

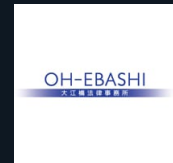
Legal 500

Country Comparative Guides 2026

Japan

Environmental, Social and Governance

Contributor



Oh-Ebashi LPC &
Partners

Akiko Ishida

Partner | akiko.ishida@ohebashi.com

Shunta Doki

Partner | shunta.doki@ohebashi.com

Kazuma Doi

Associate | kazuma.doi@ohebashi.com

Yuriko Asada

Associate | yuriko.asada@ohebashi.com

This country-specific Q&A provides an overview of environmental, social and governance laws and regulations applicable in Japan.

For a full list of jurisdictional Q&As visit legal500.com/guides

Japan: Environmental, Social and Governance

1. Climate – the law governing operations that emit Greenhouse Gases (e.g. carbon trading) is addressed by Environment and Climate Change international guides, in respect of ESG: a. Is there any statutory duty to implement net zero business strategies; b. Is the use of carbon offsets to meet net zero or carbon neutral commitments regulated; c. Have there been any test cases brought against companies for undeliverable net zero strategies; d. Have there been any test cases brought against companies for their proportionate contribution to global levels of greenhouse gases (GHGs)?

a. Is there any statutory duty to implement net zero business strategies;

There is no statutory duty to implement net zero business strategies. While not legally binding, business operators have a best-efforts obligation to reduce greenhouse gas emissions arising from their business activities and to cooperate with national and local government climate measures under the Act on Promotion of Global Warming Countermeasures.

b. Is the use of carbon offsets to meet net zero or carbon neutral commitments regulated;

The use of carbon offsets to meet net zero or carbon neutral commitments is currently not regulated but please note that the Act on the Promotion of Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure ("GX Promotion Act") has been amended, and participation in the Emissions Trading System (GX-ETS) will become mandatory for specified companies starting April 1st, 2026. The Ministry of the Environment has issued guidelines, including the Policy on Carbon Offsetting in Japan and the Guidelines for Carbon Offsetting, and such guidelines provide guidance on the use and representation of carbon offsetting in Japan on a soft law basis.

c. Have there been any test cases brought against companies for undeliverable net zero strategies;

We are not aware of any test cases brought against companies for undeliverable net zero strategies.

d. Have there been any test cases brought against companies for their proportionate contribution to global levels of greenhouse gases (GHGs)?

A significant climate lawsuit called the Youth Climate Case was filed in August 2024 by 16 young plaintiffs against ten major thermal power operators in Japan. The plaintiffs argue that the defendants' CO emissions, which account for a large share of Japan's energy-related CO emissions, infringe their rights and seek injunctive relief to require the companies to reduce their emissions. While this case is still pending in the district court and does not yet represent a settled precedent, it directly challenges major emitters based on their contribution to climate change.

2. Biodiversity – are new projects required to demonstrate biodiversity net gain to receive development consent?

In respect of ESG, new projects are not required to demonstrate biodiversity net gain to receive development consent.

3. Water – are companies required to report on water usage?

In respect of ESG, companies are not required to report on water usage.

4. Forever chemicals – have there been any test cases brought against companies for product liability or pollution of the environment related to forever chemicals such as Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)?

We are not aware of any test cases brought before courts against companies for product liability or pollution of the environment related to forever chemicals such as PFAS. However, in December 2025, residents of Settsu City in Osaka filed a public nuisance mediation petition against a chemical company over PFAS contamination of groundwater near its plant. This is the first PFAS-related mediation proceeding brought against a private corporation in Japan.

5. Circularity – a. The law governing the waste hierarchy is addressed by the Environment international guide, in respect of ESG are any duties placed on producers, distributors or retailers of products to ensure levels of recycling and / or incorporate a proportionate amount of recycled materials in product construction? b. Are any duties placed on producers, distributors or retailers of products to handle the end-of-life of the products placed on the market?

a. The law governing the waste hierarchy is addressed by the Environment international guide, in respect of ESG are any duties placed on producers, distributors or retailers of products to ensure levels of recycling and / or incorporate a proportionate amount of recycled materials in product construction?

