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Press Release

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Enquete to 99 Analysts and Fund Managers

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

● **Recognition Rate of Socially Responsible Investment (SRI) Has Reached 95%**

In order of fund managers (100%), buy-side analysts (100%), and sell-side analysts (90%)

From the last survey in April 2004, overall rate increased 2.3% from 92.6%

● **Corporate Social Responsibility (CSR) Is Now Recognized by 94%**

In order of buy-side analysts (100%), fund managers (94%), and sell-side analysts (88%)

It is a 3.8% increase from 90.1% in April 2004

● **Increased 35% Thinks “SRI Affects Report Writing and Stock Selection”**

In order of fund managers (38%), sell-side analysts (29%), and buy-side analysts (28%)

It is a 14.3% increase from 21.0% in April 2004

SRI (Socially Responsible Investment) is attracting attention. It makes CSR (Corporate Social Responsibility) a criterion in investment decisions. As of October 28, 2004, there are fourteen SRI funds in Japan, and their net-asset is approximately 134.6 billion yen. In the U.S., gross-assets working balance of SRI at the end of 2001 amounted to about 300 trillion yen, and further growth is expected in Japan as major investment trusts introduce SRI products one after the other.

Between December 10 and 20, 2004, Daiwa Investor Relations (President Choukichi Miyata), a member of Daiwa Securities Group and a consulting company specializing in investor relations, conducted a survey regarding “The Effects of Socially Responsible Investment (SRI) on Japanese Corporations”. 99 responses (from 16 fund managers, 25 buy-side analysts, 42 sell-side analysts, and 16 others) were received from institutional investors and research wings of both Japanese- and foreign-affiliated leading security companies operating in Japan. There have been a few additions to previous list of questions. This is the fourth survey on this topic following that of April 2004.

The basic outline of the result is as follows:

- 94.9% either “know well” or “know” SRI.
- 93.9% (a 3.8% increase from 90.1% last time) either “know well” or “know” about CSR.
- Among SRI concepts, “governance and accountability” (statute observance and information disclosure, etc.) remains to be the item of most interest.
- “Addressing issues like employment, labor problems, and human rights” continues to top the list of difficult SRI concept to understand.

- As for the effect of SRI on report writing and stock selection, 35.3% (a 14.3% increase from 21.0%) are feeling they are "affected". The figures are 37.5% for fund managers, 28.6% for sell-side analysts, and 28.0% for buy-side analysts respectively.

-The degree of SRI index recognition has increased. DJSI, the top SRI index, is now recognized by 27.8% compared to 16.5% last time.

-Important sources in assessing SRI are "coverage and interview" (53.4%), "environmental report" (38.6%), and "internet homepage" (30.7%). The newly added "CSR report" marked 28.4%.

- Regarding the future of SRI in Japan, 67.7% are expecting it to take root. It is a 7.2% increase compared to 60.5% last time. On the other hand, "no" has decreased slightly to 31.3%.

Daiwa Investor Relations is a member of Daiwa Securities Group that carries a 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 IR support from corporate story building to IR activities advisory.

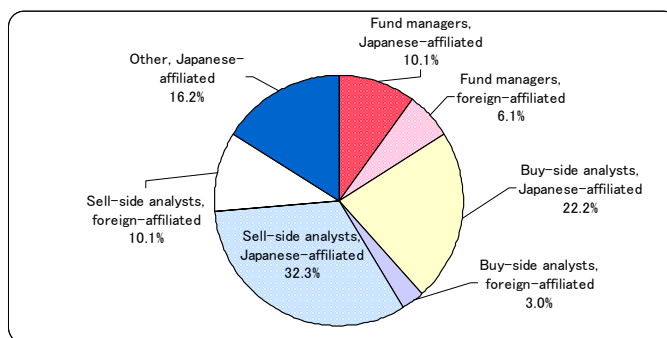
Daiwa Investor Relations promises the continued support for corporate disclosure activities.

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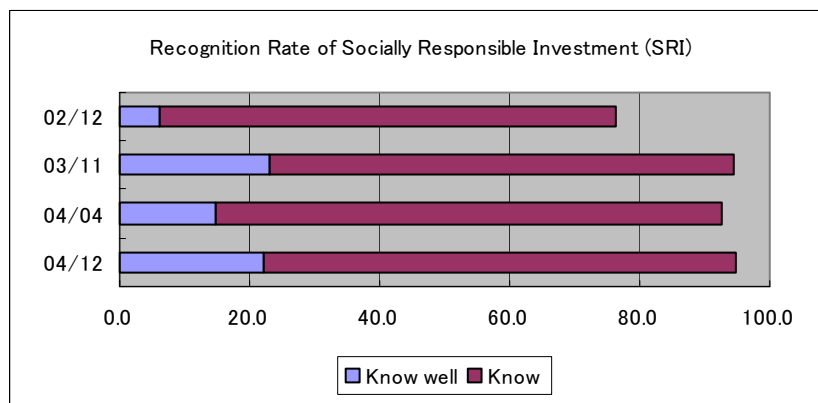
Period of Survey: December 10, 2004 - December 20, 2004

