



Index Insights | Sustainable Investment | Equity

Driving ESG progress in Japan: Improved disclosure and growing investor support

Improved corporate ESG disclosure—combined with strong backing from local investors, asset managers, and service providers—is driving progress and creating opportunities

December 2025

AUTHORS

Atsuhito Mori

Senior Manager, Sustainable Investment Japan,
Client Experience
atsuhito.mori@lseg.com

Ken Hirose

Head of Japan, FTSE Russell
ken.hirose@lseg.com

Chuck Chang

Manager, Equity Index Research and Design
chuck.chang@lseg.com

Written in collaboration with SGX

Quarterly analysis

Authored in collaboration with SGX, this report reviews the development of Japan's sustainability standards, the ESG performance of listed companies in Japan compared to market-specific indices, and the growth of index-linked SGX FTSE Blossom Japan Index Futures.

Key highlights from this quarter's analysis:

- Since the FTSE Blossom Japan Index started in 2017, the FTSE ESG Scores of Japanese companies have improved:
 - The number of companies included in the index doubled in 2025
 - Country ESG score ranking has risen from 2021 to 2025
 - The background for rising ESG scores is also improving, creating investment opportunities for global ESG investors
- Both the Blossom Japan and Blossom Sector Relative (SR) indices maintained long-term outperformance relative to their benchmark with strong quarterly performance led by ESG Factors
- SGX FTSE Blossom Japan Index Futures remain the only active Japan ESG derivatives contract

Growth in FTSE Blossom Japan Index constituents

The FTSE Blossom Japan Index has been managed for approximately eight years, since it was adopted by the Government Pension Investment Fund of Japan (GPIF), the pension fund's first ESG index. This index mainly selects stocks with a high FTSE Russell ESG Score, calculated based on companies' ESG disclosures.

When the index first began in 2017, there were approximately 150 stocks. Today, this number has doubled to over 300.

FTSE Russell ESG Score methodology: How index inclusion has evolved

In 2019, the FTSE Russell ESG Score, the base criteria for new inclusion in the FTSE Blossom Japan Index, was raised from 3.1 to 3.3. Furthermore, in 2020, the Climate Change theme in the Environmental Pillar, was updated to incorporate the TPI Management Quality assessment, which evaluates companies' future climate transition strategies and their management. These changes have also required more sophisticated ESG disclosure. Additionally, the FTSE Blossom Japan Index added small-cap stocks for the first time in 2020.

Japan's average ESG Score by country is on the rise

Amid growing demand for assessment and disclosure, the number of companies included in the FTSE Blossom Japan Index is increasing every year, demonstrating continued progress in ESG disclosure by Japanese companies.

The chart below compares FTSE Russell ESG Scores by country. Compared to 2021, Japan's relative ranking has risen for the period of December 2021 to June 2025.

Exhibit 1: Average FTSE Russell ESG Scores: June 2025 vs Dec 2021

Country	June 2025	Dec 2021	Improvement
USA	3.46	3.10	0.36
Japan	3.81	3.11	0.70
Korea	3.38	3.01	0.36
Australia	3.66	3.70	-0.05
UK	3.83	3.80	0.03

Note: Market cap weighted, large and mid-cap.

Source: FTSE Russell. Data as of September 30, 2025.

Why Japanese companies' ESG Scores are improving

The rise in Japanese companies' FTSE Russell's ESG Scores is, of course, largely due to the efforts of each company. As an ESG assessment provider, FTSE Russell assesses ESG Scores based on company disclosures and maintains transparency in its assessment methodology.

