



Press Release

December 24, 2003

Daiwa Investor Relations Co., Ltd.  
8-1 Yaesu 2-Chome, Chuo-Ku  
Tokyo 104-0028  
Japan  
Tel. +81-03-3243-5000  
Fax +81-03-3271-0267

### **Enquete to 56 Analysts and Fund Managers**

From the Result of “The Effects of Socially Responsible Investment (SRI) on Japanese Corporations”

- **Those who recognize Socially Responsible Investment (SRI) has increased to 94%**

In order of buy-side analysts (100%), fund managers (100%), and sell-side analysts (96%)

(An 18.2 points increase compared to 76.4% in January 2003)

- **Corporate Social Responsibility (CSR) also acknowledged by 85%**

In order of buy-side analysts (100%), fund managers (80%), and sell-side analysts (80%)

- **32% were feeling the effect of SRI on Report Making and Stock Selection**

In order of buy-side analysts (60.0%) and fund managers (46.6%)

SRI (Socially Responsible Investment) is attracting attention. It makes CSR (Corporate Social Responsibility) a criterion in investment making decisions. There are currently nine SRI funds in Japan, and their net-asset is approximately 72 billion yen as of the end of September 2003. In the US, gross-assets working balance of SRI at the end of 2001 was about 300 trillion yen, and the figure in Japan is expected to grow as well.

Between Oct. 23 and Nov. 11, 2003, Daiwa Investor Relations, a member of Daiwa Securities Group and a consulting company specialized in investor relations, conducted a survey regarding “The Effects of Socially Responsible Investment (SRI) on Japanese Corporations”. 56 responses (from 15 fund managers, 10 buy-side analysts, 25 sell-side analysts, and 6 others) were collected from institutional investors and research wings of both Japanese and foreign-owned leading security companies operating in Japan. This was the second survey following the first one on Jan. 16, 2003, and a few new questions were added to the original.

Survey result is as follows:

- 94.6% either “know” or “know well” about SRI. In a period of approximately one year the rate has increased 18.2 points from 76.4%. The number is 100% for both buy-side analysts and fund managers, followed by 96.0% for sell-side analysts.
- A growing number also recognize CSR (85.7% either “know” or “know well”).
- Among SRI concepts, the item of most interest is “governance and accountability” (statute observance and information disclosure, etc.).
- The least understood and unfamiliar of the items is the " addressing issues like employment, labor problems, and basic human rights."
- As for the effects of SRI on report making and stock selection, 32.2% are feeling they are "affected". The figures are 60.0% for buy-side analysts, 46.6% for fund managers, and 20.0% for sell-side analysts. Fund managers' stock selection and stock trade, and analysts' stock price rating, coverage, etc. are among affected items.
- The SRI index recognition is at developing phase. DJSI, the top SRI index, is recognized by 24.5%.
- Important assessment factors are "coverage and interview" (61.7%), "environmental report" (59.6%), "business report" (25.5%), and “internet homepage” (23.4%).
- As for the future of SRI in Japan, 60.7% expect it to take root while 37.5% do not.
- 17.9% recognize United Nations Environment Programme Finance Initiatives (UNEP FI), and the figure is 12.5% for UNEP FI 2003 Global Roundtable held in Tokyo on Oct.20 and 21.

**Daiwa Investor Relations** is a member of Daiwa Securities Group with wide-range of expertise within capital market. With leading know-how of IR for both listed and unlisted companies, and backed by professional experience, we are providing extensive support from building of corporate story to advisory of IR activities.

**Daiwa Investor Relations** promises the continued support for corporate disclosure activities.

Contact:

Daiwa Investor Relations Co., Ltd.  
Business Development Department  
General Manager Tetsuyuki Yoneyama  
Deputy General Manager Takuma Ishibashi  
Tel. +81-03-3243-5000  
Fax +81-03-3271-0267

### **1. Socially Responsible Investment (SRI) Recognition**

1. Indicating the speed at which SRI is spreading, 94.6% of respondents chose either “know” or “know well” about SRI. It is an 18.2% increase from 76.4%.
2. By occupation, 60.0% of buy-side analysts answered they “know well” about SRI while 40% said they “know”. The figures were 33.3% and 66.7% for fund managers, and 4.0% and 92.0% for sell-side analysts respectively. A difference is visible between buy-side and sell-side.