Number of Valid Responses: 99 (from 16 fund managers, 25 buy-side analysts, 42 sell-side analysts, and 16 others)



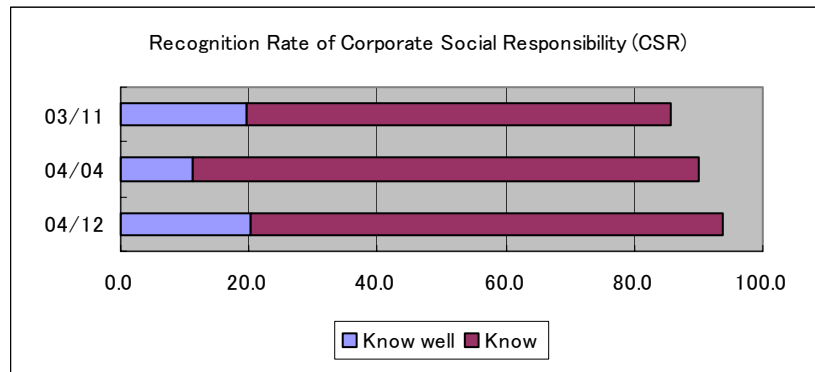
### 1. Recognition Rate of Socially Responsible Investment (SRI)

- 94.9% either “know well” or “know” about SRI. It is a 2.3% increase from the last time and closing in on 100%.
- By occupation, 43.8% of fund managers selected “know well” and 56.2% selected “know” (100% total). The figures were 20.0% and 80.0% for buy-side analysts (100% total), and 14.3% and 76.2% for sell-side analysts (90.5% total). A slight gap exists between buy-side and sell-side.



### 2. Recognition Rate of Corporate Social Responsibility (CSR)

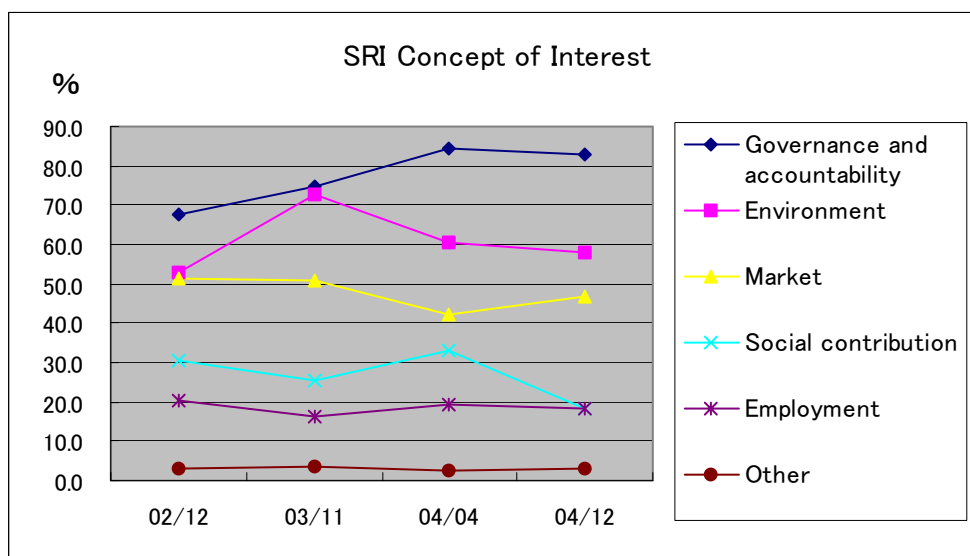
- 93.9% say they either “know well” (20.2%) or “know” (73.7%) about CSR. It is a 3.8% increase from 90.1%, suggesting the strong interest on this issue.
- By occupation, 12.0% of buy-side analysts marked “know well” and 88.0% marked “know”, making the total 100%. Numbers were 43.8% and 50.0% for fund managers (93.8% total), and 14.3% and 73.8% for sell-side analysts (88.1% total).



