiliates through their common ownership by Benjamin Edwards, Inc. Depending on the context, the name Benjamin F. Edwards® refer to either EWM, BFE or both.

As a registered investment adviser, Benjamin F. Edwards offers clients a variety of advisory portfolio options. Any portfolio discussed is offered at Benjamin F. Edwards as an investment advisory account. To participate, investors must sign an investment advisory agreement, select a manager, and pay an advisory fee. For additional information regarding fees, please refer to the third-party asset manager's (asset manager) applicable disclosure documents and Benjamin F. Edwards' disclosure documents, which may be obtained through your advisor or found on Benjamin F. Edwards' website, www.benjaminfedwards.com, under the [Important Disclosures](#) section.

Participating in advisory programs may cost the client more or less than if the client were to implement his or her selected program separately, such as by using a different program sponsor, pursuing the strategy through a brokerage account, or investing directly with the asset manager. Some factors that might impact the total cost to a client who implements a program separately include the frequency of trading activity; whether a client might be successful in negotiating a lower fee with a sub-advisor; rate of commissions, markups or other transaction-related compensation; or whether account fees, transaction fees or similar charges would be incurred.

Investing in securities entails certain risks, including the potential loss of all or a portion of the proceeds invested. Individuals should consider their specific financial needs, investment objectives and risk tolerance before making an investment. Investments can be significantly affected by certain events, including international political and economic developments, inflation, and other factors. Dividends are not guaranteed and are subject to change or elimination.

Exchange traded funds (ETFs) and mutual funds are sold by prospectus only, which should be read carefully before investing. Please consider the investment objectives, risk, charges and expenses before investing. The liquidity of ETFs may not reflect the level of liquidity of other instruments on listed exchanges such as well-recognized, large cap stocks. The prospectuses, which contain this and other information, can be obtained from your advisor.

Investing in fixed-income securities involves certain risks such as market risk if sold prior to maturity and credit risk especially if investing in high-yield or "speculative-grade" bonds, which have lower ratings and are subject to greater price volatility. All fixed-income investments are subject to availability and change in price and may be worth less than original cost upon redemption or maturity.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions. Distributions from REIT investments are taxed at the owner's tax bracket.