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# sustainable japan

## Japan's government works for promoting sustainable finance

**SHUNICHI SUZUKI**  
MINISTER OF STATE FOR FINANCIAL SERVICES

At the dawn of the year 2022, I would like to extend warm New Year's greetings.

In view of the still difficult situation the Japanese economy faced due to COVID-19, Prime Minister Fumio Kishida's Cabinet, which was inaugurated in October, worked out economic measures in November, aiming to help the Japanese economy and society get back to a near-normal state of activity as soon as possible and put the economy back on a self-sustaining growth path, along with measures to contain the spread of infections and bolster crisis management.

The economic measures call for promoting a growth strategy that anticipates the post-pandemic era and executing a distribution strategy, aiming to realize a "virtuous cycle of growth and distribution." Signs of societal change have emerged amid the pandemic, including rapid progress in digitalization.

Likewise, achieving carbon neutrality by 2050 is a major goal that will bring changes in industrial and social structures. I believe it is urgent for not only Japan but the entire world to promote a path to decarbonization, which will create a virtuous cycle of the economy and the environment, combining wide-ranging efforts in both the public and private sectors to achieve the goal.

In view of such changes, it is important for market participants, including financial institutions, to work to ensure companies' efforts to achieve decarbonization are appropriately evaluated and then financed smoothly. The impor-



**Shunichi Suzuki, minister of state for financial services** FINANCIAL SERVICES AGENCY JAPAN

tance of sustainable finance, which can drive shifts to such new industrial and social structures, has increased.

The Financial Services Agency, recognizing that the global trend is accelerating toward decarbonization, and aiming to attract capital for growth from home and abroad to the efforts of Japanese companies, works to enhance companies' information disclosure, develop an environment that helps maximize market functions — including the development of an information platform by Japan Exchange Group Inc. — and encourage financial institutions to support their clients and borrowers, as well as aims to take a leading role in international discussions in these areas.

This year again, aiming to maintain financial policies and administration that can be trusted by the Japanese people, we will work to vitalize the nation's financial markets, including promoting sustainable finance, working together with market participants in Japan and overseas.

I appreciate your understanding and cooperation.

## New stock markets can hasten climate efforts and decarbonization: CDP head

**MICHIYO MORISAWA**  
CDP JAPAN DIRECTOR

With the Tokyo Stock Exchange's Prime market set for launch in April, CDP Japan Director Michiyo Morisawa expressed hope in an interview with The Japan Times that it will attract foreign investors and accelerate the business community's decarbonization efforts.

The Prime market will be the highest-ranking of the three markets that will replace the existing four: the first and second sections, Mothers and Jasdax. They are expected to be more open and attractive to foreign investors because of the higher requirements they are subject to, such as less cross-shareholding — companies within a supply chain mutually owning shares — better corporate governance in line with global standards, and greater commitment to climate-related disclosures.

Disclosures need to be in line with the recommendations of the Task Force on Climate-Related Financial Disclosures, and CDP offers such a system to measure and manage the environmental

impacts of companies and municipalities worldwide.

CDP recently published the A List of 2021 to recognize over 270 companies that made notable efforts and disclosures in the fields of climate change, forests and water security around the world.

"Japan has the greatest number of companies that made their way into the A List," Morisawa said. She added that those are the kinds of companies that should also be listed in the Prime market. She said its launch is a "good opportunity" to call for companies to accelerate their sustainability efforts and disclosures and attract foreign investors.

She also pointed out another key factor toward boosting investment from outside Japan: making it easier for foreign asset management companies to set up branches in Japan, for example by relaxing regulations or establishing a special zone. She said this would allow them to gather and analyze information on Japanese companies more efficiently.

"They cannot invest into companies they don't know much about. Japanese companies need to disclose and make

clear announcements about what they do in terms of sustainability for foreign asset management companies to take interest in them."

Attracting foreign investors is not just about more money flowing in. It means Japanese companies will be subject to more attention and pressure in a positive way from the outside, especially from the nations in the EU, where the Sustainable Finance Disclosure Regulation took effect last March. "This change will be a big step forward toward the achievement of carbon neutrality in 2050," Morisawa said.

Among the various methods for decarbonizing society, renewable energy plays a major role. Morisawa said one of the reasons why Japan was a late starter in this field is because the liberalization of the electricity market progressed very slowly and was not achieved until 2016.

