

# Updates on Japanese Business and Economy

<VOL.17> October 2020

As the world continues to confront the global COVID-19 pandemic, Keidanren is working not only to address the issue of preventing its further expansion, but also to develop a strategic vision for the coming post-crisis economic recovery. Below are some of the initiatives Keidanren has proposed and been working on. Even as our daily lives have been upended by this crisis, we sincerely hope that you and your families remain safe.

## Contents

1. Keidanren Submits “Requests for the New Administration”
2. Keidanren and Japanese Ministry of the Environment Sign Collaboration Agreement for Achieving a Decarbonized Society
3. Keidanren Proposal for Promoting Longer-Term Perspective Dialogue between Companies and Investors

## 1. Keidanren Submits “Requests for the New Administration”

On September 29, Keidanren’s Chairman of the Board of Councilors, Nobuyuki Koga, along with Japan Chamber of Commerce and Industry Chairman Akio Mimura and Keizai Doyukai (Japan Association of Corporate Executives) Chairman Kengo Sakurada, met with Prime Minister Yoshihide Suga at his Official Residence. Each organization submitted a list of requests for the new administration to the Prime Minister.

Keidanren’s list included requests on coronavirus countermeasures, new growth strategies and economic structural reform for a post-coronavirus world, and the formation of a new international order.



Prime Minister Suga (Second from right) and  
Mr. Koga (Third from right)

Prime Minister Suga stated his intent to achieve a balance between prevention of a coronavirus recurrence and promotion of economic activities, based on a shared understanding with the business community.

The Prime Minister also addressed the establishment of a new digital agency, expressing his desire to promote digitalization of government administration through close coordination between the national and local governments. On diplomacy, he spoke of his phone conversations with foreign leaders, stating that the trust between the U.S. and Japan will remain strong, and that he believes that China considers its relationship with Japan to be an important one.



Minister Kajiyama (Second from right) and  
Mr. Koga (Third from right)

The three business organization leaders then met with Economy, Trade and Industry Minister Hiroshi Kajiyama to submit their request lists. Minister Kajiyama expressed appreciation for the business community's efforts to combat the coronavirus, and stated the government's intent to work on new growth strategies such as digital transformation (DX) acceleration, supply chain fortification, and strengthening the business base for SMEs.

Minister Kajiyama also said that he sees Japan's role in the formation of a new international economic order to

be that of a rules-based bridgebuilder between nations, and that he intends to coordinate with like-minded nations and proceed with a strong sense of purpose.

## 2. Keidanren and Japanese Ministry of the Environment Sign Collaboration Agreement for Achieving a Decarbonized Society

[Redesigning the Post-COVID-19 Socioeconomic System toward a Virtuous Cycle of Environment and Growth](#) (September 24, 2020)



Ministry of the Environment

**Keidanren**  
Japan Business Federation



Mr. Shinjiro Koizumi, Minister of the Environment (center),  
Mr. Tsutomu Sugimori, Vice Chair of Keidanren (center-right), and  
Ms. Yumiko Noda, Chair of the Committee on Environment and Safety, Keidanren (center-left)  
holding the agreement

### **〔General Remarks〕**

1. The two crises facing the world today; i.e. COVID-19 and climate change, require the redesign of our socioeconomic system to be more sustainable and resilient, thereby creating a virtuous cycle of environment and growth. In particular, development and global dissemination of innovative technologies are essential to address climate change. In view of the above, MOEJ and Keidanren will work closely together aiming for the realization of a decarbonized society as stated in the Paris Agreement.
2. The two organizations will collaborate for steady achievement of the Japan's Nationally Determined Contribution (NDC), and pursue further reduction efforts taking into consideration technological developments and lifestyle changes.

### **〔Realizing a Decarbonized Society〕**

3. Moving forward with realizing a decarbonized society, Keidanren will strongly promote its Challenge Zero initiative. MOEJ, in collaboration with other government agencies, will support actions by Keidanren and its members.
4. Moreover, MOEJ and Keidanren will collaborate to promote decarbonized corporate management in Japan, such as through the TCFD, SBT, RE100, etc.

### **〔Steady Achievement of the NDC based on the Paris Agreement〕**

5. Keidanren will steadily implement proactive efforts toward achieving the NDC based on the Paris Agreement. Meanwhile, MOEJ, in collaborate with other government agencies, will provide follow-up and support.

### **〔Sustainable / ESG Finance〕**

6. To promote technological developments that contribute to the realization of a decarbonized society, and to

advance the transition to such a society, Keidanren will actively promote sustainable/ESG finance including information disclosure. MOEJ, in collaboration with other government agencies, will improve enabling conditions to promote sustainable/ESG finance.

**〔Periodic Discussions, etc.〕**

7. MOEJ and Keidanren will take actions such as periodic discussions to promote actions contained in the six paragraphs above. MOEJ and Keidanren will also work together for redesigning the post-COVID-19 socioeconomic system toward a virtuous cycle of environment and growth, with the three transitions as its foundation, namely, transitions to a decarbonized society, to a circular economy, and to a decentralized society in harmony with nature. Both organizations will further collaborate on actions toward realization of the Circular and Ecological Economy (CEE) as well as the Society 5.0 for SDGs, as shared images of a sustainable future.

### **3. Keidanren Proposal for Promoting Longer-Term Perspective Dialogue between Companies and Investors**

**- Setting out efforts required of companies, investors, and the government to promote truly effective dialogue -**

On September 15, Keidanren announced a policy proposal titled “[Promoting Constructive Dialogue between Companies and Investors](#).”

