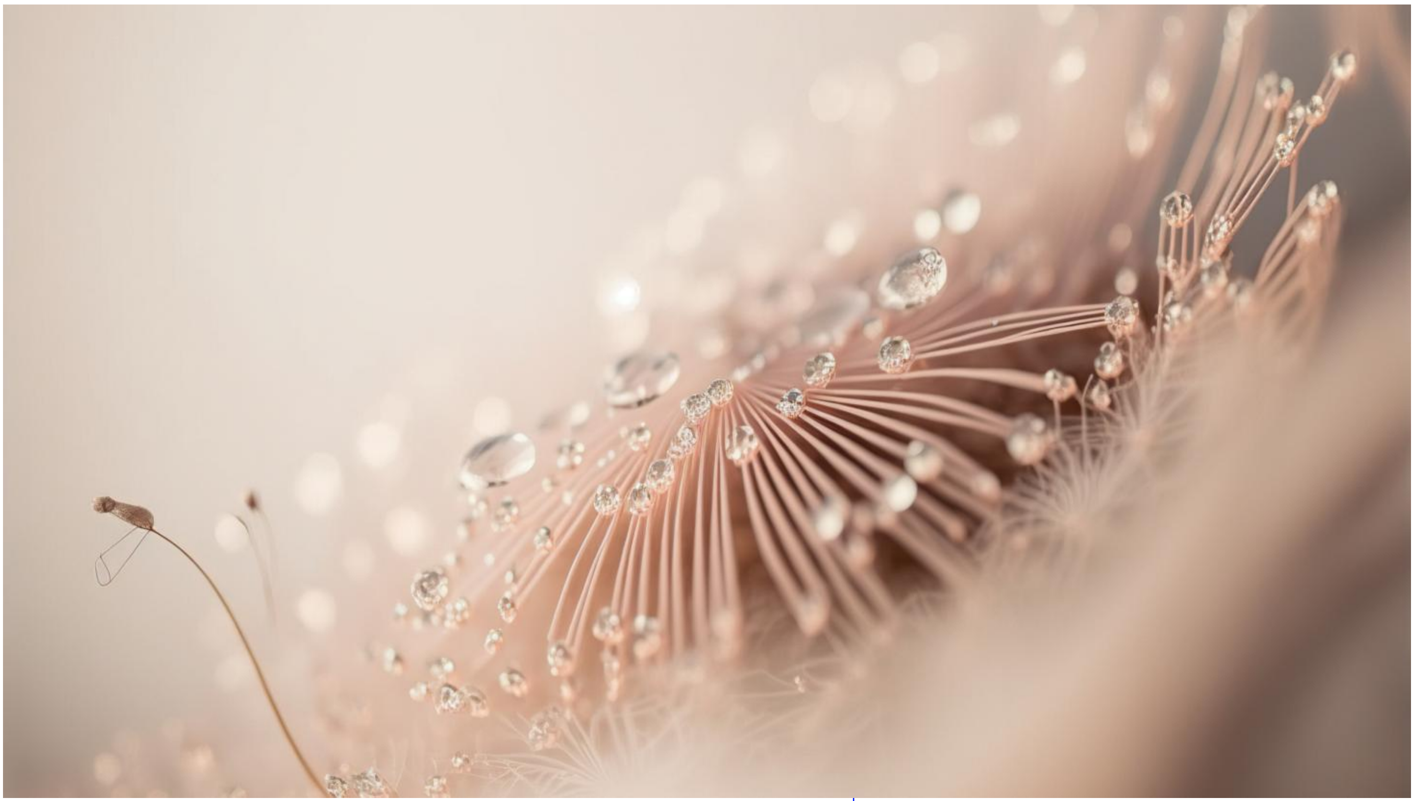

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# Growing corporate engagement and ESG progress in Japan

The latest FTSE ESG score review cycle reflects increasing engagement by Japanese companies with FTSE's ESG assessment frameworks. Record participation levels, and more comprehensive review submissions demonstrate a growing commitment among companies to engage with the assessment process, while broad based improvements in ESG scores suggest continued progress in corporate disclosure, transparency and ESG management practices across the Japanese market.