Now that there is competition, there are more choices for electricity and more opportunities for new technologies in renewable energy. Morisawa said that demand and external pressure are what changed the market. The same should be true for Japan's new stock markets.



**Michiyo Morisawa, CDP Japan director** CDP

### About CDP

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. The world's economy looks to CDP as the gold standard of environmental reporting with the richest and most comprehensive dataset on corporate and city action.



## Tokyo, Yokohama, Kyoto join the Cities A List 2021

Tokyo, Yokohama and Kyoto city entered the CDP's Cities A List 2021, recognizing their innovative solutions to cut emissions and bold initiatives in environmental efforts. The A List consists of cities that received high scores for practices in all topics related to sustainability. The three municipalities have ambitious plans. For Tokyo, the expansion of zero-emission buildings is a key part to its strategy to halve emissions by 2030 and reach net zero by 2050. Yokohama plans to switch to electricity from renewable sources, and Kyoto is the first municipality in Japan to declare a target of net zero by 2050.



**Yuriko Koike, governor of Tokyo**



**Takeharu Yamanaka, mayor of Yokohama**



**Daisaku Kadokawa, mayor of Kyoto**

## CDP symposium outlines how cities are essential to achieving net zero

### ESG/SDGs

**MAIKO MURAOKA**  
CONTRIBUTING WRITER

For the world to achieve the target of limiting global warming to 1.5 degrees Celsius, each country has to play its part. And for a country to carry out its commitments, its municipalities need to set and then achieve their own targets. Municipalities, with their concentrations of people and industries, are actually the real players in global sustainability, and it is important to evaluate their efforts and impacts in order to effectively invest the necessary resources into them.

CDP, which was established in 2000 as an NGO to provide a comprehensive system for disclosing companies' environmental impacts worldwide, launched a new program for cities to report their environmental information and efforts in 2011. The number of municipalities that participated in CDP

Cities in 2021 exceeded 1,000, including 189 from Japan — more than any other nation.

CDP Japan held an online symposium in December to recognize three cities — Tokyo, Kyoto and Yokohama — that made CDP's Cities A List 2021 and to encourage financial institutions to use CDP scoring in their collaborations with municipalities and companies to support and accelerate local sustainability efforts. The Cities A List consists of cities that received high scores for sustainability in a CDP questionnaire.

In the opening remarks of the symposium, Takeshi Mizuguchi, president of the Takasaki City University of Economics, noted that recent collaboration between CDP and the global network ICLEI — Local Governments for Sustainability is an important step forward in promoting municipalities' sustainability efforts. ICLEI combines the efforts of "more than 2,500 local and regional governments committed to sustainable urban development," and CDP and ICLEI

have been cooperating on disclosing municipalities' climate-related information through a unified platform, ensuring local governments easier ways to access and submit data to other sustainability-related global initiatives and networks. Togo Uchida, executive director of ICLEI Japan, attended the symposium, where he shared some recent achievements of ICLEI, including the pavilion it organized at the U.N.'s COP26 climate conference to host more than 60 events collaborating with municipalities from around the world.

One of the symposium guests who spoke in a video message, Tokutaro Nakai, vice minister of the Ministry of the Environment, noted that regional decarbonization efforts are indispensable. "The government formu-



**Takeshi Mizuguchi**

lated the regional decarbonization road map in June 2021 and will select some 100 model areas," he said.

Satoshi Ikeda, the chief sustainable finance officer of the Financial Services Agency, who also sent a video message to the symposium, expressed hope that CDP Cities will trigger further improvement in both the quality and quantity of the disclosure of environmental information from each municipal government, which will be key to creating better partnerships among municipalities, investors, financial institutions and companies.

Kyra Appleby, global director of CDP's Cities, States and Regions team, also stated in a video message: "Disclosure is the first step toward taking bold actions. As we say, 'What



**Tokutaro Nakai**

gets measured, gets managed." She attributed Japan's success in becoming the leader in municipal disclosure to a strategic collaboration that CDP formed with the Ministry of the Environment. As CDP Project Manager Eriko Yamashita explained in reporting the results of CDP Cities 2021 at the symposium, CDP Japan worked with the ministry to use its data on local governments in order to help them respond to the CDP questionnaire.

Tokyo Gov. Yuriko Koike said in a video message that since buildings account for 70% of Tokyo's emissions, "We are considering the implementation of a unique system that obliges all small and medium-size buildings, including newly built homes, to have solar panels installed."