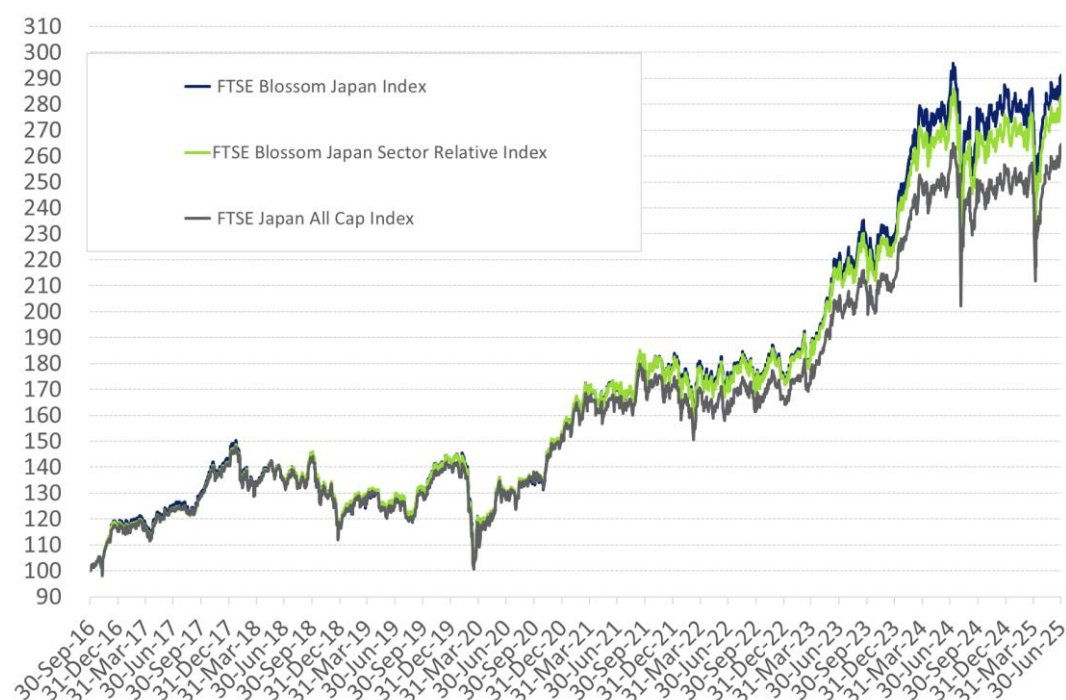
GPIF, which signed the PRI in 2015 and adopted Japan's first ESG indices, has played a pivotal role in advancing ESG practices. Its commissioned asset managers have driven long-term engagement with Japanese companies, while numerous ESG consulting firms have supported improved disclosures.

Japanese companies with high FTSE ESG Scores present potential opportunities for global ESG investors

Examples from FTSE ESG indices and ESG Scores show that Japan's ESG disclosure is advancing. This progress highlights potential investment opportunities in Japanese companies for global ESG-focused investors.

The FTSE Blossom Index Series delivers strong quarterly gains driven by ESG factors

Exhibit 2. The FTSE Blossom Index Series has maintained long-term outperformance vs the benchmark



Source: FTSE Russell. Data as of September 30, 2025.

Both the FTSE Blossom Japan and Blossom Japan SR indices maintained long-term outperformance vs the benchmark, the FTSE Japan All Cap Index, reporting +2,354bp and +1,246bp respectively in their total excess return since inception. The ESG factor remained to be the largest contributor with +1,847bp for Blossom Japan and +1,048bp for Blossom Japan SR.

Q3, 2025 was also a strong period for the index series in the shorter term, more than offsetting the relative underperformance from the previous two quarters. FTSE Blossom Japan reported +445bp in its total excess return vs the benchmark, largely driven by the +276bp contribution from the ESG factor. FTSE Blossom Japan SR showed a similar pattern with +191bp in its total excess return and +150bp in the ESG factor.

Exhibit 3. Attribution Analysis for the FTSE Blossom Japan Index (bps)

	Industry	Value	Quality	Volatility	Momentum	ESG	Residual	Total Excess
2015/12 - 2023/12	-187	163	-155	-166	183	1,146	233	1,217
2015/12 - 2024/3	-178	203	-158	-214	402	1,612	277	1,945
2015/12 - 2024/6	-250	210	-157	-221	319	1,875	266	2,042
2015/12 - 2024/9	-225	199	-187	-203	266	1,632	377	1,858
2015/12 - 2024/12	-281	214	-155	-215	322	1,910	418	2,212
2015/12 - 2025/3	-229	207	-92	-200	309	1,570	414	1,980
2015/12 - 2025/6	-248	210	-129	-238	326	1,571	417	1,909
2015/12 - 2025/9	-248	260	-104	-283	348	1,847	534	2,354
Quarterly Change 2024/1-3	9	40	-3	-48	218	466	45	728
Quarterly Change 2024/4-6	-72	6	1	-7	-83	263	-12	97
Quarterly Change 2024/7-9	25	-11	-30	18	-53	-243	111	-184
Quarterly Change 2024/10-12	-56	15	32	-12	56	278	41	354
Quarterly Change 2025/1-3	51	-6	63	14	-12	-339	-3	-233
Quarterly Change 2025/4-6	-19	3	-38	-38	17	1	3	-71
Quarterly Change 2025/7-9	1	49	25	-44	21	276	116	445

Source: FTSE Russell, Data as of September 30, 2025. Data covers the period from December 31, 2015, to September 30, 2025.