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SGX Equity Derivatives

FTSE RUSSELL
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# Quarterly analysis

This report, authored in collaboration with SGX, reviews three key developments: Japan’s evolving sustainability standards, the ESG performance of listed Japanese companies relative to relevant market benchmarks, and the growth of investor participation in SGX FTSE Blossom Japan Index Futures.

**Key highlights from this quarter’s analysis:**

– During the latest FTSE ESG June Review, one of the two annual ESG review cycles, engagement from Japanese companies reached a record high, with review comments exceeding 20,000 for the first time.

– ESG performance among Japanese companies improved across all major FTSE ESG themes between 2021 and 2025, with the strongest gains observed in Climate Change, Labour Standards and Human Rights.

– The FTSE JPX Blossom Japan Index and FTSE JPX Blossom Japan Sector Relative Index both modestly underperformed the FTSE Japan All Cap Index during the quarter, despite the continuously strong positive contribution from the ESG factor.

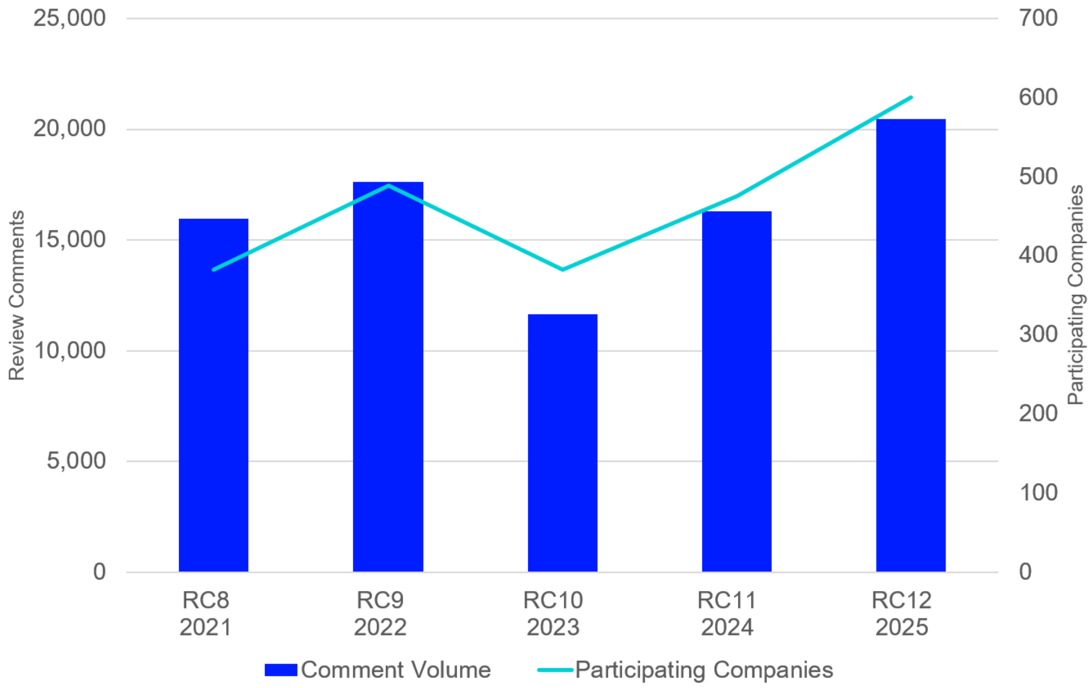
– SGX FTSE Blossom Japan Index Futures continued to provide investors with a liquid ESG-linked exposure to Japan, with open interest rebounding during Q2 2026 and participation remaining strong around key dividend periods.

# Corporate engagement and ESG progress in Japan

Corporate engagement with FTSE ESG assessments has continued to grow, providing useful insight into how Japanese companies are responding to evolving sustainability and disclosure expectations.

