

# CORPORATE CLIMATE ACTION IN JAPAN: NIKKEI 225 EMISSIONS REDUCTION ANALYSIS

Despite many laudable commitments to emissions reduction, Japan's leading corporations lag on ambition needed for adequate emissions reduction

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## KEY TAKEAWAYS

- As a group, blue-chip Japanese corporations lack the necessary ambition to match the national emissions reduction target of 46% emissions reduction;<sup>1</sup>
- The top 50 emitters in the Nikkei 225 (heavy emitters) fall short of an (adjusted) 2030 emissions reduction target of 32%,<sup>2</sup> achieving only 12% emissions reductions with stated policies.<sup>3</sup>

## 2030'S IMMINENT APPROACH

It is imperative for the Japanese government and corporations to improve upon their current targets and ambition levels to demonstrate near-term ambition by 2030. Japanese regulators have taken action in line with this when on April 22, 2021, Prime Minister Suga announced plans to reduce Japan's greenhouse gas (GHG) emissions by 46% in 2030 from 2013 levels. Compared to Japan's previous goal which aimed to achieve a 26% reduction in the same period, ambition has increased significantly. While this new target is better aligned with the long-term goal of net zero by 2050, it is still rated as insufficient by *Climate Action Tracker*, marking it unlikely to stay within 2°C by 2050.<sup>4,5</sup>

## A TALE OF TWO SEGMENTS

We analyse the top 50 listed companies in Japan by market capitalisation (**blue-chip**) and by GHG emissions (**heavy emitters**) to explore whether corporations are on track for 2030 targets and are aligned with Japan's national policy. All selected companies are members of the Nikkei 225.

Our methodology primarily involves expressing absolute emissions reduction policies in 2030 targets which differ by base year, target year and amount, by annualising the reduction for each corporate in the sample to 2030.<sup>6</sup> We annualise and adjust the Japanese target of 46% in 2030 since this commitment is over 18 months old with 2013 as the base year. This adjusted 2030 emissions reduction target of 32% represents what has yet to be achieved.

1 [https://unfccc.int/sites/default/files/NDC/2022-06/JAPAN\\_FIRST%20NDC%20%28UPDATED%20SUBMISSION%29.pdf](https://unfccc.int/sites/default/files/NDC/2022-06/JAPAN_FIRST%20NDC%20%28UPDATED%20SUBMISSION%29.pdf)

2 We annualise and adjust Japan's target of 46% in 2030, resulting in a 32% to 2030 or annualised 5.65% reduction from the current year. See the appendix for our methodology.

3 [https://www.meti.go.jp/english/policy/energy\\_environment/global\\_warming/roadmap/](https://www.meti.go.jp/english/policy/energy_environment/global_warming/roadmap/)

4 [https://www.mofa.go.jp/ic/ch/page1we\\_000104.html](https://www.mofa.go.jp/ic/ch/page1we_000104.html)

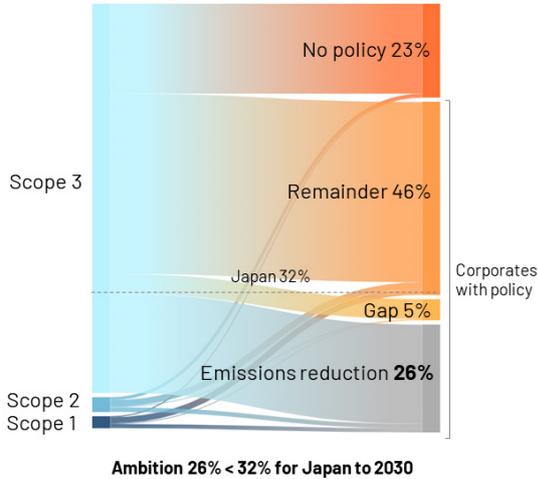
5 Ibid 1.