Exhibit 4. Attribution Analysis for the FTSE Blossom SR Index (bps)

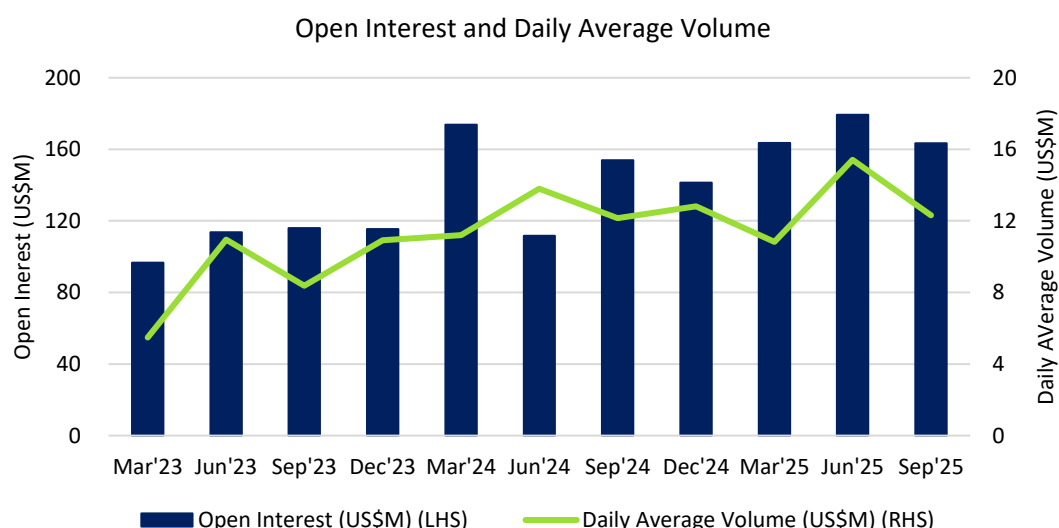
	Industry	Value	Quality	Volatility	Momentum	ESG	Residual	Total Excess
2015/12 - 2023/12	-24	34	-151	-60	255	663	107	823
2015/12 - 2024/3	2	9	-3	-162	176	1,188	-63	1,147
2015/12 - 2024/6	-57	12	-3	-164	153	1,321	-99	1,164
2015/12 - 2024/9	-28	44	-170	-69	307	915	12	1,011
2015/12 - 2024/12	-60	45	-170	-74	324	1,056	0	1,122
2015/12 - 2025/3	-18	42	-152	-62	308	888	58	1,065
2015/12 - 2025/6	-23	50	-181	-89	328	898	72	1,055
2015/12 - 2025/9	-0	40	-167	-116	361	1,048	80	1,246
Quarterly Change 2024/1-3	26	-25	148	-102	-79	526	-170	324
Quarterly Change 2024/4-6	-59	4	-0	-2	-23	133	-36	17
Quarterly Change 2024/7-9	29	32	-167	95	154	-406	111	-153
Quarterly Change 2024/10-12	-31	1	1	-5	17	141	-12	111
Quarterly Change 2025/1-3	41	-3	18	13	-16	-169	58	-57
Quarterly Change 2025/4-6	-5	8	-29	-27	20	10	14	-10
Quarterly Change 2025/7-9	23	-10	14	-27	33	150	8	191

Source: FTSE Russell, Data as of September 30, 2025. Data covers the period from December 31, 2015, to September 30, 2025.

The SGX FTSE Blossom Japan Index Futures remain the sole active ESG derivatives contract for the Japanese market

Participants also continue to enjoy flexibility in execution, with active block trading supported by on-screen liquidity in both the day and overnight sessions.