This growing engagement is reflected in the increasing use of FTSE Russell's company review process. As part of the June and December index review cycles, companies are able to review preliminary ESG assessments and provide feedback during the designated review period, helping to enhance the accuracy, transparency and robustness of the assessment process.

**Exhibit 1. Corporate engagement in FTSE ESG reviews continues to increase**

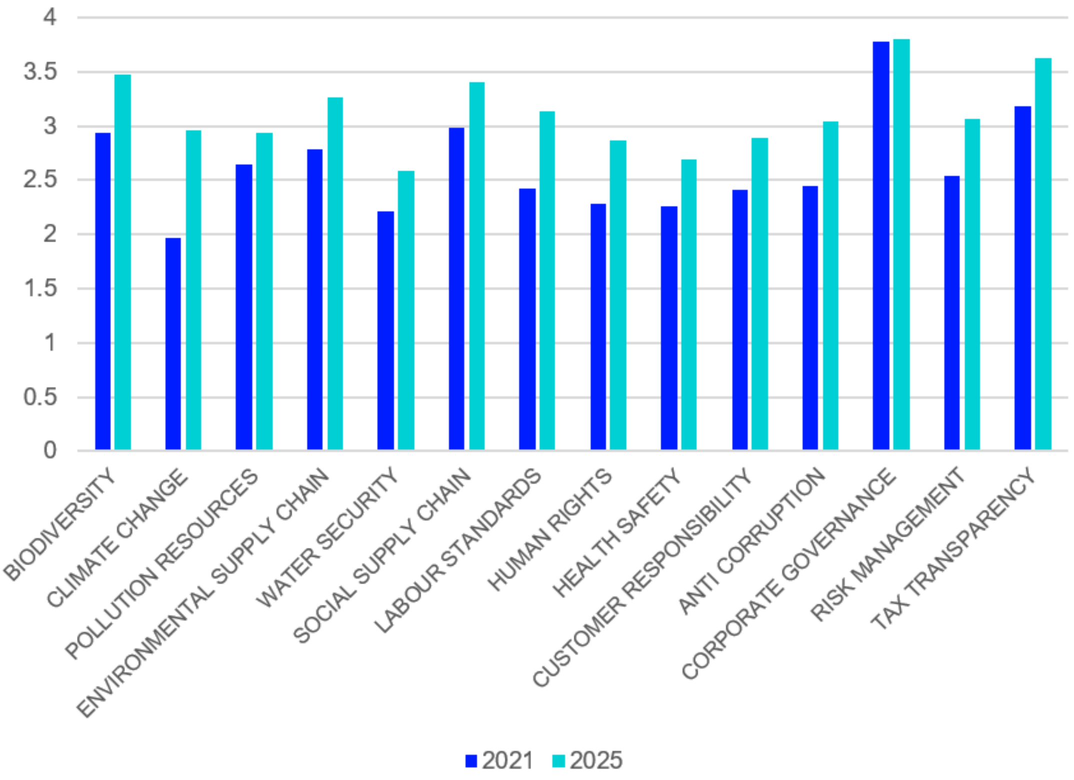



Source: FTSE Russell, Data as of June 30, 2026.

Engagement by participating companies has increased significantly in recent years. The number of participating Japanese companies rose from 383 in 2021 to 600 in 2025, while annual review comments increased from approximately 15,900 to more than 20,400 over the same period, reflecting greater interaction with the assessment process and more detailed company feedback.

During the 2025 review cycle, more than 4,500 company submissions resulted in assessment revisions, representing approximately 22% of all review comments received. These revisions were concentrated in Labour Standards, Human Rights, Supply Chain, Health & Safety and Governance-related indicators, highlighting engagement across workforce management, responsible business conduct and governance practices.

