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Rivals become partners tackling environmental issues

ESG Talk

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Kao, a major Japanese maker of home products and cosmetics, announced its medium-term business plan at the end of 2020. Environmental, social and governance activities — collectively known as ESG — feature prominently in the plan, which aims to both contribute to creating a sustainable society and achieve business growth. Yoshihiro Hasebe, who this past January became president of Kao in the first year of the plan, has promised to lead the company to become a “presence essential for our society as a company that protects lives in the future.”

“My top priority as president is to make Kao into a company that embodies what an ESG-aware company is all about,” Hasebe said.

Founded in 1887, Kao has offered suggestions for new lifestyles throughout its long history of product development. Many of its products have anticipated today’s increased awareness about ESG. One is Attack, the world’s first compact-box powder laundry detergent, introduced in 1987, which Hasebe says he is proud of for “taking Kao the farthest forward” as a company. The product is claimed to require only a “spoonful,” or one-fourth the amount of conventional products, to wash a load of laundry. It realized the convenience of a box of detergent that lasts a long time. Kao

was also able to make the product’s box less than one-fourth the size of conventional products, radically altering the image of detergent boxes as heavy and bulky. It significantly reduced the stress of doing the laundry. “It made people feel much less reluctant to do the laundry and, ultimately, changed the way of overall Japanese culture,” according to Hasebe.

After the debut of Attack, compact-box detergent products came into wide use in the United States and Europe. Such smaller, lighter products also had a significant impact on the reduction of carbon dioxide emissions associated with their transportation.

Advances in detergents

Kao has continued to improve on Attack, which has maintained the top spot in Japan’s laundry detergent market for over three decades. Attack Neo, an “ultra-concentrated liquid laundry detergent” introduced in 2009, comes in a bottle smaller than existing products, achieved by increasing the liquid’s concentration. This helped reduce the amount of plastic used for the bottles. And thanks to a newly developed cleaning agent, laundry washed with Attack Neo requires only a single rinse cycle. The product thus enabled less water to be used in washing and, ultimately, significantly cut emissions of carbon dioxide. Attack Neo was well received by consumers for its potential to reduce water bills and for its touted image of allowing “anyone to take part in efforts to conserve the environment,” Hasebe said.



Kao Corp. President and CEO Yoshihiro Hasebe YUICHO TAIYA FOR PHOTOMATE

Endorsing this, appliance makers started introducing washing machines with settings that have only a single rinse cycle, rather than two. Such a feature is now standard in virtually all models on the market.

Hasebe, who was involved in the development of Attack Neo from the initial planning phase, said he had a strong sense of crisis about the environment at the time. The innovative product was born through a process of trial and error, he said.

“What we need to do is envision the future,” he said. “I think what we should do is the things only Kao — not any of the global giants — can do, either working with other companies or leading them by example.”

Recycling PET bottles

Kao, like many consumer product manufacturers, uses large amounts of plastic in containers and packaging materials, which is why the company sees helping create a plastic-recycling society as an especially important mission. A recent example is its use of 100% recycled polyethylene terephthalate (PET) for the bottles of its Attack Zero detergent, launched this April. The company has begun increasing the use of recycled plastic in earnest and plans to switch all of the PET bottles for its home products that are used in large quantities in Japan to recycled PET by 2025.

Kao is not averse to working with rival

manufacturers if it is good for the environment. This past May, the company announced a deal with Unilever Japan on the separation and collection of waste plastic containers for home products, including detergents and shampoos. Kao also began working with Lion Corp. in 2020 on a similar initiative for refill containers. “Rivals that are making great products are our best partners,” Hasebe said. “Recycling and environmental issues are something manufacturers must deal with, but there’s only so much a company can do by itself. Rivals may compete with each other in terms of what’s inside the containers, but it’s no side when it comes to containers after the product has been used up, to use a rugby term. There is a growing view that we will be better off if companies across the industry work together.”

Kao is also working on a project to recycle contaminated or colored PET materials, which are difficult to recycle into packaging materials, as an asphalt modifier. Added in very small amounts, the material improves the durability of asphalt pavement. It can make asphalt, which typically requires repaving every decade, last five decades, according to Hasebe. It has the added benefit of reducing the amount of microplastic released from paved road surfaces and, therefore, their impact on the sea. The asphalt modifier has already been used in the paving of parking lots and repaving of roads controlled by local governments, according to Hasebe.