Confronted by the coronavirus pandemic, the world now recognizes the necessity of quickly developing more resilient and sustainable socioeconomic systems. In recent years, financial and capital markets have reflected on “short-termist” investment styles and shareholder-centric policies, and this re-examination has led to a shift towards investment based on environmental, social, and governance (ESG) criteria. This places importance on enhancing medium- to long-term corporate value, and on “stakeholder capitalism,” which respects diverse stakeholders including employees and local communities as well as shareholders. This trend will accelerate in the wake of this current crisis.

In the near term, with an eye to the current and immediate post-coronavirus eras, companies are reformulating their business strategies from a longer-term perspective on the assumption of a new normal. To accelerate this trend and support the financial and capital market aspects of creating a sustainable society, it will be vital for companies and investors to engage in constructive dialogue from a long-term perspective. The proposal summarizes efforts required of companies, investors, and the government to achieve this goal.

- **Progress in dialogue between companies and investors**

Analysis of the current state of dialogue reveals that steady improvements have been made due to the efforts of both companies and investors. A Japan Investor Relations Association survey found that progress had been made in establishing frameworks for dialogue, with approximately 80 percent of publicly listed companies having dedicated investor relations departments and/or full-time IR personnel. There has also been a clearer trend towards institutional investors and investment advisers reflecting the results of engagement efforts in the

exercise of voting rights. Moreover, companies and investors are both showing greater interest in ESG investment.

▪ **Actions required to foster constructive dialogue**

Although steady improvements have been made in dialogue between companies and investors, the five actions described below will be needed to achieve even more effective levels of dialogue.

The first is further enhancement of corporate disclosure, which is the starting point for dialogue. Companies should look past the formalities and voluntarily communicate their own information and ideas with awareness of materiality and priority.

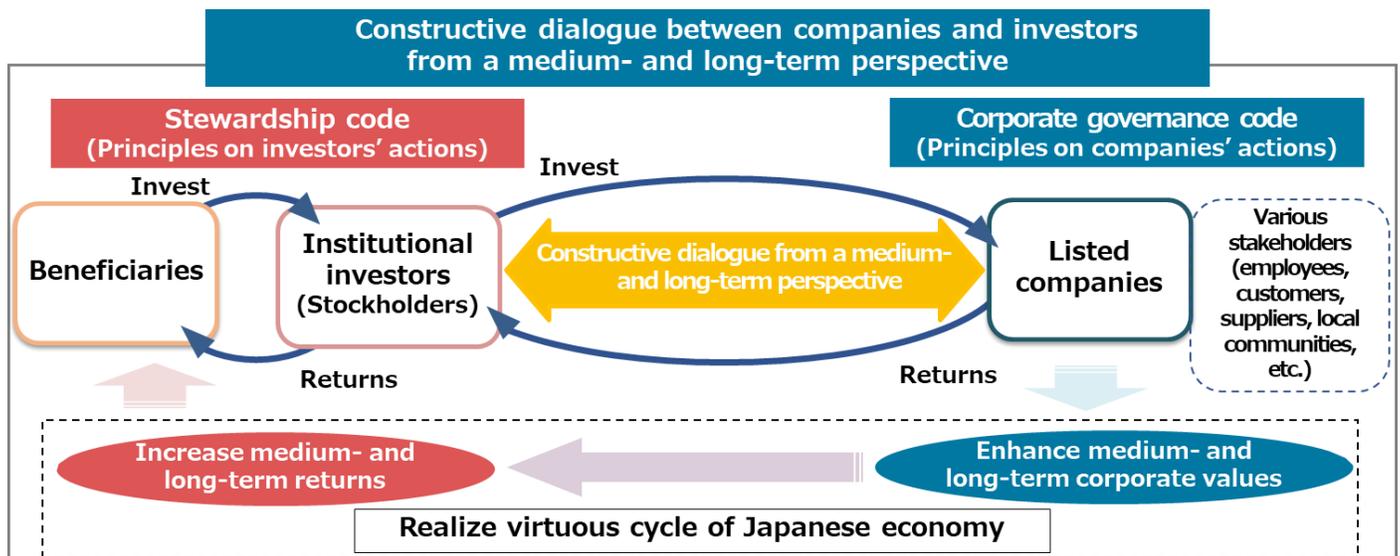
The second is adoption of a stance aiming to produce a virtuous cycle leading to a qualitatively improved level of dialogue. Future dialogue becomes more constructive when feedback on results of the dialogue is shared, and when dialogue is reflected in management and subsequent actions such as exercise of voting rights.

The third is appropriate utilization of proxy voting adviser functions. As mandated in new revisions to the Stewardship Code this year, proxy voting advisers sometimes need to actively exchange views and opinions with portfolio companies while developing their personnel and organizational frameworks and improving the transparency of their processes for the formulation of recommendations.

The fourth is utilization of digital technology to allow investors more time to study pending proposals and facilitate effective dialogue with physically distant investors and others facing constraints on in-person assembly.

The fifth is encouragement of dialogue based on longer-term perspectives. As part of these efforts, Japan should actively assume the lead in organizing and consolidating ESG-related information disclosure standards into an international framework.

These actions are expected to foster constructive dialogue between companies and investors and generate a virtuous cycle for investments in Society 5.0-related fields and the corporate creation of new value.



\* \* \*

For more information on Keidanren's recent activities, please visit [here](#) and our weekly journal [Keidanren Times](#).

Editor: Keidanren USA

- If you wish to stop receiving these emails, you can unsubscribe by replying to this email with "Unsubscribe" in the subject line. Thank you.
- Please feel free to forward this newsletter to anybody you think might be interested.
- Please let us ([washingtondc@keidanren.us](mailto:washingtondc@keidanren.us)) know if you know of anybody who might wish to be included on this mailing list.