

sustainable japan

ESG promotional content produced by The Japan Times Cube

Financial Services Agency aims for healthy, sustainable economy

SHUNICHI SUZUKI
FINANCE MINISTER, MINISTER OF STATE FOR FINANCIAL SERVICES

As we welcome the beginning of 2024, I would like to extend my heartfelt New Year's greetings to all readers of The Japan Times.

Last October marked two years since the inauguration of the Kishida Cabinet. Throughout this period, we have worked on various issues aimed at fostering a healthy economic cycle by increasing wages and boosting investments. Last year, we achieved significant wage hikes through the *shunto* spring negotiations between labor and management, the largest private investment in history and stock prices reaching the highest level in 30 years.

We believe that the key to driving these positive trends and achieving a sustainable economic cycle is "sustainable finance," which enhances economic and social sustainability by transforming solutions to social challenges into engines for economic growth.

Regarding decarbonization, last July the government of Japan established the GX Promotion Strategy ("GX" means "green transformation") to realize more than ¥150 trillion (\$1 trillion) of public and private investments over the next decade. Next month, we plan to issue Japan Climate Transition Bonds, the world's first government transition bonds, to accelerate efforts toward transitioning to a decar-



bonized society.

In addition to tackling climate change, it is vital to promote impact investment, which addresses social challenges such as the aging population and natural disasters and encourages innovation in business models. Through the Impact Consortium, launched in tandem with domestic and overseas stakeholders in the public and private sectors in November, we will lead the establishment of an impact investment market.

It is also imperative to reform the asset management industry and asset ownership, which are responsible for

managing household financial assets. To this end, the government of Japan formulated a policy plan for promoting Japan as a leading asset management center last month. This plan includes measures to make asset management more sophisticated, improve governance, solicit new entrants and promote competition. We will steadily implement this plan starting this year.

Sustainable finance, which assists companies in shifting to new industrial and social structures and transforms them into enablers for economic growth, has become globally indispensable for rejuvenating financial markets and building a sustainable society. I anticipate further efforts from market participants in Japan and abroad. The Financial Services Agency will continue its efforts to revitalize Japan's financial markets, aiming for a financial administration that earns the trust of the Japanese people.

I sincerely appreciate your continued understanding and cooperation in the upcoming year.

Japan's Prime Minister Fumio Kishida (right) chats with Finance Minister Shunichi Suzuki at extraordinary Diet session in Tokyo on October 23, 2023. AFP-JJII



Tokyo leads the cities of the world in acting against the climate crisis

YURIKO KOIKE
GOVERNOR OF TOKYO

As the impacts of climate change have become a reality, as evidenced by the more frequent occurrence of disasters such as floods and wildfires, there is a sense of crisis shared by people all over the world. There is no time left to overcome the climate crisis, and the role of cities on the front lines is extremely important.

Home to 14 million people, Tokyo is a major consumer of energy and resources. Its carbon dioxide emissions are equivalent to those of a country such as Austria or Greece. To fulfill its responsibility as one of the world's largest cities, the Tokyo Metropolitan Government is pursuing the 1.5-degree Celsius goal and accelerating its actions to realize a "2030 Carbon Half," halving carbon emissions by 2030, and a "2050 Zero Emission Tokyo."

Over 70% of CO2 emissions in Tokyo come from office buildings, residences and other structures. In order to reduce emissions from buildings, we are accelerating improvements in energy efficiency and the implementation of renewable energy.

Tokyo launched the world's first urban cap-and-trade program in 2010, and the latest results, for fiscal year 2021, show an approximately 33% reduction in emissions, exceeding the target compliance factor of 27% for this stage. We are planning to significantly increase the compliance factors for the covered facilities and



further encourage the use of renewable energy.

In April 2025, an ordinance will come into force that will require housing suppliers to install solar power systems in new houses. It is extremely important to ensure environmental performance at the time of construction, as housing to be built from now on will account for approximately 70% of all the housing that will exist in 2050.

At present, it is estimated that only about 4% of suitable roofs are actually equipped with solar power systems, meaning there is great potential for future expansion. We aim to introduce over 2 gigawatts of solar power generation by 2030, which is three times the current capacity.

Perovskite solar cells, a technology originating in Japan, are so thin, light and flex-

ible that they can be installed in a wider range of spots, such as building exteriors and uneven surfaces. The Tokyo Metropolitan Government is working with developers to verify their practical use at its facilities. We will continue to support the social implementation of such new technologies.

In recognition of such goal-setting and ambitious policies, Tokyo has been selected as deserving the CDP's Cities A List award, the highest rating, for three consecutive years since 2021. The fact that Tokyo continues to win the top rating from CDP, an environmental platform with significant global influence in which more than 1,100 local governments participate, shows that its climate change measures are at the top level and it is expected to demonstrate leadership among cities around the world.

At the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) in December, I participated in a summit-level meeting on behalf of cities around the world. And at a variety of other meetings, I appealed for the enhanced role of cities. The momentum for "unity, action and delivery" to achieve the 1.5-degree Celsius goal is greater than ever.