The amended Act on the Promotion of Effective Utilization of Resources, which enters into force on April 1, 2026, introduces a new system for “Designated Decarbonization-Oriented Recycled Resource Utilization Products.” Under this system, products requiring the use of recycled materials to promote decarbonization will be designated by cabinet order (The specific designation of products is expected to be made in due course, but recycled plastics are considered the most likely candidate.). Manufacturers and other business operators whose production or sales volumes exceed a certain threshold will be required to formulate a plan that includes targets for the use of decarbonization-oriented recycled resources and submit it to the competent minister. They must also submit annual reports on their performance. This system aims to monitor and promote the use of recycled resources.

In addition, there are laws for specific types of products, which stipulate the separate collection, recycling, and reuse of resources, waste, and other materials. For example, under the Law for the Promotion of Recycling of Food Waste, manufacturers, processors, and distributors of food products are obliged to promote the recycling of food waste. Furthermore, under the Construction Material Recycling Act, construction contractors are required to recycle certain construction materials.

b. Are any duties placed on producers, distributors or retailers of products to handle the end-of-life of the products placed on the market?

Under specific laws, producers, distributors, and retailers of products placed on the market are subject to certain obligations regarding the end-of-life of the products. For

example, the Act for Recycling of Specified Household Equipment requires manufacturers and importers to utilize the components or raw materials of covered equipment as products, use them as fuel, or make them available for transfer. The Act on Recycling of End-of-Life Vehicles requires manufacturers and importers to take back and recycle parts and other materials when dismantling end-of-life vehicles.

6. Plastics – what laws are in place to deter and punish plastic pollution (e.g. producer responsibility, plastic tax or bans on certain plastic uses)?

In respect of ESG, there is no plastic tax or ban on certain plastic uses. However, under the Act on the Promotion of Resource Circulation for Plastics, business operators providing designated plastic-using products, such as plastic forks, spoons, straws, clothes hangers, etc., must work on rationalizing their use of plastics in order to reduce the amount of specific plastic-using products provided. In addition, under the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging, business operators that use or manufacture plastic containers are obliged to recycle a certain amount of containers and packaging every year by way of either voluntary collection, outsourcing to a designated entity, or outsourcing to a recycling business operator. Under the same Act, retailers are generally required to charge for plastic shopping bags to encourage the reuse of the bags.

7. Equality Diversity and Inclusion (EDI) – what legal obligations are placed on an employer to ensure equality, diversity and inclusion in the workplace?

In Japan, employers are required under various laws to promote EDI with respect to gender, SOGI, persons with disabilities, and senior workers, among other categories:

Gender diversity in employment: the Act on the Promotion of Female Participation and Career Advancement in the Workplace requires employers to monitor the status of women's activities, such as the percentage of women they employ; analyze issues that should be improved; set numerical targets; and formulate and publish action plans. Initially, these requirements were obligations based on best efforts or reasonable efforts for employers that employ 301 or more employees. However, the Act was amended to expand the obligation to employers with more than 100 employees in 2019 (effective in April

2022). The Act also requires employers who employ more than 100 employees to identify and disclose the ratio of women's wages to men's wages. In addition, the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, allows male employees to take childcare leave for a certain period of time after childbirth. For the obligations relating to reporting such information, please refer to No.20.

SOGI: EDI in Japan also requires employers to respect not only the biological sex but also the sexual orientation and gender identity of each employee. For example, employees are required to prevent SOGI (Sexual Orientation and Gender Identity) harassment in accordance with the Act on Comprehensively Advancing Labor Measures, Stabilizing the Employment of Workers, and Enriching Workers' Vocational Lives.

Persons with disabilities: With respect to the employment of persons with disabilities, the Act to Facilitate the Employment of Persons with Disabilities stipulates a legally mandated employment ratio of persons with disabilities for companies with more than a certain number of employees.

Senior workers: With regard to the employment of senior workers, the Act on the Stabilization of Employment of Elderly Persons promotes the active employment of senior workers by, for example, obliging employers to exert efforts to ensure employment opportunities up to the age of 70.

