

sustainable japan

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Special Roundtable: Building a greener future for Japan

Roundtable

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Over the last few decades, sustainability has moved from being a buzzword to occupying prime place in the strategic plans of governments and corporations. Along with the United Nations' sustainable development goals (SDGs), entrepreneurial pursuits and social movements driven wholly by sustainability have heightened the presence of this concept. It has taken diverse forms, becoming highly personal and meaning different things to different people.

Two people — one an entrepreneur, the other a fund manager — whose work and life are heavily influenced by sustainability sat with host Ross Rowbury for the "Special Evening Roundtable: Building a Greener Future for Japan" held recently in Tokyo. Before a buffet dinner at the event, held in collaboration with Nomura Holdings, a few hard questions were on the table.

Noriko Shindo, founder of Hue — a personalized restaurant search app — and Shohei Maekawa, chief operating officer of SDG Impact Japan (SIJ), which invests in and assists early-stage companies in increasing impact and sustainability-driven growth, did not shy away. For close to an hour, they engaged in an evenly paced but spirited discussion about the very meaning of sustainability, the extent to which social businesses can get funding or balance profit and purpose, measuring a company's sustainability performance and the role of government

regulations in creating a more sustainable world.

More in the thinking

To get the ball rolling and contextualize the discussion, Rowbury asked Shindo and Maekawa to explain what "sustainability" meant to them as individuals. Both offered that it is largely about how you think.

Shindo said: "Sustainability is the world running not at the expense of anybody's well-being. For me, 'anybody' also includes animals and all things living. But I think the most important thing is that you think. It's not so much how much you do, what you refrain from or how vegan you are. The most important thing is that you think about the effects of what you're going to do — if it's your business, if it's what you're going to eat, if it's what you're going to buy. Also in terms of well-being, I have kids, so it's not always easy to be plastic-free [for example]. And so the question I always try to stick to is not so much how perfect we are in terms of the impact or less impact, but how happy we are as well."

Maekawa said: "Technically speaking, sustainability is about thinking about the balance among economy, development and society. It's easier to understand when we think about the Japanese translation of sustainability, which is *jizoku kanosei* (possibility of continuing). So it's about continuity of the things that we are doing. So to make sure that things will continue, to sustain things, I think we need to think about making sure that we're not crossing the lines [or disrupting the balance] for each of those —



About 40 people joined the event and had a chance to network with other sustainability-focused professionals.

YUICHO TAIYA FOR PHOTOMATE



From left: Ross Rowbury, Noriko Shindo and Shohei Maekawa YUICHO TAIYA FOR PHOTOMATE

economy, development and society. If I were to generalize sustainability, I would say that would be the thing that we need to keep in mind."

Sustainable needs profits

Shindo first became attuned to the idea that there were problems in the world, and there were people working to solve them, while donating to charities through her primary school in the United Kingdom. Later on, after completing university in Japan, going overseas for an MBA and becoming vegan in the process, she returned to Japan to find that not many people knew about veganism or why others were choosing to eat that way. That prompted her to start Ekolokal, a

community that offered help in finding sustainability options for products or services. Eventually, however, it became difficult to define the product Ekolokal was offering, and therefore, difficult to turn a profit. This, she says, is crucial in operating sustainable ventures in a capitalist framework. The critical question still has to center on how much money can be made.

"As of last July, I've founded a different company, which is called Hue. It's a bit of a wider view of sustainability in that it's no longer just the environment. We're looking at the food and beverage industry because we feel that [there is] too much 'digital reality,' especially in Japan, where there's also these large sites that [can] skew reviews and there-

fore stir people to go to certain places. That's driving the small businesses and ones that are doing great things — tasty stuff, sourcing locally — out of business. Hue is aiming to correct that by encouraging everybody to be true to their preferences instead of what goes viral."

ESG investment strategies

Before joining SDG Impact Japan, Maekawa worked for more than 15 years in management consulting, overseas investment and global trading. He studied economics in university and, like Shindo, completed an MBA in France. Long interested in how companies can move their impact beyond profitable products, he was drawn to concepts like corporate social responsibility (CSR) and socially responsible investing (SRI). After completing his MBA, he started his more direct engagement with those concepts by working for a company doing ESG (environmental, social and governance) research, then moved into his current role in 2022. SIJ operates on three pillars: investing in innovative companies with the potential for impact; establishing its own carbon-neutral businesses; and operating funds for listed companies.

"We have three funds already launched, and we are now discussing establishing another fund. One fund we're doing is an ESG engagement fund. The fund is investing into 30 Japanese companies from an ESG perspective — not great companies, but sort of B-rated companies. So the fund invests into B-rated companies, and we engage with them and try to improve their sustainability-related performance so that they can improve their impact to the world. And also they can link sustainability-related activities to their business strategies. The others are venture capital funds that we're focusing on: agrifood tech and sustainability. Interestingly, we have one fund which is focusing on New Zealand. (New Zealand is an interesting country. By nature, they care about nature. So themes like sustainability or circular economy are really rooted in the country.) And

we're now also discussing a gender impact fund that focuses on gender equality and the well-being of gender-minority people — investing into new technologies or business models that enhance the well-being of those groups."

Negative impacts, 'zombies'

But how exactly can the potential impact of an emerging company be measured, one audience member wanted to know. Maekawa offered that this is a balance between a company reducing its negative impact while also addressing a noticeable gap, which means it has the potential to be profitable. Of note is that because sustainability has become trendier and awareness is increasing, it is becoming somewhat easier for entrepreneurs to access funding. However, he noted that there still remain SDG-focused solutions, such as those related to poverty reduction, that do not offer a clear opportunity for profitability.

