

# sustainable japan

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## Seminar discusses increasing green transition finance

### Event coverage

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As the world faces the challenge of global warming, it is increasingly urgent to reduce carbon dioxide emissions across the board.

At a June 4 seminar in Tokyo on green transformation and transition finance sponsored by the Environment and Law Unit of Kyoto University's Center for Interdisciplinary Studies of Law and Policy, experts emphasized the importance of investing in clean energy projects and financing hard-to-abate industries to support their shifts to greener operations. Some experts said such financing must be monitored to ensure the funds are used properly to truly support transformation, while also warning that investors and consumers should watch out for possible greenwashing by corporate bond issuers seeking lower interest rates.

"Accelerating the energy transition and green transformation investment is a form of crisis management" at a time when electricity demand is growing rapidly, Green Transformation Acceleration Agency (GXA) Director Hideki Takada told the audience. The agency was established in 2024 to help carry out the government's green transformation policy of investing in corporate projects to slash carbon emissions and boost renewable energy production and usage.

Since the world's energy demand is rising sharply with the emergence of generative AI

and its need for building more data centers, the supply of oil alone will not be sufficient to fulfill the demand. Takada said it is therefore essential to expand renewable energy, which can be supplied more quickly and at lower cost.

Moreover, the conflict between the United States and Iran overshadows the global energy market. "What is going on in the Middle East is heightening concerns about energy supplies, and the situation is prompting Japan to reaffirm the need for green transformation and an energy transition," he said. Japan is particularly vulnerable to energy crises because its energy self-sufficiency rate of 15.3% is the lowest among developed nations and it remains heavily dependent on imported fossil fuels, he added.

Takada stressed that achieving carbon neutrality by 2050 does not conflict with Japan's strategy to promote industrial competitiveness and economic growth. "These goals can be pursued at the same time, and they can also enhance each other. This concept is the foundation of Japan's GX (green transformation) policy," he said.

In 2023, the Japanese government pledged to mobilize a total of ¥150 trillion (nearly \$1 trillion) in GX-related investment over the next 10 years, out of which ¥20 trillion comes from a national budget for green transformation. The agency will promote ¥130 trillion in investments from the private sector.

To achieve the goal, the government started to issue the world's first sovereign transition bond in February 2024,



Speakers and event organizers GREEN FINANCE

which will be financially backed by national income earned by the country's carbon pricing system.

The agency's mission is to support green projects by providing debt guarantees and equity investments, operate the national carbon pricing mechanism starting this fiscal year — creating a market for trading corporate emissions — and promote research and information toward a carbon-free society.

In July 2025, the GXA announced its investment in TeraWatt Technology Inc., a California-based startup founded in Japan that provides rechargeable lithium-ion battery cells with high energy density. The amount of the financing has not been disclosed. The agency followed that investment with debt guarantees for steelmaker JFE Holdings Inc., chemical company Resonac Holdings Corp. and the electricity producers

Chugoku Electric Power Co. and Hokkaido Electric Power Co.

"Transition finance is growing, but at the same time, it is entering a new phase in which its quality and credibility are under closer scrutiny," said Yumiko Watanabe, the head of the Japan program of the Climate Bonds Initiative. "What matters most is how to assess the projects and assets being financed, and how that investment can drive corporate transformation." Climate Bonds Initiative is a London-based international organization founded in 2010 whose mission is to expand credible green transition financing in capital markets, using science-based standards. It also helps build financial infrastructure by connecting policymakers, investors and issuers.

Watanabe said there is further scope for Japanese issuers to improve the quality of

the nation's green bonds. As of the end of 2025, approximately 60% of the \$162 billion issued through more than 1,000 green bonds in Japan was found to be aligned with the Climate Bonds Criteria, and around 4% was certified under the International Capital Market Association-aligned Climate Bonds Standard and Sector Criteria. But these figures are lower than those in the global market, where about 80% of the total issuance worth \$5.36 trillion matches the criteria and about 8% is certified.

As for transition bonds, Watanabe pointed out that the market is not yet fully developed. The total volume of global transition bond issuances, which had been gradually increasing for several years, jumped to a record high in 2024 due to a single large issuance by the Japanese government. Between July 2017 and March 2025, Japan issued a total of \$31.48 billion in transition bonds, accounting for about 60% of the volume worldwide. "These figures show that issuers still remain limited and have yet to become widespread globally," she said.