8. Workplace welfare – in respect of ESG are there any legal duties on employers to treat employees fairly and with respect?

The labor law system in Japan provides for the principle of equal treatment in various contexts of employment, which is stipulated in several statutes. For example, Article 3 of the Labor Standards Act prohibits discriminatory treatment of workers with respect to wages, working hours, and other working conditions on the basis of their nationality, creed, or social status. Article 4 further prohibits wage discrimination against female workers on the grounds of their sex. In addition to equal wages, the prohibition on discrimination based on gender at each stage of employment is stipulated in the Act on Equal Opportunity and Treatment between Men and Women in Employment.

9. Living wage – the law governing employment

rights is addressed in the Employment and Labour international guide, in respect of ESG is there a legal requirement to pay a wage that is high enough to maintain a normal standard of living?

In addition to international standards of labor rights, Article 25 of the Japanese Constitution specifically declares that all people shall have the right to maintain the minimum standards of wholesome and cultured living. The Minimum Wages Act requires employers to pay wages at or above the minimum wage amount to their employees. The Act applies equally to all employees working in Japan, regardless of nationality, residence status, or employment status. Although both the constitutional provision and the Minimum Wages Act were enacted long ago, they continue to serve as an important foundation for an ESG oriented approach to labor practices.

10. Human rights in the supply chain – in relation to adverse impact on human rights or the environment in the supply chain: a. Are there any statutory duties to perform due diligence; b. Have there been any test cases brought against companies?

a. Are there any statutory duties to perform due diligence?

No statute or regulation imposes mandatory human rights due diligence on business enterprises. However, the Guidelines for Respecting Human Rights in Responsible Supply Chains (the "Guidelines for Respecting Human Rights") published by the Japanese government in September 2022, requires business enterprises to adopt a human rights policy, perform human rights due diligence, and provide appropriate remedies, including establishing a grievance mechanism, on a soft-law basis. The Guidelines for Respecting Human Rights are stated to be based on international standards, such as the UN Guiding Principles. Although the Guidelines for Respecting Human Rights do not directly address environmental due diligence unlike CSDDD, they do note that the UN General Assembly declared access to a clean and healthy environment as a universal human right in 2022.

b. Have there been any test cases brought against companies?

There are no cases that can be considered as test cases regarding adverse effects on human rights and the

environment in the supply chain. However, as shown by the Youth Climate Case described in 1.d. above, the environmental impact of corporate operations has often been questioned in environmental litigation and attention is focused on whether such lawsuits will increase in Japan in the future and whether the courts will issue a precedent-setting ruling.

11. Responsibility for host communities, environment and indigenous populations – in relation to adverse impact on human rights or the environment in host communities: a. Are there any statutory duties to perform due diligence? b. Have there been any test cases brought against companies?

a. Are there any statutory duties to perform due diligence?

Although there are no such statutory duties, all business enterprises engaging in business activities in Japan should strive to respect human rights in host communities and engage with stakeholders in accordance with the Guidelines for Respecting Human Rights. The term “stakeholders” here, refers to persons or groups who have interests that could be adversely impacted by business activities, and includes nearby residents and indigenous people.

b. Have there been any test cases brought against companies?

No such test cases have been found. Although the Ainu, who are indigenous people in the northern part of the Japanese archipelago, especially in Hokkaido, have brought lawsuits against the national government and the provincial (Hokkaido) government, there is no publicly available information that indicates a lawsuit has been filed against companies due to adverse human rights or environmental impacts.

12. Have the Advertising authorities required any businesses to remove adverts for unsubstantiated sustainability claims?

While there is no government agency dedicated specifically to advertising regulation, all consumer displays by businesses, including advertisements, are regulated by the Act against Unjustifiable Premiums and Misleading Representations, which is administered by the Consumer Affairs Agency. See No. 13 for the details on this.