### 3. SRI Concept of Interest (Multiple Response)

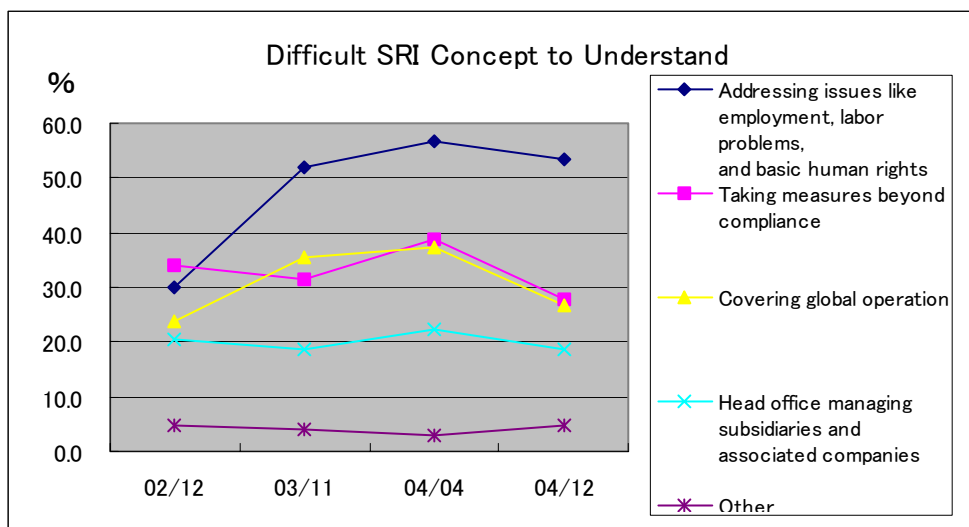
Out of five major concepts of SRI, respondents are asked which item they are interested in.

“Governance and accountability” (statute observance and information disclosure, etc.) led the list again but with slight decrease to 82.7% (down 1.9% from last time). “Environment” (reduction of environmental risks and environmental pollutants, etc.) held onto its place with 58.2% (down 2.1%). “Market” (customer handling, client correspondence, consumer satisfaction, procurement policy, etc.) followed with 46.9% (up 4.6%), then “social contribution” (community contribution, collaboration with NGO, etc.) with 18.4% (down 14.9%) and “employment” (employment relationship, human resources development, protection of human rights, etc.) with 18.4% (down 0.8%).



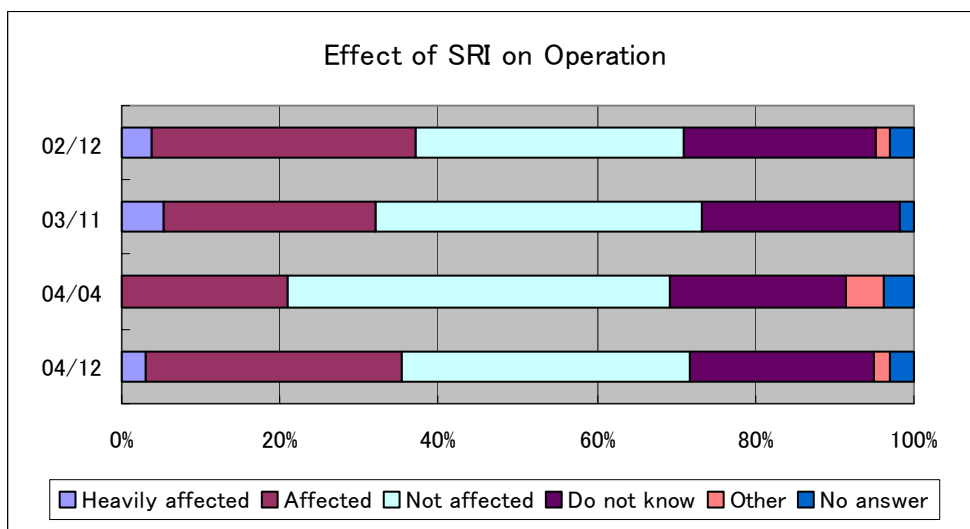
### 4. Difficult SRI Concept to Understand (Multiple Response)

1. “Addressing issues like employment, labor problems, and human rights” remains on the top with 53.5% (down 3.2%). The second place “going beyond compliance” with its 27.9% (down 10.9%) is closely followed by “global operation” with 26.7% (down 10.6%), and the list continues to “having good command of subsidiaries and relating companies” with 18.6% (down 3.8%) and “other” with 4.7% (up 1.7%).
2. Comments received include “CSR scale is for large caps, and not suitable for mid and small cap companies (small-sized stocks analyst, Japanese-affiliated)” and “balance with sunk cost (other, Japanese-affiliated)”.



