

Chapter 6 — Key Learnings and Takeaways

Sustainability in Japan

What This Chapter Is About

This chapter examines how Japan's business culture, governance structures, and institutional reforms shape sustainability outcomes. It explains why sustainability progress in Japan often appears gradual, yet proves durable once embedded. The chapter highlights how governance reform, demographic pressures, climate risk, and evolving shareholder engagement are transforming Japan into one of Asia's most consequential sustainability markets.

Core Takeaways

1. Culture shapes the pace and durability of sustainability reform

Japan's consensus-driven decision-making slows change in the short term but leads to more stable and lasting outcomes once alignment is achieved.

2. Governance reform is the primary gateway to sustainability progress

Corporate governance and stewardship reforms have been the most effective levers for improving accountability, capital efficiency, and ESG integration.

3. Demographics are a structural sustainability challenge

An aging population and labour shortages affect productivity, workforce resilience, and long-term economic sustainability, making social factors particularly material.

4. Cross-shareholdings weaken accountability but are slowly unwinding

While reforms have reduced cross-shareholdings, legacy structures still dampen market discipline and slow sustainability-related change.

5. Shareholder activism is becoming more constructive

Activism in Japan increasingly emphasises engagement, governance quality, and long-term value creation rather than confrontational tactics.

6. Physical climate risk is materially relevant

Despite strong infrastructure and disaster preparedness, Japan remains highly exposed to climate-related risks affecting supply chains and operations.

7. Institutions matter as much as regulation

Multiple ministries, exchanges, and industry bodies shape sustainability outcomes, making coordination and institutional alignment critical.

8. Japan offers long-term sustainability opportunities

Innovation capacity, climate transition initiatives, and governance reform create meaningful opportunities for patient, long-term investors.