### **2. CSR Recognition**

1. When asked about CSR, 85.7% said they either “know well” or “know” about it, indicating a high degree of interest.
2. By occupation, 100 % of buy-side analysts recognized it with 50.0% “know well” and 50.0% “know”. The figures were 33.3% “know well” and 46.7% “know” for fund managers (a total of 80.0%), and 0.0% and 80.0% for sell-side analysts, again indicating the difference by position.

### **3. SRI Items of Interest (Multiple Response)**

Question was asked as to which of the five major SRI items they were interested.

1. “Governance and accountability“ (statute observance and information disclosure, etc.) came on the top with 74.5% (67.7% last time). The number for the second time runner-up “environment” (reduction of environmental risks and pollutants measures, etc.) had leapt to 72.7% (52.8% last time). Third was “market” (customer handling, client correspondence, consumer satisfaction, procurement policy, etc.) with 50.9% (51.2% last time) followed by 25.5% (30.7% last time) for “social contribution” (community contribution, collaboration with NGO, etc.), and 16.4% (20.5% last time) for “employment” (employment relationship, human resources development, protection of human rights, etc.).
2. By occupation, 93.3% (64.7% last time) of fund managers selected “governance and accountability”, 66.7% (67.6% last time) “environment”, 46.7% (50.0% last time) “market”, 26.7% (52.9% last time) “social contribution”, and 13.3% (29.4% last time) “employment”.
3. Figures for buy-side analysts were: “governance and accountability” 70.0% (80.0% last time), “market” 60.0% (63.3% last time), “environment” 60.0% (50.0% last time), “social contribution” 50.0% (13.3% last time), and “employment” 20.0% (20.0% last time). It indicates their overall high interest.
4. As for sell-side analysts, the first was “environment” with 83.3% (a leap from

42.0% last time) and the second was “governance and accountability” with 66.7% (62.0% last time). “Market” followed with 50.0% (46.0% last time), then “employment” with 16.7% (20.0% last time) and “social contribution” with 12.5% (22.0% last time). Most concern is given to “environment” at the top.

#### **4. SRI Items That Is Hard to Understand (Multiple Response)**

1. Overall first place was “addressing issues like employment, labor problems, and basic human rights” with 52.1% (29.9% last time). The second was “covering global operations” with 35.4% (23.6% last time) followed by 31.3% (33.9% last time) for “taking measures beyond compliance”, 18.8% (20.5% last time) for “head office managing subsidiaries and associated companies”, and 4.2% (4.7% last time) for “others”.
2. Fund managers listed “employment” by 61.5% (29.4% last time), “compliance” by 23.1% (35.3% last time), “global operation” by 15.4% (26.5% last time), and “subsidiaries” by 15.4% (18.2% last time).
3. Buy-side analysts considered “employment” and “compliance” the hardest (60.0% each) while sell-side analysts named “employment” and “global operation” (42.1% each). “Relationship between environmental measures and corporate profit” was mentioned by one Japanese-affiliated company’s fund-manager.

#### **5. Effects of SRI on Operation**

1. With “heavily affected” increasing from 3.9% to 5.4%, and 26.8% “affected” compared to 33.1% last time, the total of 32.2% (37.0% last time) were feeling the effects of SRI. On the other hand, 41.1% (33.9% last time) considered they were “not affected”, and 25.0% (24.4% last time) selected “do not know”.
2. By occupation, 13.3% (8.8% last time) of fund managers were “heavily affected” and 33.3% (41.2% last time) were “affected”, constituting 46.6% (50.0% last time) in total.
3. Compared to 0.0% last time, 10.0% of buy-side analysts felt “heavily affected”, 50.0% (43.3% last time) “affected”, 40.0% (26.7% last time) “not affected”, and 0.0% (23.3% last time) “do not know”. They are more heavily affected than fund-managers.
4. As in the last survey, sell-side analysts were the least affected with “affected” (20.0%, down from 24.0%), “not affected” (40.0%, consistent with 40.0%), and “do not know” (36.0%, up from 30.0%).