“We have worked with many partners to get (this technology) to be introduced more widely, and we have made a proposal for a technology-sharing structure to the Ministry of the Environment,” he said.

Fast health checks via skin oil

Hasebe, who has worked in technology fields for many years, says he is now particularly excited about a Kao technology called RNA monitoring. A Kao researcher found that sebum — skin oil — contains



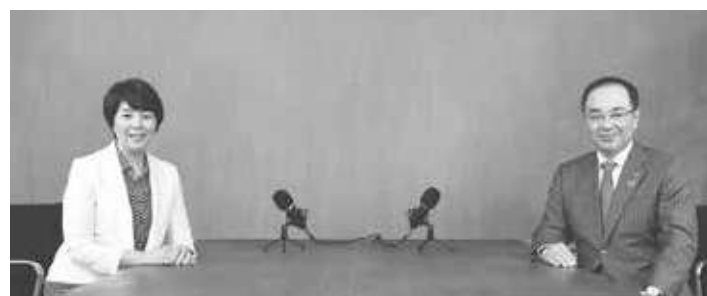
YUICHO TAIYA FOR PHOTOMATE

RNA. Analysis of sebum rubbed onto a blotting film can reveal the status of a person’s health and immune functions, as well as enable detection of signs of diseases such as Parkinson’s, diabetes and infections. “It’s not sufficient for an elderly person to undergo health checks only once a year if that person’s healthy life expectancy is to be extended, but with this technology you can look into the health status easily and at low cost,” Hasebe said. “I hope to make this technology widely available to the general public before my term as president expires.”

Hasebe says he is also excited about Japan’s technologies for frozen food and fake meat, although they are not Kao’s. “I think it would be great if Japan’s technology to restore frozen foods in a short time and its food culture could serve as catalysts for changing the environmental and waste issues of the world,” he said, pointing out that these technologies enhance the enjoyment of eating and reduce food waste at the same time. The potential for new lifestyles from Japan is growing, starting from a side to an initiative transcending industry boundaries.

The ESG Talk series are interviews with business leaders who are active proponents of ESG investing and practices in Japan.

KAO



Hasebe with Japan Times publisher Minako Suematsu. Before becoming CEO, he led Kao Corp.’s research and development and strategic innovative technology as vice president. YUICHO TAIYA

Times Gallery



The “Ribbon of Life” exhibition at the Grand Hyatt Tokyo, part of the “Hyatt Loves Local” initiative in collaboration with the innovative installation producer One Avenue Co., aims to support the local art community and “send the message of love and human connection.”

YUJI AMANO



Indonesian Ambassador Heri Akhadi presents a souvenir ikat woven garment from Flores to Kenichi Nishikawa, president of Fukuseki Maru, after one of the company’s fishing vessels rescued the 20 Indonesian crew members of a fishing boat that was sinking in the Indian Ocean.

EMBASSY OF INDONESIA



Serbian Charge d’Affaires Ivana Golubovic-Duboka (right) together with embassy staff Tijana Nagato (left), Steps Gallery owner Masami Yoshioka (second from right) and artist Akiko Koga on June 1 at Koga’s solo photo exhibition “Saint Sava’s Miracle” taken at the atelier of the famous Serbian painter Milan Tucovic. EMBASSY OF SERBIA



Belgian Ambassador Roxane de Bilderling, together with UNICEF Tokyo Director Roberto Benes, view the “Rebel Lives” exhibition, offering a unique perspective on children and armed conflict, at the Embassy of Belgium in Tokyo on June 1. EMBASSY OF BELGIUM



Jarman International’s monthly “Virtual” Charity Golf Cup at East-Wood Country Club in Utsunomiya, Tochigi Prefecture, supports Mirai no Mori, a nonprofit organization that empowers marginalized children in Japan. JARMAN INTERNATIONAL



Embassy of Jordan staff and NTV crew members pose with Ambassador Lina Annab (center front) and embassy chef Ms. Nid (center rear) on June 1 during filming for a program on Jordanian cuisine and food culture. EMBASSY OF JORDAN

Achieving net zero: Webinar examines targets and troubles

ESG/SDGs

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On May 25, the webinar “Delivering Net Zero Emissions in Japan” was hosted by the PRI (Principles for Responsible Investment), an independent, voluntary investment framework supported by the U.N. whose primary goal is to encourage sustainable, ESG investment practices. The PRI has more than 4,000 signatories worldwide, 92 of whom are in Japan.