To prevent greenwashing, in March 2026, the Ministry of the Environment revised the environmental labelling guidelines under the Act against Unjustifiable Premiums and Misleading Representations and established the following five basic principles:

- (i) Avoid vague expressions or ambiguous environmental claims
- (ii) Provide explanatory statements for the content of environmental claims
- (iii) Consider the entire product lifecycle
- (iv) Ensure that data and evaluation methods necessary for verifying environmental claims are available and accessible
- (v) Use LCA assessments and numerical data to make appropriate comparative claims regarding products or processes

13. Have the Competition and Markets authorities taken action, fined or prosecuted any businesses for unsubstantiated sustainability claims relating to products or services?

Since there is no legislation specifically regulating “sustainability claims,” it is unlikely that there are any instances where the relevant authorities have taken action, fined or prosecuted businesses on the grounds of unsubstantiated sustainability claims. Nevertheless, the following series of administrative orders issued by the Consumer Affairs Agency in 2022 is noteworthy. In 2022, the Consumer Affairs Agency issued an administrative order against (i) five sellers of BB bullets for air guns, (ii) two sellers of garbage bags and plastic bags, (iii) one seller of fishing tackle, and (iv) two sellers of cutlery, straws, cups, etc., on the ground that their use of false representations such as “biodegradable” claims constituted misrepresentations under the Act against Unjustifiable Premiums and Misleading Representations.

The Act prohibits representations by a business that indicate to general consumers that the goods or services it supplies are (i) significantly better than they actually are or (ii) significantly better than those of a business competitor contrary to facts, if such representations are deemed likely to unjustly induce customers and impede general consumers from making independent and rational choices (prohibition on misrepresentation of quality). The term “representation” here refers to all representations, including advertisements and product packaging, through which a business informs consumers

about the quality, standards, other contents, prices, and other transactional conditions of the goods or services it supplies, as a means of inducing customers to purchase.

The labelling that was the subject of the above administrative order all claimed "biodegradability." The Consumer Affairs Agency determined that this labelling was "a label or representation that shows or indicates that the product in question is biodegradable [...] if it were left in water after use, and is degraded by microorganisms in the water." In fact, however, the business failed to provide reasonable grounds to support such representation, which was deemed to indicate to general consumers that the product was significantly better than it actually was, and thus was in violation of the Act against Unjustifiable Premiums and Misleading Representations. In other words, the Consumer Affairs Agency considered that the representation that the product utilizes "biodegradable" materials, which was contrary to fact, was deemed as a "significantly better" representation than what the product actually represented.

This was a general case of misrepresentation, and the Consumer Affairs Agency did not explicitly state that the administrative orders were related to "sustainability claims." Nevertheless, the Consumer Affairs Agency's 2022 order on the Act against Unjustifiable Premiums and Misleading Representations is the only action order issued against these 10 companies, and since all were cases in which "biodegradable" or similar claims were made contrary to the actual conditions, it could be inferred that the action order was in the context of "unfounded sustainability claims," which have increased in recent years.

As another example, in the past, specifically in 2008, the Fair Trade Commission issued an order for action against eight paper manufacturers for labelling their copy paper with a higher content ratio of recycled paper than the actual content, on the grounds that this labelling constituted a "misrepresentation of quality" under the Act against Unjustifiable Premiums and Misleading Representations (at that time, the Fair Trade Commission had authority over unfair labelling regulations). However, since then, there have been almost no cases of environmentally friendly labelling being deemed as misleading.

14. Have there been any test cases brought against businesses for unsubstantiated enterprise wide sustainability commitments?

We have not found any test cases that have been brought

against businesses for unsubstantiated enterprise wide sustainability commitments.

15. Is there a statutory duty on directors to oversee environmental and social impacts?

In respect of ESG, there is no law or regulation that creates a statutory duty on directors to oversee environmental and social impacts. There has been some discussion as to whether such a duty can be inferred from the directors' duty of care, but no case has been found that recognizes such a duty. Specific violation of hard law would immediately constitute a breach of the duty of care, but in the absence of such a violation, the Japanese business judgment rule generally applies.

Although it is a soft law with a "comply or explain" approach that applies only to listed companies, the Corporate Governance Code defines "corporate governance" as a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities. In addition, Supplemental Principle 2-3 of the Corporate Governance Code, which applies only to companies listed in the Prime or Standard Markets of the Tokyo Stock Exchange, states that companies should deepen their consideration to actively and proactively address sustainability-related issues.

