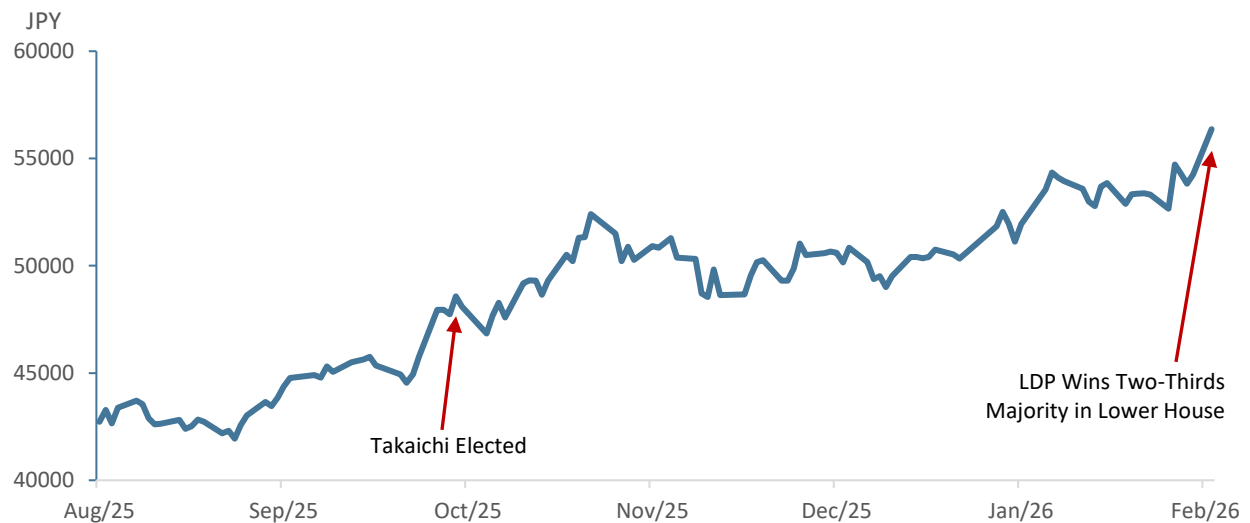


## Japan's Post-Election Update: Nikkei Soars After LDP Wins Historic Lower House Election

Japan's ruling Liberal Democratic Party (LDP), led by Prime Minister Sanae Takaichi, secured a historic landslide victory in the House of Representatives election held on 8 February 2026, winning 316 out of 465 seats on its own—well above the two-thirds threshold (310 seats) needed for a super-majority. Following Takaichi-san's call for a snap election on 23 January 2026 to secure a direct mandate for her economic and strategic agenda, the LDP's supermajority enhances legislative leverage, lowers the risk of policy paralysis and significantly improves medium-term policy visibility for markets.

Prime Minister Takaichi's popularity reflects both her strong personality and her clear, consistent policy agenda, focused on national and economic security, domestic investment, energy stability and growth with fiscal discipline. Importantly for investors in Japan, the election provides a strong democratic mandate for "Sanaenomics", a proactive fiscal strategy anchored in strategic investment and structural reform.

### Nikkei (JPY) Has Risen to New Highs: From Takaichi's Election to LDP Landslide Victory



Source: Bloomberg, as of 9<sup>th</sup> February 2026.

## Key Policy and Market Implications

- **Legislative Certainty:** The supermajority allows the government to re-pass bills even if blocked by the upper house, reducing reform execution risk.
- **Strategic Investment:** Expect accelerated focus on defense, semiconductors, AI, economic security and energy infrastructure, including the restart of nuclear energy facilities.
- **Capital Market Reforms:** Reforms in equity capital markets are likely to gain further momentum rather than face delay or reversal.

## Key Risk: Fiscal Credibility and Bond Markets

The main macro risk remains the possibility that aggressive fiscal expansion could unsettle government bond markets and trigger an unfavorable rise in interest rates. In this context, the role of the Minister of Finance, Satsuki Katayama, is pivotal. With experience in both the Budget Bureau and the International Bureau of the Ministry of Finance, as well as academic training at France's École nationale d'administration (ENA), we believe Katayama-san brings a rare combination of technical expertise, institutional memory, and market fluency. With deep institutional experience and strong market literacy, she has framed her plans as "responsible proactive fiscal policy", not indiscriminate stimulus. By pointing to higher nominal growth, record tax revenues and a lower government bond dependency ratio, the administration anchors its strategy in the logic that growth can outpace interest costs, helping preserve fiscal credibility.

## Outlook

Overall, we are confident that the Takaichi administration will act with discipline and clear priorities. In our view, the leadership of these two key women, Prime Minister Takaichi and Minister of Finance Katayama, combines decisiveness and market awareness, providing a foundation for stable policymaking and creating opportunities for engagement-focused investors like Dalton to support stronger governance and long-term value creation.

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