6 The methodology is featured in the appendix in full.

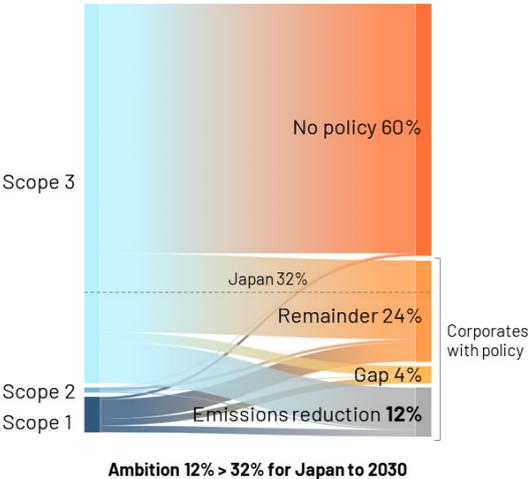
The following charts translate current Scope 1, 2 and 3 emissions for each sample (shown on the left) into corporations with and without measurable absolute emissions reduction policies (right). Corporations with these policies are then subdivided into 'ambition' (emissions reduction), 'gap' (the gap to Japan's national target) and 'remainder' (emissions not covered by the corporates' published targets). Those without such policies are categorised as 'no policy'.

Chart 1 shows the results for the blue-chip group, and Chart 2 for the heavy emitters.

**Chart 1 - Blue Chip Emissions Reduction - Policy Ambition to 2030**



**Chart 2 - Heavy Emitters Emissions Reduction - Policy Ambition to 2030**



Source: Bloomberg, SBTi, Corporate Sustainability Reports, TA Analysis

**WHILE AMBITION MATTERS, CORPORATE ACTION NEEDS TO TAKE THE FRONT SEAT**

**Heavy emitters need to step up in order to align with Japan's national targets**

It is no surprise that the blue-chip group is nearly aligned with the government target. Japan has strong ambition on emissions reduction (note that we are measuring ambition here rather than action), as shown by the fact that 19 of the top 50 in the blue-chip group are members of the *Science Based Targets initiative* (SBTi), which commits them to net zero by 2050. At the same time, 11 companies without an existing emissions reduction policy are holding the blue-chip group back.

Heavy emitters, meanwhile, present a different story - this group falls considerably short in aggregate. Despite the number of policies currently in place, they are either not ambitious enough or lack critical, transparent details concerning absolute emissions reduction.

At these levels of ambition, policy is likely to continue to be very slow to progress. We recommend that corporations align with the government's national targets, and commit to more transparent disclosures of climate targets and progress updates.

## APPENDIX - METHODOLOGY

The current emissions data for each company, as well as their mid-term carbon emissions targets are collected from SBTi, Bloomberg data and respective sustainability reports. Using the emissions target, current emissions, base year, target year the current emissions are split into four categories by annualising the target pathway and applying these for the remaining years to 2030. This data was extracted in mid-October 2022.

Targets are collected for Scope 1, 2 and 3 and analysed line-by-line, including Scope 3 commitments which do not cover all Scope 3 subcategories. It should be noted that data for Scope 1, 2, and 3 are estimated by *Bloomberg*.

We annualise and adjust the Japan target of 46% in 2030 since this commitment is also 18 months old and has the base year of 2013. This is 32% to 2030 or annualised 5.65% reduction from the current year.<sup>7</sup>

There is an overlap in the samples of 11 companies.

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<sup>7</sup> Ibid 3.

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## ABOUT TRANSITION ASIA

Founded in 2021, Transition Asia is a Hong Kong-based non-profit think tank that focuses on driving 1.5°C-aligned corporate climate action in East Asia through in-depth sectoral and policy analysis, investor insights, and strategic engagement. Transition Asia works with corporate, finance, and policy stakeholders across the globe to achieve transformative change for a net-zero, resilient future. Visit [transitionasia.org](https://transitionasia.org) or follow us @transitionasia to learn more.