**Exhibit 2. Average FTSE ESG Theme Scores of Japanese Companies (2025 vs 2021)**



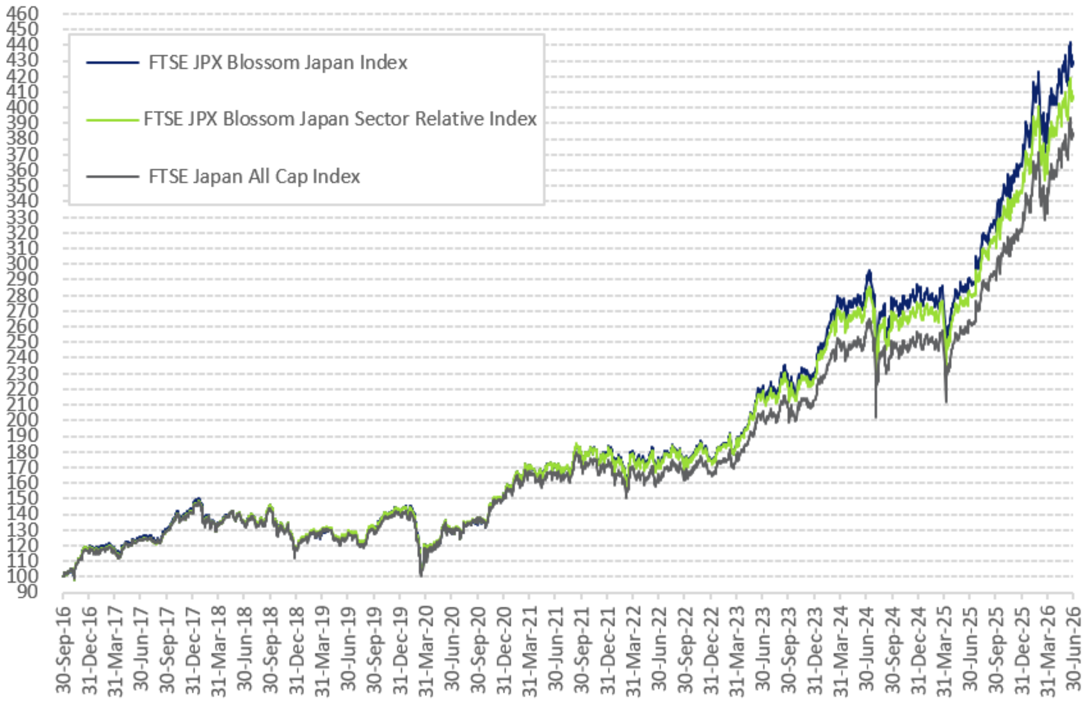

Source: FTSE Russell, Data as of June 30, 2026.

Over the same period, Japanese companies recorded broad-based improvements in ESG performance. Between 2021 and 2025, average scores improved across all major FTSE ESG themes, with the strongest gains observed in Climate Change (+1.00), Labour Standards (+0.71), Anti-Corruption (+0.59), Human Rights (+0.58), Biodiversity (+0.54) and Risk Management (+0.53). These improvements may reflect enhanced disclosures, greater transparency and ongoing improvements in sustainability practices among Japanese companies.

The alignment between company submissions and score improvements was most evident in Human Rights, Labour Standards and Supply Chain-related topics. Together, these trends suggest that ESG assessment frameworks and ESG focused benchmarks such as the FTSE JPX Blossom Japan Index Series may support stronger disclosure, transparency and comparability across the Japanese market.

# FTSE JPX Blossom Index Series: Modest underperformance despite strong positive contributions from the ESG factor

**Exhibit 3. FTSE JPX Blossom Index Series Performance Review (Rebased to 100)**




Source: FTSE Russell, Data as of June 30, 2026.

Exhibit 3 illustrates the performance of the FTSE JPX Blossom Japan Index and the FTSE JPX Blossom Japan Sector Relative (SR) Index relative to the FTSE Japan All Cap Index during the second quarter of 2026.

Both the FTSE JPX Blossom Japan Index and the FTSE JPX Blossom Japan Sector Relative Index slightly underperformed the benchmark during the quarter, despite the continuously strong positive contributions from the ESG factor. However, the FTSE JPX Blossom Japan Index has continued to outperform the benchmark on a cumulative basis since 2016.