16. Have there been any test cases brought against directors for presenting misleading information on environmental and social impact?

We have not found any test cases that have been brought against directors for presenting misleading information on environmental and social impact.

17. Are financial institutions and large or listed corporates required to report against sustainable investment criteria?

Under the Financial Instruments and Exchange Act (FIEA), certain public companies, including listed companies, are obliged to file annual securities reports with the local finance bureau within three months of the end of each fiscal year. The mandatory disclosure items in the annual securities reports are stipulated in the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. The disclosure requirements consist of four elements: (i) governance, (ii) strategies, (iii) risk management, and (iv) metrics and targets. Among these four elements, (ii)

strategies and (iv) metrics and targets are required to be disclosed only if the reporting company has decided that they are material, while (i) governance and (iii) risk management are required to be disclosed by all reporting companies. The reporting company shall disclose sustainability issues that they consider material from the perspective of their enterprise values and investors' investment decisions, according to the framework. Unlike the Corporate Governance Code, there are no differences in the required disclosures across listed market segments.

In addition, a working group of the Financial System Council, an advisory body to the Prime Minister, released a draft report on December 19th, 2025, outlining the direction for disclosure and assurance of sustainability information, including climate-related matters. Under the proposal, companies listed on the Tokyo Stock Exchange Prime Market with a market capitalization of ¥3 trillion or more would be required to disclose sustainability information in their annual securities reports from the fiscal year ending March 2027, and those with ¥1 trillion or more, from the fiscal year ending March 2028. The draft also specifies that companies with market capitalization of ¥500 billion or more will be included starting from the fiscal year ending March 2029. The introduction is also being considered for companies with a market capitalization of less than ¥500 billion. The disclosure framework will be based on Japan's sustainability standards established in March 2025 by the private-sector Sustainability Standards Board of Japan (SSBJ), which are aligned with international ISSB standards.

No disclosure regulations specific to financial institutions exist with respect to sustainable investment criteria.

18. Is there a statutory responsibility on businesses to report on managing climate related financial risks?

For climate change, under the new attachment to the "Principles Regarding the Disclosure of Narrative Information," when a company determines that it is material to respond to climate change, it should disclose relevant information according to the above framework. In such a case, the company is expected to proactively disclose Scope 1 (direct emissions by the business itself) and Scope 2 (indirect emissions associated with the use of electricity, heat, and steam supplied by other companies) of greenhouse gas emissions. On the other hand, no specific disclosure standard is provided under the Disclosure Order, the relevant guidelines and the above principles, but the TCFD recommendations on

climate-related financial disclosures are important disclosure standards since they are widely adoptable and applicable to organizations across sectors, especially in Japan.

In addition, as specified in No.17, the required disclosures based on SSBJ will cover Scope 3 emissions, climate related risk management, governance structures, and other relevant information.

19. Is there a statutory responsibility on businesses to report on energy consumption?

The Act on Promotion of Global Warming Countermeasures establishes systems for calculating, reporting, and disclosing greenhouse gas emissions. Under the said systems, certain business operators that emit a considerable amount of greenhouse gases in the course of their business activities (referred to as specified emitters, including businesses whose total energy consumption at all their business sites exceeds 1,500 kl/year in terms of crude oil and certain freight transportation business operators, etc.) are obliged to calculate their own greenhouse gas emissions for each business site and report it to the minister having jurisdiction over the business every fiscal year. The minister aggregates the reported information and notifies it to the Minister of the Environment and the Minister of Economy, Trade and Industry, who aggregates and publishes the information.

In addition, the Law Concerning the Rational Use of Energy, which presents a judgment criteria that serves as a guide when implementing energy conservation efforts, requires certain business operators, such as businesses whose total energy consumption at all business sites exceeds 1,500 kl/year in terms of crude oil and certain freight transportation business operators, etc., to report regularly on the amount of energy used and other energy usage conditions at their business sites, etc., and to create and submit medium- to long-term plans for energy conservation efforts.