**Satoshi Ikeda**

Yokohama Mayor Takeharu Yamanaka explained that Yokohama collaborates with 13 municipalities in the Tohoku region to receive electricity from renewable sources. It also provides technical cooperation to Thailand and other Asian countries to promote decarbonization.

Last March, Kyoto became the first Japanese city to join the Powering Past Coal Alliance, an international coalition to promote the transition from coal to clean energy. Mayor Daisaku Kadokawa said the city's energy consumption decreased by 29% from 1997 to 2019.

Yamashita from CDP said the world is paying attention to Japan's efforts in realizing carbon-zero cities by 2050 and encouraged Japanese municipalities to continue participating in CDP Cities in 2022 not only to further their efforts but also to help investors and companies deepen their understanding about the municipalities' efforts and expand collaborations.

## Representatives of banks and cities share views on their sustainable goals

### ESG/SDGs

**MAIKO MURAOKA**  
CONTRIBUTING WRITER

Businesses and actions that contribute to solving environmental and social issues are crucial to making all of society more sustainable. The problem is that no country has the luxury of waiting for them to gradually grow when there are so many issues represented in the U.N.'s 17 sustainable development goals (SDGs). Just climate change alone poses a significant challenge to all countries, as recently seen in heated discussions during the COP26 climate conference.

To accelerate the shift toward a more sustainable society, the role of finance is becoming increasingly important in supporting the players who are making changes. As part of an online CDP Japan symposium held in December, a panel discussion was held to share some examples

of sustainable finance and examine how to make it more accessible.

Speakers from two banks, MUFG Bank Ltd. and Mizuho Bank Ltd., as well as one each from the governments of Kitakyushu and Tokyo, were invited to the session to share views from the perspectives of financial institutions and municipalities.

Akihiro Kato, managing director and head of the Sustainable Business Division at MUFG, said the bank made a declaration of carbon neutrality last May, targeting net-zero greenhouse gas emissions in its own operations by 2030 and across its entire portfolio by 2050.

One example of this actually being put into practice is its sustainability-linked loans, the first in Japan.

"These sustainability-linked loans use the result of a CDP scoring system as the 'sustainability performance target,' which means that the interest rate changes based on the score," Kato explained. Launched in



**Panel participants (from left): Moderator Kyoko Narita, Hiroaki Kurosawa, Kotaro Sueyoshi and Akihiro Kato, with Emiko Murakami participating online** HIROMICHI MATONO

2019, they also incorporate another first, a system in which the borrower donates to a municipal government what it earns from a preferential interest rate achieved through its efforts to maintain or upgrade its CDP score.

Kotaro Sueyoshi, a deputy general manager for sustainability and SDGs at Mizuho Financial Group Inc. and Mizuho Bank, said

Mizuho Bank also employs CDP scores to measure nonfinancial information of companies, which is becoming increasingly important in the context of ESG (environmental, social and governance) investment. The evaluations based on CDP scores are used in providing various sustainability solutions to small and medium-size

companies.

Hiroaki Kurosawa, director of Global Financial City Tokyo in the Tokyo Metropolitan Government, noted that small and medium-size companies will also be asked to disclose information on their environmental impacts in the near future.

Emiko Murakami, director of the Environmental Innovation Support Division of the city of Kitakyushu, introduced the city as a center for small and medium-size enterprises in the supply chains of larger companies. The city has set a target of reducing emissions 47% by 2030 and achieving net zero by 2050, and Murakami said it has been successful so far in keeping emissions on a decreasing trend. "But in order to achieve the targets, we need to work harder to reduce the emissions from the industrial sector, which make up one-third of all the emissions in this area," she said.

The Tokyo Metropolitan Government, which is committed to building a green

finance market that contributes to solving social and environmental challenges, issued a ¥40 billion Tokyo Green Bond in 2021, and also provides support for private enterprises that intend to issue green bonds, subsidizing the cost of external evaluation.

With banks and local governments playing their part, and companies of all sizes sharing greater awareness on their environmental impacts, building a stronger network of all these players would be the next step. Kato from MUFG Bank said the key is "inclusion." To engage more parties, he said, local governments must play the crucial role of creating and executing concrete plans and systems "so that companies will be secure enough to take on challenges."

Sueyoshi from Mizuho Bank agreed and said it is important for each region to create its own detailed plan because "sustainability is often discussed on the global scale, but challenges are actually local, which is why the role of municipalities is big."