With regard to whether government policy is more important than individual action toward a more sustainable society, Shindo said government targets can be a useful trigger for action. The reason for an increase in the number of people taking paternity leave or the number of female executives doesn't really matter. What matters is that it is happening.

Before the audience broke into pockets to continue the conversation on sustainability from several nuanced angles, they considered Japanese companies that have been in existence for over a 100 years. Some of these are referred to as "zombies," Maekawa said, because of their lack of growth. However, he said, focusing on reducing their negative impact and thinking about the society and environment rather than just customers or investors, has, and can continue to boost the longevity of profitable companies. Shindo added that loyalty and a strong work ethic among the Japanese will also continue to contribute to business sustainability.

Shonai connects rural areas to people nationwide, global markets

Sustainable Japan Award: Satoyama Excellence Award

MAIKO MURAOKA
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A sophisticated wooden structure overlooks fields in Yamagata Prefecture's Shonai region, famed for its rice: Suiden Terrace, a hotel run by Local Resorts Inc., a subsidiary of Shonai Inc., founded by entrepreneur Daisuke Yamanaka in 2014. Designed by the internationally renowned Shigeru Ban Architects, the hotel attracts guests from both at home and abroad, helping to invigorate the region.

Last year, Shonai received the Sustainable Japan Satoyama Excellence Award, presented by The Japan Times, for its achievements in bridging rural areas and the world in a wide range of business areas while tackling various social issues.

Yamanaka was born in Tokyo and raised in various countries abroad. After graduating from university in Tokyo, he worked for a leading property developer. But he made a bold and quick decision to change not only his career path but also his life when he fell in love at first sight with the Yamagata city of Tsuruoka, which he visited at the invitation of a friend. He found a job there that offered the opportunity to create a greater impact on society and moved there.

He took charge of a project planning how to utilize unused land in the area, and soon afterward got the idea of building a hotel with a picturesque view of rice paddies, and decided to establish his own company to do it himself. The company drew investments from local firms that shared a common sense of urgency on acting for the survival of rural communities facing depopulation and

a weakening economy. "It is not that I knew how to win the game, it is just that using a location blessed with a view of open rice paddies was the best strategy I could think of," Yamanaka said.

The hotel now receives 60,000 guests annually. Many municipalities across the country are curious about this success, and some have approached the company to discuss the possibility of creating similar hotels in their region. "We are planning to open 10 new hotels that offer views of rural and agricultural landscapes, as well as meals using locally produced ingredients, across the nation by 2030," Yamanaka said.

The success of those hotels depends largely on the preservation of agricultural activities and landscapes. "That's why we don't just build hotels but collaborate with municipal governments to promote local agriculture," he said. Shonai has a company under its umbrella, called New Green, that is dedicated toward agricultural business and aims to penetrate the global market with high-quality made-in-Japan agricultural products.

"Japan's agriculture faces the contradiction of selling to a shrinking domestic market rice and other crops whose prices are declining, produced using chemical fertilizers and pesticides made of expensive imported chemicals. How about turning it around completely? We can be profitable by attracting the global market with high-value crops grown organically using new technologies and unused resources," Yamanaka said.

One such effort involves the Agiamo robot, invented by company Vice President Tetsuya Nakamura. Named after the *agiamo* breed of domesticated duck, it kicks up mud in flooded paddies, keeping sunlight from reaching weeds and burying their seeds in mud so they cannot germinate. "We have also been providing this technology to other parts of the world, including Vietnam and China," Yamanaka said.

His approach to always think globally comes from the conviction that it is risky to depend only on domestic demand in a country with a falling population. "But for rural areas to do business internationally, it is essential to secure human resources who can work beyond borders and enough financial resources," he said.

And so the Shonai company Xlocal focuses on connecting human resources



Founder Daisuke Yamanaka SHONAI

across the nation with companies in rural areas and on helping those companies access various forms of funding. Yamanaka believes that enabling diverse human resources and funding will help drive the growth of regional enterprises with high potential in the global market, especially in the food and beverage industry.

Bringing in talent from outside is not the only solution for revitalizing rural areas in Japan. Shonai has also engaged in teaching children through the educational facilities it operates and also through projects and programs that aim to provide children with diverse experiences.

To increase the amount of money that can be spent on education while making the business able to contribute to environmental sustainability, Shonai provides various decarbonization solutions to companies across the country while investing profits into education in rural areas.

As the company celebrates its 10th anniversary next month, Yamanaka has a renewed sense of mission to achieve annual sales of ¥10 billion (\$60 million) by 2030 to invest more into education for children. "The private sector should think about how it can complement areas where efforts by the government alone are insufficient. Creating a circulatory ecosystem of earning well through business and spending well on our children and future — that is how a company should be," Yamanaka said.

The Sustainable Japan Award commends individuals, companies and organizations who have made advances in sustainability efforts. To learn more, scan the QR code or visit <https://sustainable.japantimes.com/sjaward2024>

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What is the Sustainable Japan Award?

The Japan Times Co. Ltd. launched the ESG Consortium and the Satoyama Consortium in 2017 and merged them into the Sustainable Japan Network in 2021, focusing on individuals, companies and organizations active in various positions to realize a sustainable society, including key people in Japan and overseas who disseminate their efforts both domestically and abroad. The first Satoyama and ESG Awards were held in 2019. Three years later, the name of the award changed to the Sustainable Japan Award, with both a satoyama section and an ESG section established within it. Our goal is to commend individuals, companies and organizations who have made advances in sustainability efforts, and we hope to convey their activities both domestically and internationally.

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Suiden Terrace SHONAI