Moreover, under the amended GX Promotion Act, a business operator whose annual average carbon dioxide emissions over the preceding three fiscal years reached 100,000 tons or more shall annually report to the Minister of Economy, Trade and Industry the following information: (i) their name, their location, and the name of their representative, (ii) their business sector and activities, (iii) their annual average CO₂ emissions, (iv) their emissions target for the relevant fiscal year and the basis for setting that target, and (v) other matters specified by ordinance.

20. Is there a statutory responsibility on businesses to report on EDI and / or gender pay gaps?

The Act on the Promotion of Female Participation and Career Advancement in the Workplace, the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, and the FIEA impose various disclosure obligations relating to EDI and gender pay gaps.

Under the amended Act on the Promotion of Female Participation and Career Advancement in the Workplace, effective April 1st, 2026, employers with more than 300 workers are required to disclose information on the following four items:

- (1) the wage gap between men and women,
- (2) the ratio of women in managerial positions,
- (3) one item to be selected from the seven items under the "Provision of opportunities for working life for female workers" (i.e., (i) percentage of female workers among hired workers; (ii) percentage of competition in hiring by gender; (iii) percentage of female workers among workers; (iv) percentage of female workers in chief positions; (v) percentage of female workers among executives; (vi) change in job type or employment status by gender; and (vii) re-employment or mid-career recruitment by gender), and (4) one item to be selected from the seven items under the "Developing employment environment that supports the balance between work life and family life" (i.e., (i) difference in average years of continuous employment between men and women; (ii) percentage of continued employment by gender among workers hired ten fiscal years ago and in the fiscal years before and after that, (iii) percentage of childcare leaves taken by gender; (iv) average overtime hours of workers per month; (v) average overtime hours per month for workers by employment management categories; (vi) paid leave utilization rate; and (vii) paid leave utilization rate by employment management categories).

Employers with 101 to 300 workers are required to disclose information on the following three items:

- (1) the wage gap between men and women,
- (2) the ratio of women in managerial positions, and
- (3) at least one of the above 14 items.

Under the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for

Children or Other Family Members, employers with more than 300 workers are required to disclose the status of childcare leaves taken by male workers each year.

In addition, amendments to the disclosure rules under the FIEA added human resource development policies, policies on improving the workplace environment, gender pay gap, the ratio of women in managerial positions and the ratio of male workers taking childcare leaves to the disclosure items under the format of the annual securities reports for companies with more than 300 workers.

21. Is there a statutory responsibility to report on modern day slavery in the supply chain?

Japan does not have a modern slavery act comparable to those in the UK or Australia, and there is no such statutory responsibility to specifically report on modern slavery.

However, all business enterprises operating in Japan are expected to disclose information on their efforts to respect human rights in accordance with the Guidelines for Respecting Human Rights, as a part of their human rights due diligence. As a result, the content required under the Guidelines for Respecting Human Rights may overlap with disclosures mandated under the UK and Australian modern slavery laws.

22. Trends and developments – Where do you see the most significant legal developments in ESG in your jurisdiction in the next 12 months? Do you expect a rise in Court disputes or enforcement actions?

Based on the proposal made by the Working Group of the Financial System Council mentioned in No. 17, an amendment to the FIEA is expected to be enacted sometime in 2026. Once enacted, listed companies will be required to provide more detailed sustainability disclosures and obtain third party assurance to ensure the reliability of such information. As a result, sustainability reporting by listed companies is expected to advance further, sustainability initiatives themselves will be promoted, and the impact on practice is likely to be significant. If a listed company subject to the sustainability disclosure regulations were to violate them, there is, in theory, a risk that it could be ordered to pay an administrative monetary penalty or even face criminal sanctions (such as fines or imprisonment) under the FIEA. However, the number of enforcement cases is not expected to increase significantly.

Contributors

Akiko Ishida
Partner

akiko.ishida@ohebash.com



Shunta Doki
Partner

shunta.doki@ohebash.com



Kazuma Doi
Associate

kazuma.doi@ohebash.com



Yuriko Asada
Associate

yuriko.asada@ohebash.com