The webinar opened with a summary of the PRI in Japan and climate transition finance, with remarks given by Michiyo Morisawa, head of Japan PRI; Edward Baker, PRI’s technical head of climate change and energy transition; and Motoko Ogawa representing the Ministry of Economy, Trade and Industry as the deputy director of the Environmental Economy Office. The panelists included Teruyuki Ohno, executive director at the Renewable Energy Institute; Masaki Nagamura, general manager of international initiatives at Tokio Marine and Nichido Fire Insurance; and Kazuyuki Shigemoto, executive officer and chief general manager of investment at Dai-ichi Life Insurance.

Net-zero Japan

Much emphasis has been placed on Prime Minister Yoshihide Suga’s 2050 net-zero policy initiative. One of the webinar’s key takeaways, however, is that the nearer-term 2030 goals are a more important indicator of progress. But what should these goals be? An ensemble of policy recommendations for Japan produced by the PRI suggest that carbon pricing be significantly raised, existing coal plants and planned projects be phased out or canceled, and new investments into infrastructure for renewables be prioritized.

According to a recent optimistic International Energy Agency report, achieving net zero by 2050 does not require any new investments in fossil fuels. However, robust policy frameworks on how this can be done in Japan will be necessary for the most energy-intensive sectors: power, transportation and industry. METI, together with the Environment Ministry and the Financial Services Agency, have written the “Basic Guidelines on Climate Transition Finance,” which set out to make the process of fund-

raising through debt more transparent, along with providing key investor information. Throughout 2021, METI intends to create industry-specific road maps toward carbon neutrality. They will include model cases for each industry and plans to subsidize companies that demonstrate progress aligning with the nation’s net-zero initiatives.

Headwinds

Realizing a 46% to 50% emission reduction by 2030 will require a substantial shift in Japan’s energy policy. During the webinar, Ohno outlined a gap between the targets set forth by the government and the policies that are supposed to achieve them, saying, “The policies are not proactive or aggressive at all.” For example, the price of carbon emissions in Japan is still far too low. The pricing is “not functional,” he said, and he believes the cost for 1 ton of emissions of carbon dioxide should rise from the current ¥289 to several thousand or even ¥10,000 (about \$90). Ohno added that “there are certain forces in Japan trying to cling on to conventional energy policy” and that “irrational regulations” prevent land usage for renewables.

Nonetheless, METI’s Ogawa pointed out that not all companies can transition equally. Unlike service-based industries, sectors with heavy capital expenditures, such as transportation and manufacturing, will require vastly more investment to even begin transitioning. As a result, balanced pathways need to be considered: “Green is not the only way of mitigation,” Ogawa said.

Transition finance

Transitioning investments toward sustainability has been trying. For instance, debt financing through green bonds for industry — one of the sectors in most need of transitioning — stood at a mere \$4 billion — 0.5% of the total of globally issued green bonds — between 2010 and 2020.

However, institutional investors like Dai-ichi Life are leading the way in responsible ESG investment initiatives in Japan. Beyond a return on investment, the company is prioritizing net-zero businesses. It also finances “impact” projects such as the development of new wind-turbine propeller technology. One major barrier, however, is maritime shipping. While investment has been moving toward funding less carbon-intensive new liquefied natural gas carriers, these still



Michiyo Morisawa

are not net-zero and are a potential stain on any ESG portfolio.

To make informed investments on environmental, social and governance issues, transparent company disclosure about climate-related metrics is vital. The TCFD Consortium — set up in Japan in 2019 following a report by the Task Force on Climate-related Financial Disclosures, which had been established in 2015 by the Financial Stability Board, an international organization that monitors global financial systems — encourages businesses to do just this. Currently, there are 355 Japanese member companies. With environmental awareness increasing in Japan, climate-related disclosure and, more crucially, its relative financial impact are information investors desire, and this clarity could help pave the way for more ESG investment.

Japan’s role

Nagamura sees Japan as somewhat isolated from the global climate dialogue. “Japan isn’t an initiative-taking country. We cannot isolate ourselves from international discussion, or we’ll see investors turn their backs on us,” he said. On the other hand, he pointed out that the majority of talks focus on developed nations and tend to push aside the needs of and issues affecting developing ones. Nagamura believes that “Japan can play a role by connecting different interests” and bringing disparate voices to the table to “deepen the discussion.”

This section highlights the environment and a sustainable society. For more information on ESG and SDG issues, see www.sustainable-japan-times.com/esg

