

Towards Medium- and Long-term Development of Green Finance Market in Japan

— Expected actions from market participants —



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1. Introduction

The size of the green finance markets in Japan marked 5 trillion yen in 2024; Saturated green finance demands amid changing global trends and market condition
The Green Finance Committee and MoEJ promoting further efforts towards green finance without any delay; showcasing their expectations to market participants in terms of mid- and long-term perspectives

2. Scope and functions of green finance

Scope: financial system and financial actions that contribute to strengthening economic and social foundation and improving well-being

Green finance practices: across a variety of asset classes and levels.

3. Significance and benefits of green finance

GF financially support businesses to transform towards decarbonisation, circular economy, and nature positive economy, while ensuring economic viability and contributing to improving the well-being of the people.

Significance for Socio-economy

- Stabilising business environment and improving sustainable growth and competitiveness as a result of advancement of climate change mitigation and adaptation, or the protection of natural capital
- Strengthening their earnings and enhancing risk management in managing their balance sheets and investment portfolios through stabilizing corporate management

Benefits for companies

For Fundraisers: Business growth and new business opportunities, increased motivation of their staff by contributing to the environment and society and external promotion, and expansion of investors and funding sources

Fund providers: Reducing investment and financing risks by adverse environmental impacts, strengthening relationships with customers, acquiring new profit-earning opportunities, and appeal to the public

4. Expected actions from market participants

Fund providers: Institutional investors, banks and insurance companies

● Advanced entities

➤ **Asset owners (institutional investors)**

Building a framework for promoting green finance based on the relevant principles of the Asset Owner Principle and encouraging engagement in asset managers.

➤ **Banks, insurance companies**

Further promotion of investment in and financing of green bonds and others in accordance with the international principles, appropriate appraisal of the environmental actions of investees through impact reporting, high-quality engagement

➤ **Asset managers**

Outreach and dialogue with asset owners

● Early-stage entities

Deepening their understanding of the functions and significance of green finance and its benefits, and active engagement in the green finance market.

Fund raisers

● Advanced entities

Active implementation of green projects, continuous fundraising through green finance, a deeper understanding of the importance of reporting, and progress in visualising the effects of environmental benefits.

● Early-stage entities

Deepening the understanding of the benefits and actual cases of green finance, considering green finance, using support from government and green finance supporters

Financing supporters (securities firms and external reviewers)

➤ **Securities firms**

Supporting to stimulate new demands and to accurately grasp the needs, challenges and progress of innovation

➤ **External reviewers**

Providing appropriate, high-quality evaluations that ensure transparency and impartiality, and guarantee environmental benefits

5. Direction of future work by the Ministry of the Environment

- Collecting impact reporting examples, and further developing loan markets with regional financial institutions and SMEs
- enhancing eligible projects in the Green List, Strengthening communication with market participants and information gathering and dissemination functions