### Exhibit 4. Attribution analysis for the FTSE JPX Blossom Japan Index (bps)

| | Industry | Value | Quality | Volatility | Momentum | ESG | Residual | Total Excess |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2015/12 - 2025/12 | -275 | 284 | -123 | -318 | 376 | 2,389 | 728 | 3,062 |
| 2015/12 - 2026/3 | -280 | 288 | -134 | -335 | 418 | 2,530 | 798 | 3,284 |
| 2015/12 - 2026/6 | -516 | 345 | -225 | -475 | 510 | 3,024 | 575 | 3,238 |
| 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 |
| Quarterly Change 2025/10-12 | -28 | 25 | -19 | -35 | 29 | 542 | 194 | 708 |
| Quarterly Change 2026/1-3 | -5 | 3 | -11 | -18 | 41 | 141 | 70 | 222 |
| Quarterly Change 2026/4-6 | -236 | 57 | -91 | -139 | 92 | 494 | -223 | -46 |

Source: FTSE Russell, Data as of June 30, 2026. Data covers the period from December 31, 2015, to June 30, 2026.

As shown in Exhibit 4, the FTSE JPX Blossom Japan Index recorded an excess return of -46 bps during Q2 2026. ESG remained the strongest positive contributor, adding +494 bps during the quarter and improving significantly from the previous period. However, the gain was largely offset by negative contributions from the industry factor (-236 bps), the Volatility factor (-139 bps) and the Residual (-223 bps).

Despite the industry neutral design of the FTSE Blossom Index Series, the industry factor detracted primarily due to the underweight position in the Technology sector. The underweight position was caused by the abrupt rally of certain technology stocks which took place after the latest rebalance of the index. The idiosyncratic volatility of the market also led to the detraction in the residual effects and Volatility, indicating that stock-specific performance was a meaningful headwind during the quarter.

### Exhibit 5. Attribution analysis for the FTSE JPX Blossom SR Index (bps)

| | Industry | Value | Quality | Volatility | Momentum | ESG | Residual | Total Excess |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2015/12 - 2025/12 | 0 | 33 | -189 | -131 | 390 | 1,333 | 14 | 1,449 |
| 2015/12 - 2026/3 | 13 | 34 | -200 | -142 | 391 | 1,407 | -30 | 1,474 |
| 2015/12 - 2026/6 | -174 | 41 | -254 | -263 | 394 | 1,672 | -289 | 1,127 |
| 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 |
| Quarterly Change 2025/10-12 | 1 | -7 | -22 | -15 | 29 | 285 | -66 | 203 |
| Quarterly Change 2026/1-3 | 13 | 2 | -11 | -12 | 1 | 74 | -43 | 25 |
| Quarterly Change 2026/4-6 | -188 | 7 | -54 | -120 | 3 | 265 | -259 | -347 |

Source: FTSE Russell, Data as of June 30, 2026. Data covers the period from December 31, 2015, to June 30, 2026.

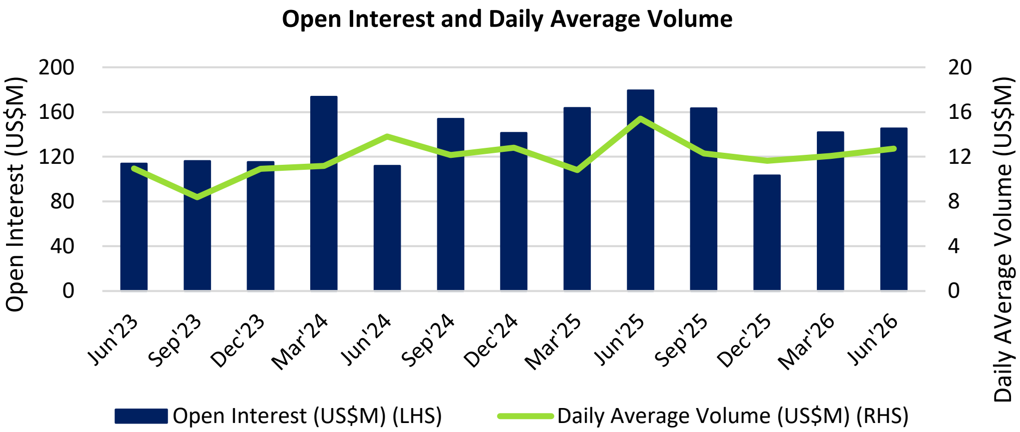
Similar attributions were observed for the FTSE JPX Blossom SR Index in Q2 2026.