She also stressed that every country and sector must follow a clear transformation path to keep the U.N.-backed 1.5-degree goal within reach, and that such actions need to be embedded in economic frameworks and grounded in science.

The next presenter was Shunta Doki, an attorney at law for Oh-Ebashi LPC & Partners, who explained legal aspects of greenwashing in sustainability finance.

Doki warned that companies' greenwashing can create not only reputational risks but also civil, criminal and regulatory liabilities. For example, inaccurate information or inadequate disclosure of material data to investors could result in damage claims. Misleading consumer information could also lead to administrative fines on companies, while directors may face liability for management decisions.

Doki pointed out that transition finance is prone to greenwashing. "Since ESG (environmental, social and governance) finance



Attendees had the opportunity to meet and network. GREEN FINANCE

can offer lower interest rates, corporate borrowers have an incentive to present their projects as green," he said. This is especially problematic because it is often hard to assess the quality of a transition plan that is dependent on future goals, and because a company's targets may depend on technologies that are still under development, such as hydrogen-based systems or carbon dioxide capture and storage, he said.

In the closing remarks, Sophia University professor Yu Umernura said the world is facing an unavoidable paradigm shift. "We are urged to change society in many ways, including in corporate law and in social structures such as the financial system," he said.

In a question to the other seminar speakers, he asked for their views on criticism of Japan's approach to transition finance by global nongovernmental organizations arguing that Japan's investment in ammonia and hydrogen co-firing for coal-fired power generation has limited impact on reducing carbon emissions and merely prolongs the life of fossil fuel-based power generation.

In response, Takada of GXA said he believes Japan must invest in a broad range of technologies to achieve net-zero emissions by 2050, as no single technology has been fully proven to help fossil fuel companies reach net zero or has yet been widely deployed in society. "In that context, we need to keep investing in these technologies while monitoring progress and adjusting strategies as needed," he said.



Participants at the June 4 seminar GREEN FINANCE

### Times Gallery



Albanian Prime Minister Edi Rama and Prime Minister Sanae Takaichi hold a summit meeting in Tokyo, strengthening bilateral ties, advancing strategic cooperation and marking a key milestone in Albania-Japan relations. EMBASSY OF THE REPUBLIC OF ALBANIA



Brazilian Ambassador Octavio Cortes receives Alberto Zanella, the Brazilian artist who was the winner of the 1minute Projection Mapping Competition in the 2026 edition of Tokyo Lights. EMBASSY OF BRAZIL



Ambassador Walter Cohen joins fellow Panamanians in Japan at a World Cup viewing event to support the national team on June 18. EMBASSY OF PANAMA



Cote d'Ivoire's U-16 national team competed alongside teams from Japan, France and Argentina in the 2026 International Dream Cup, which took place from June 5 to 7. EMBASSY OF COTE D'IVOIRE



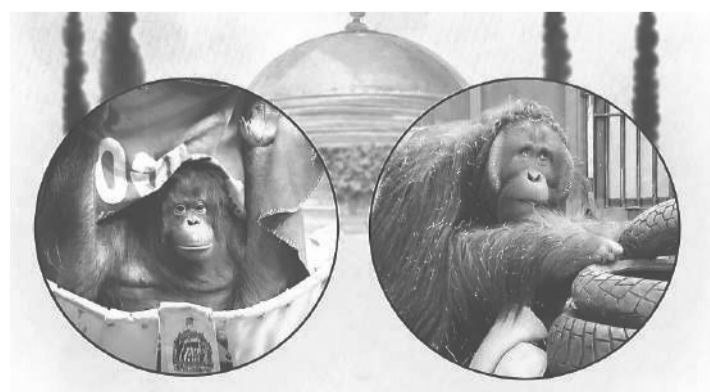
Classical literature translator Peter McMillan stands with Norinaga and Akiko Saegusa at a reception at Ireland House Tokyo to mark his being conferred with the Order of the Rising Sun, Gold Rays with Rosette. EMBASSY OF IRELAND



Part of the opening ceremony of the Honorary Consulate of the Republic of Kosovo in Kobe. EMBASSY OF THE REPUBLIC OF KOSOVO



Serbian Embassy members and Cabinet Office Parliamentary Vice Minister Naoki Furukawa joined Yokohama's Asahi Ward and Sports Association for a soft volleyball tournament. EMBASSY OF THE REPUBLIC OF SERBIA



Indonesia's orangutans Jenifer and Hayato were introduced at Tobe Zoological Park in Ehime Prefecture on June 6 under an international collaborative breeding loan program. EMBASSY OF INDONESIA

## Necchu Elementary School builds thriving communities via learning

### Sustainable Japan Award: Satoyama Special Award

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As many rural communities across Japan grapple with population decline and aging, new ways to sustain local vitality are increasingly needed.