In collaboration with Tokyo residents, businesses and other stakeholders, the Tokyo Metropolitan Government will accelerate actions to realize a sustainable society as a city that leads the way for Japan and the world.

Stock market operator JPX sees growth and positive change in 2024

Sponsored content

HIROKO NAKATA
CONTRIBUTING WRITER

Amid economic and geopolitical uncertainty, 2024 will be the critical year for seeing whether the Japanese financial market's evolutionary momentum can sustain itself, the head of stock market operator JPX said.

"The Japanese market is finally facing the time for changing," said Hiromi Yamaji, CEO for Japan Exchange Group Inc., which



Hiromi Yamaji YUICO TAIYA

operates the Tokyo Stock Exchange and the Osaka Exchange at its core.

With the economy slowly rising out of its two-decade-long deflation quagmire and a series of corporations expecting record profits for this business year through March, partly assisted by the lower yen against the dollar, Yamaji said an increasing number of domestic and overseas investors are focusing on the potential for growth again. "The next focus is how we can maintain this momentum," he said.

He said the Japanese stock market has several points that can attract investors. Japan operates under the rule of law and has the world's third-largest economy and a significant market size. The market has high liquidity, supported by reliable financial regulations and political stability. "Investors feel quite a strong sense of security over investing in the democratic country," he said.

Deflation, a pain in the neck for the economy, is expected to end due to rising energy and commodity prices. As the population declines, Japan's shortage of workers is increasing the demand for labor, which will likely lead to mild inflation. Higher demand will also be shored up by Japanese companies' plans to invest record amounts on automation and the



Outside of Tokyo Stock Exchange Building. JAPAN EXCHANGE GROUP, INC.

green and digital transformations, as well as shift parts of their supply chains from China to Japan, Yamaji said.

He said JPX faces tasks related to backing the changing business environment and inviting global money. The first one is to maintain the quality and the quantity of listed companies on the exchange. The second is to attract a large number and wide range of investors to maintain the market's liquidity. Last is to provide

a user-friendly trading system with high security and convenience.

"We have to keep on brushing up on these three points to always remain competitive against stock exchanges around the world," Yamaji said.

JPX also aims to retain a top status among Asia's stock exchanges. A positive sign is that some Asian companies are interested in debuting on the Tokyo Stock Exchange.

"Ambitious startups directly go to Nasdaq, but there are some who want to use the Japanese market as an incubator for their growth before tapping Nasdaq," the CEO said. Currently, about 20 Asian firms are intrigued by opportunities for an initial public offering in Tokyo, he added.

JPX aims to draw overseas companies that have business relationships with the Japanese market or companies, so that they can continue to trade in Tokyo for a long time.

In Asia, JPX makes appeals to companies through meetings and by exchanging information with startups, venture funds, lawyers, accountants and brokerage firms, he said.

At home, the stock exchange operator is carrying out market restructuring. In April 2022, JPX announced it would change its market segments from the first and second sections plus the Mothers market and the Jasdax's Growth and Standard markets to the new Prime, Standard and Growth markets.

"My basic message is we will make a [solid] base for the market so we can win high support from investors at home and abroad," Yamaji continued. "That was not the end of the reforms, but the start of them, and we will continue to do them."

The reform prompted listed companies

to reconsider their growth strategies and see if they wanted to comply with the stricter corporate governance and disclosure requirements for moving to the Prime market. As a result, out of the 2,200 firms listed on the former first section, fewer than 1,700 moved to the Prime market, with more than 500 deciding to shift to the Standard market. At the same time, some companies decided to go private by conducting management buyouts.

Also, JPX requested companies to improve their capital efficiency and be attentive to their share prices. In July 2022, JPX said 43% of Topix 500 companies had a price-to-book ratio of below 1.0, compared to 5% of S&P 500 companies in the United States and 24% of Europe's Stoxx 600.

JPX has held roadshows in New York, London and Singapore to attract investors. "Quite a lot of overseas investors feel Japan is about to change," Yamaji said. He added that not only those who are planning to newly invest in Asia, but also those who invested in China and are now reallocating their money to other parts of Asia due to geopolitical risks are putting Japan at the top of their investing priorities.



Sustainable Japan Network

Would you like to help The Japan Times tell the world about sustainable lifestyles and efforts in Japan? Join the Sustainable Japan Network, an initiative that aims to disseminate all kinds of such information in English through communicating with you, our readers.

CONTACT sjnetwork@japantimes.co.jp
https://sustainable.japantimes.com/sjnetwork-en

the japan times

Scan to learn more



日本生命 (Nissay)
 OAT (OAT)
 SUZUYO
 SEINO
 MIZUHO
 NTT
 三田興産株式会社 (Mitsuda Koseisan)
 NRI 野村総合研究所 (Nomura Research Institute)
 Media Do
 むつ市 (Mutsu City)
 鳥取県 (Tottori Prefecture)