ESG was the largest positive contributor, adding +265 bps, with the contribution increasing significantly from the previous quarter. However, this was outweighed by negative Residual (-259 bps), Industry (-188 bps), and Volatility (-120 bps). Similar to the FTSE JPX Blossom Japan Index, Industry detracted primarily due to weaker participation in the strong performance of the Technology sector.

# SGX FTSE Blossom Japan Index Futures Maintains Active Participation

SGX FTSE Blossom Japan Index Futures retained its status as the only active Japan ESG derivatives contract. With a newly reduced minimum block size (two lots) and a liquid screen, participants can also leverage the flexibility in execution.

**Exhibit 6. Evolution of activity on the SGX FTSE Blossom Japan Index Futures**

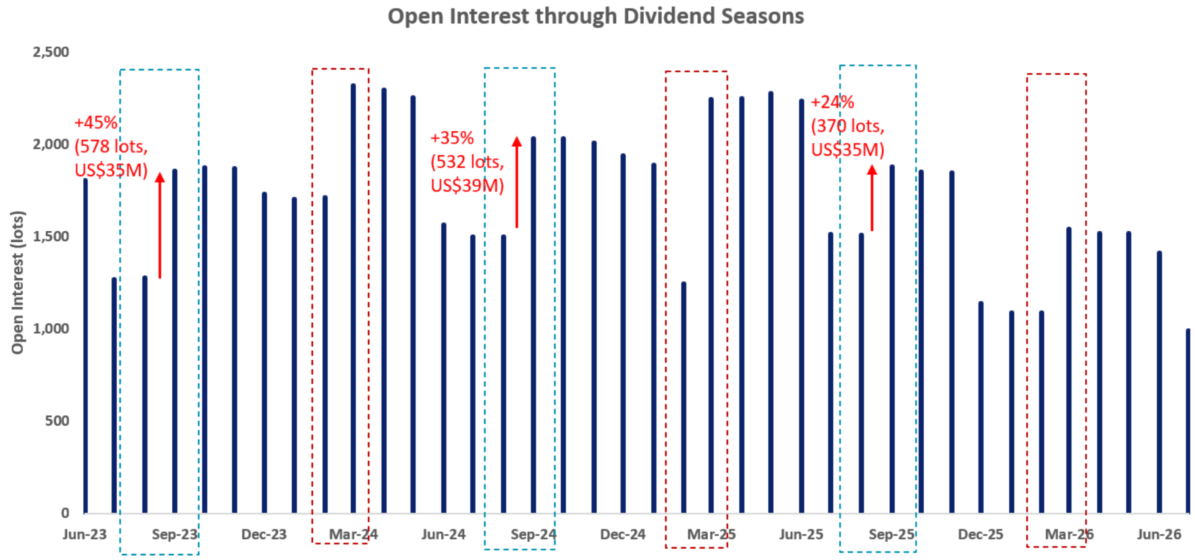



Source: SGX. Data as of March 2023 – June 2026. Past performance is no guarantee of future results. Please see end for important legal disclosures.

The SGX FTSE Blossom Japan Index Futures has consistently been used as a tool for dividend equitisation through the major dividend seasons in Japan, in March (reflected in the red boxes below) and September (reflected in the blue boxes below).

Through the September dividend seasons in the past, we have seen significant increases in Open Interest (in excess of US$30M).

### Exhibit 7 Increase in Open Interest around Dividend Seasons




Source: SGX. Data as of June 2026. Past performance is no guarantee of future results. Please see end for important legal disclosures.

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