**6. Specific Effects Selected out of Three by Eleven Affected Analysts (Multiple Response)**

With “stock rating” (54.5%), “coverage” (27.3%), and “other” (27.3%), the result was similar to that of last time. One analyst from a Japanese-affiliated company pointed out it was affecting “consideration base for individual stock.”

**7. Specific Effects Selected out of Three by Seven Affected Fund Managers (Multiple Response)**

The result was “universe” (85.7%), “stock trade” (57.1%), and “other” (0.0%). Compared to the last time, weight placed on universe has increased.

**8. SRI Index Recognition (Multiple Response)**

1. Overall recognition is low. DJSI was recognized by 24.5%, MS-SRI by 22.6%, FTSE4Good and Domini by 17.0%, and Ethibel Sustainability Index by 7.5%.
2. By occupation, buy-side analysts recognized all indices by 30.0% except 20.0% for Domini. Fund managers’ 30.8% for DJSI and sell-side analysts’ 25.0% for MS-SRI were the only other notable figures.

**9. SRI Index Being Watched (Multiple Response)**

1. “Do not know” dominated the responses by marking 76.6%. Only MS-SRI (12.8%) and DJSI (10.6%) scored above 10.0%, indicating a low attention level.
2. Regardless of occupation, “do not know” led the results (70.0% for fund managers, 71.4% for buy-side analysts, and 79.2% for sell-side analysts). However at a low-level, buy-side analysts’ 28.6% for MS-SRI stood out. One respondent wrote, “Attention is not paid to indices themselves (an analyst from a Japanese-affiliated company covering electricity, gas, oil wholesaler, construction, and mining).”

**10. Index Components Recognition**

1. “Do not know” (73.2%) was the overwhelming majority. With “know well” (1.8%) and “know” (21.4%), recognition of components is likely to progress in future.
2. By occupation, the sum of “know well” and “know” is 40.0% for buy-side analysts, 26.7% for fund managers, and 20.0% for sell-side analysts.

**11. Important Factors in Assessing SRI (Multiple Response)**

1. “Interview and coverage” marked 61.7% (55.1% last time), “environmental

report” 59.6% (32.3% last time), “business report” 25.5% (26.0% last time), “internet homepage” 23.4% (11.8% last time), “sustainability report” 17.0% (7.1% last time), and “indices” 4.3% (7.9% last time).

2. Although the emphasis was on actual interview, environmental report, a publication of growing popularity, and traditional business report were also highly regarded. The rate increase of sustainability report from 7.1% to 17.0% is indicative of its permeation.
3. Outside institutional rating and third party assessment (both from Japanese-affiliated companies’ fund managers) were also mentioned.

## **12. Whether SRI be established in Japan**

1. 60.7% (up 4.8 points from 55.9% last time) answered “yes” while 37.5% (36.2% last time) said “no”. 1.8% (7.9% last time) did not respond. Regardless of occupation, over half of respondents replied “yes”.
2. Those Japanese-affiliated companies’ analysts who answered “yes” thought, “As environmental problems attract attention, retail investors are likely to be interested in the topic,” and therefore SRI is likely to take root after a while.
3. As for those who answered “no,” one analyst from a Japanese-affiliated company wrote, “Since it is a start from zero, it would reach certain level, but a concept based on monotheistic ethic does not relate well in a country where gods are believed to be present in everything.” and another wrote, “I have heard that in the US, it’s losing the momentum it once had. In Japan, I think the dominating notion is that in the end, performance is everything (a fund manager from a Japanese-affiliated company).”
4. The view that SRI takes time to spread did not change from the last survey.

## **13. About United Nations Environment Programme Finance Initiatives (UNEP-FI)**

17.9% were aware of this international operation launched in the run up to the Rio de Janeiro Earth Summit (United Nations Conference on Environment and Development) in 1992, with the purpose of engaging financial institutions around the world to contribute to environmental sustainability. 40.0% from buy-side analysts was the highest recognition rate.

## **14. About UNEP FI Conference in Tokyo (Oct. 20~21, 2003)**

As for the UNEP FI 2003 Global Round Table held in Tokyo on October 20 and 21, 12.5% of the respondents answered they “did know” about it.