Exhibit 5. Evolution of activity on the SGX FTSE Blossom Japan Index Futures

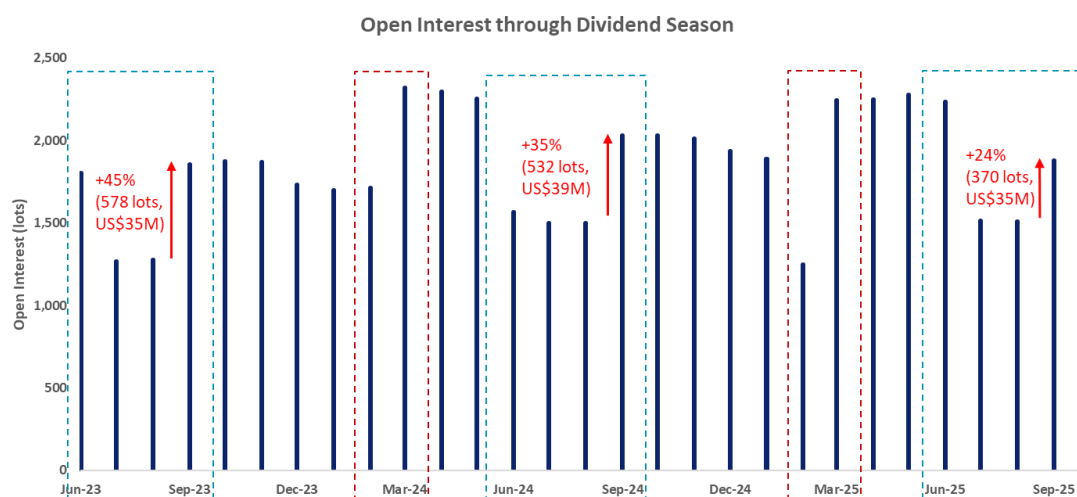


Source: SGX. Data as of March 2023 – September 2025. Past performance is no guarantee of future results. Please see end for important legal disclosures.

The SGX FTSE Blossom Japan Index Futures once again prove effective for dividend equitisation during September 2025's dividend season.

As highlighted in the blue boxes below, through the September dividend season over the years there has been a consistent increase in Open Interest in excess of US\$30M.

Exhibit 6. Increase in Open Interest around the September dividend season



Source: SGX. Data as of September 2025. Past performance is no guarantee of future results. Please see end for important legal disclosures.

The next major dividend season will be in March 2026 (highlighted in the red boxes above), where a similar trend has been active in the past.

About Singapore Exchange (SGX Group)

We are Asia's leading and trusted securities and derivatives market infrastructure, operating equity, fixed income, currency and commodity markets to the highest regulatory standards. We also operate a multi-asset sustainability platform, SGX FIRST or Future in Reshaping Sustainability Together (sgx.com/first). We are committed to facilitating economic growth in a sustainable manner leveraging our roles as a key player in the ecosystem, a business, regulator and listed company. With climate action as a key priority, we aim to be a leading sustainable and transition financing and trading hub offering trusted, quality, end-to-end products and solutions. As Asia's most international, multi-asset exchange, we provide listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore. We are the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN. In foreign exchange, we are Asia's leading marketplace and most comprehensive service provider for global FX over-the-counter and futures participants. Headquartered in AAA-rated Singapore, we are globally recognised for our risk management and clearing capabilities. For more information, please visit <https://regco.sgx.com/>

SGX Disclaimer

This document/material is not intended for distribution to, or for use by or to be acted on by any person or entity located in any jurisdiction where such distribution, use or action would be contrary to applicable laws or regulations or would subject Singapore Exchange Limited ("SGX") and/or its affiliates (collectively with SGX, the "SGX Group Companies") to any registration or licensing requirement. This document/material is not an offer or solicitation to buy or sell, nor financial advice or recommendation for any investment product. This document/material has been published for general circulation only. It does not address the specific investment objectives, financial situation or particular needs of any person. Advice should be sought from a financial adviser regarding the suitability of any investment product before investing or adopting any investment strategies. Use of and/or reliance on this document/material is entirely at the reader's own risk. Investment products are subject to significant investment risks, including the possible loss of the principal amount invested. Past performance of investment products is not indicative of their future performance. Any forecast, prediction or projection in this document/material is not necessarily indicative of the future or likely performance of the product. Examples (if any) provided are for illustrative purposes only. While each of the SGX Group Companies have taken reasonable care to ensure the accuracy and completeness of the information provided, each of the SGX Group Companies disclaims any and all guarantees, representations and warranties, expressed or implied, in relation to this document/material and shall not be responsible or liable (whether under contract, tort (including negligence) or otherwise) for any loss or damage of any kind (whether direct, indirect or consequential losses or other economic loss of any kind, including without limitation loss of profit, loss of reputation and loss of opportunity) suffered or incurred by any person due to any omission, error, inaccuracy, incompleteness, or otherwise, any reliance on such information, or arising from and/or in connection with this document/material. The information in this document/material may have been obtained via third party sources and which have not been independently verified by any SGX Group Company. No SGX Group Company endorses or shall be liable for the content of information provided by third parties (if any). The SGX Group Companies may deal in investment products in the usual course of their business, and may be on the opposite side of any trades. Each of SGX, Singapore Exchange Securities Trading Limited and Singapore Exchange Bond Trading Pte. Ltd. is an exempt financial adviser under the Financial Advisers Act (Cap. 110) of Singapore. The information in this document/material is subject to change without notice. This document/material shall not be reproduced, republished, uploaded, linked, posted, transmitted, adapted, copied, translated, modified, edited or otherwise displayed or distributed in any manner without SGX's prior written consent. Please note that the general disclaimers and jurisdiction specific disclaimers found on SGX's website at <http://www.sgx.com/terms-use> are also incorporated into and applicable to this document/material.

ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 40 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

ABOUT LSEG

LSEG is a leading global financial markets infrastructure and data provider, playing a vital social and economic role in the world's financial system.

With our open approach, trusted expertise and global scale, we enable the sustainable growth and stability of our customers and their communities. We are dedicated partners with extensive experience, deep knowledge and a worldwide presence in data and analytics; indices; capital formation; and trade execution, clearing and risk management across multiple asset classes.

LSEG is headquartered in the United Kingdom, with significant operations in 65 countries across EMEA, North America, Latin America and Asia Pacific. We employ over 26,000 people globally, more than half located in Asia Pacific. LSEG's ticker symbol is LSEG.

CONTACT US

To receive our research and insights email and Market Maps reports, directly to your inbox, subscribe [here](#).

To learn more, visit lseg.com/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810

Asia-Pacific

North America +1 877 503 6437

Hong Kong +852 2164 3333

Tokyo +81 3 6441 1430

Sydney +61 (0) 2 7228 5659

Disclaimer

© 2025 London Stock Exchange Group plc and its applicable group undertakings ("LSEG"). LSEG includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. "FTSE Canada", (4) FTSE Fixed Income LLC ("FTSE FI"), (5) FTSE (Beijing) Consulting Limited ("WOFE"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, WOFE, and other LSEG entities providing LSEG Benchmark and Index services. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "Refinitiv", "Beyond Ratings®", "WMR™", "FR™" and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks and/or service marks owned or licensed by the applicable member of LSEG or their respective licensors.

FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

All information is provided for information purposes only. All information and data contained in this publication is obtained by LSEG, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical inaccuracy as well as other factors, however, such information and data is provided "as is" without warranty of any kind. No member of LSEG nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the accuracy, timeliness, completeness, merchantability of any information or LSEG Products, or of results to be obtained from the use of LSEG products, including but not limited to indices, rates, data and analytics, or the fitness or suitability of the LSEG products for any particular purpose to which they might be put. The user of the information assumes the entire risk of any use it may make or permit to be made of the information.

No responsibility or liability can be accepted by any member of LSEG nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any inaccuracy (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transcribing, transmitting, communicating or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of LSEG is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of LSEG nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of LSEG nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset or whether such investment creates any legal or compliance risks for the investor. A decision to invest in any such asset should not be made in reliance on any information herein. Indices and rates cannot be invested in directly. Inclusion of an asset in an index or rate is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index or rate containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Index and/or rate returns shown may not represent the results of the actual trading of investable assets. Certain returns shown may reflect back-tested performance. All performance presented prior to the index or rate inception date is back-tested performance. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index or rate was officially launched. However, back-tested data may reflect the application of the index or rate methodology with the benefit of hindsight, and the historic calculations of an index or rate may change from month to month based on revisions to the underlying economic data used in the calculation of the index or rate.

This document may contain forward-looking assessments. These are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Such forward-looking assessments are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially. No member of LSEG nor their licensors assume any duty to and do not undertake to update forward-looking assessments.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of LSEG. Use and distribution of LSEG data requires a licence from LSEG and/or its licensors.

The information contained in this report should not be considered "research" as defined in recital 28 of the Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council ("MiFID II") and is provided for no fee.