One organization believes the answer begins with learning. Necchu Elementary School is an adult-learning initiative operated by the nonprofit organization Necchu Gakuen. Inspired by the idea of seeing the world through the eyes of a 7-year-old, the program encourages adults to rediscover the joy of learning.

Over the past decade, the program has created opportunities for people to reconnect with their communities through learning and civic engagement. What started in 2015 in the Yamagata Prefecture town of Takahata has grown into a nationwide network spanning 17 schools across Japan and one in Seattle, with two additional campuses currently in preparation.

The initiative was recognized with the Special Award in the satoyama category at The Japan Times' Sustainable Japan Award 2025. Judges cited its contributions to human-resource development, entrepreneurship, migration promotion and broader efforts to create sustainable regional communities.

The idea emerged from an unlikely place: a closed elementary school. As Takahata's population declined, local leaders faced a familiar question confronting many rural towns: What should be done with unused public facilities?

Kazufu Hotta, founder of Necchu Elementary School and a former executive at IBM Japan, proposed an unconventional solution: "What if we reopened it as a school?" Rather than creating another community center or tourist attraction, Hotta and local supporters transformed the former school into a place where adults could continue learning.

One reason the program has continued to grow lies in its unique operating model. At the heart of Necchu Elementary School is a nationwide network of volunteer instructors. Business leaders, researchers, artists and entrepreneurs teach classes, sharing exper-

tise that would otherwise be difficult to access in many regional communities.

Approximately 350 instructors are registered with the program. While transportation and accommodation expenses are covered, instructors volunteer their time and receive no teaching fees. According to Hotta, the greatest reward for many instructors is the enthusiasm of the students. "Instructors tell us, 'I was busy, but it was such a rewarding experience that I'd like to come back,'" he said.

Another key element is the diversity of the students themselves. More than 1,000 students are enrolled nationwide. The average age is in the late 50s, and many travel from neighboring municipalities or other prefectures to attend classes.

By bringing together people of different generations, professions and regions, the schools create opportunities for encounters that would not otherwise occur. Hotta describes these interactions as one of the initiative's greatest strengths. "Other people are like mirrors," Hotta said. "Through meeting different people, you gradually discover who you are and find your role."

The program's third defining feature is its ability to translate learning into real-world action. Connections formed through classes often evolve into community projects and solutions to local challenges.

In Takahata, for example, students launched a wine-making project utilizing abandoned farmland. Networks that formed among students and instructors have also helped establish a welfare facility, demonstrating how classroom connections can lead to tangible community outcomes. Necchu Elementary School has also supported communities recovering from disasters, including those affected by the Noto Peninsula earthquake.

According to Hotta, such initiatives help students develop a deeper attachment to their communities while discovering new roles for themselves within them. As more people become actively involved in their hometowns, local understanding and support for the schools also grow. This virtuous cycle has helped sustain the program over the long term.

The impact of Necchu Elementary School extends beyond individual communities. Students enrolled in one school can attend classes at other campuses through a sys-



Kazufu Hotta, founder of Necchu Elementary School. NECCHU ELEMENTARY SCHOOL

tem known as the "Necchu Passport." As a result, exchanges among schools — stretching from Hokkaido in the north to Kyushu in the south — have become increasingly active. Students travel across the country, building relationships that transcend local boundaries.

Launched in 2023, Shoku no Necchu Elementary School (Food Enthusiasm School) seeks to connect urban consumers with rural producers through lectures and fieldwork across Japan. The program encourages participants to become long-term supporters of regional communities, even if they do not relocate there.

The school has around 100 students. Through monthly lectures and fieldwork, they visit food-producing regions across Japan and engage directly with producers and local residents. Even if they do not relocate, participants can become long-term supporters of regional communities, strengthening ties between consumers and producers.

Looking ahead, Necchu Gakuen aims to expand learning opportunities that connect urban and rural communities while contributing to the vitality of society as a whole. At the same time, it seeks to build a network in which each school can operate independently while reflecting the unique character of its region. As Hotta said, "Communities and people who value learning will prosper." Guided by this belief, the small initiative that began in a former elementary school in Takahata continues to foster new connections and inspire new initiatives in communities across Japan.