**5. Effect of SRI on Operation**

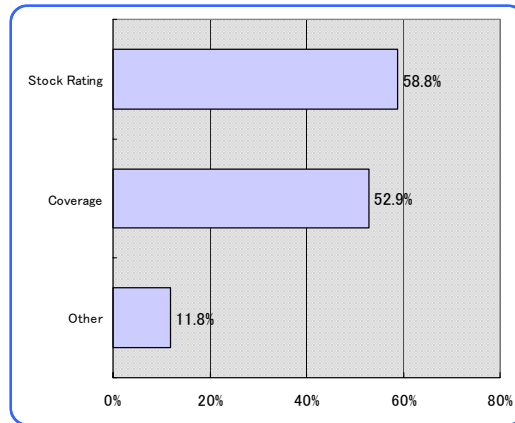
1. “Very much affected” has increased from 0.0% to 3.0% (up 3.0%), and so did “affected” from 21.0% to 32.3% (up 11.3%), making the total of those affected by SRI 35.3% (up 14.3%). On the other hand, “not affected” has decreased from 48.1% to 36.4% (down 11.7%).
2. By occupation, 37.5% of fund managers say they are “affected,” compared to 4.8% “very much affected” and 23.8% “affected” from sell-side analysts (28.6% total), and 28.0% “affected” from buy-side analysts.



**6. Specific Effects Selected out of Three by 17 “Affected” Analysts (Multiple Response)**

The distribution is “stock rating” 58.8% (up 14.4% from last time), “coverage” 52.9% (up 19.6%), and “other” 11.8% (down 21.5%). Received are specifics such as: “May not recommend those in significant violation of law (analyst, Japanese affiliated)”, and “Brand selection (electronic machinery analyst, Japanese-affiliated)”.

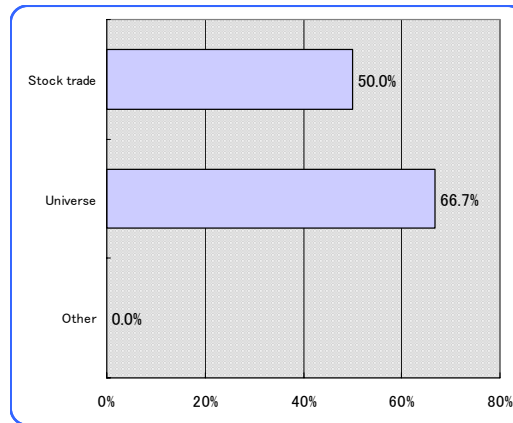
[n=17]



### 7. Specific Effects Selected out of Three by 6 “Affected” Fund Managers (Multiple Response)

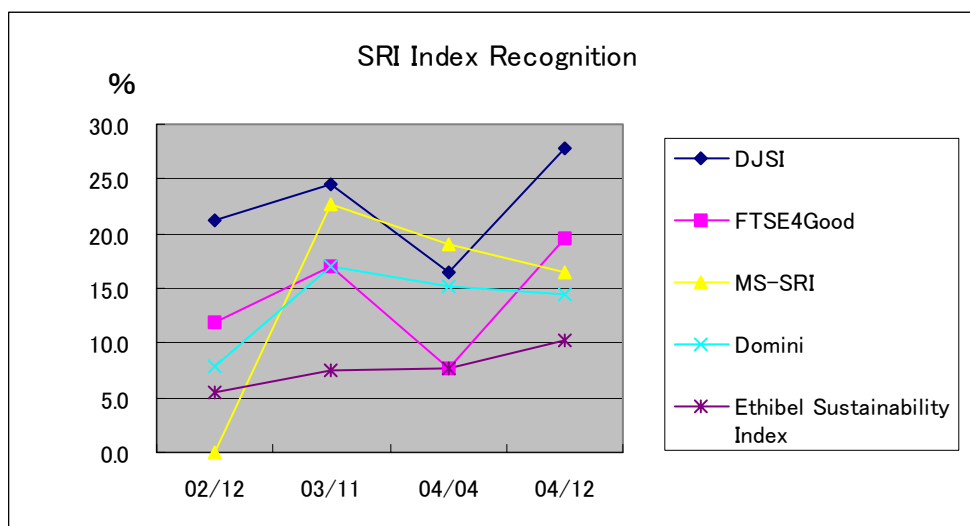
The result is “universe (brand selection)” 66.7% (up 16.7% compared to last time), “stock trade” 50.0% (unchanged), and “other” 0.0% (unchanged). Compared to the last survey, there is greater overall effect.

[n=6]



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

1. SRI index recognition is growing. “DJSI” is the most recognized at 27.8% (up 11.3%), followed by 19.6% for “FTSE4Good” (up 12.0%), 16.5% for “MS-SRI” (down 2.5%), 14.4% for “Domini” (down 0.8%), and 10.3% for “Ethibel Sustainability Index” (up 2.7%).
2. The most recognized index varies by occupation, and they are: “FTSE4Good” for fund-managers (43.8%), “DJSI” for sell-side analysts (29.3%), and “FTSE4Good” for buy-side analysts (16.7%).



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

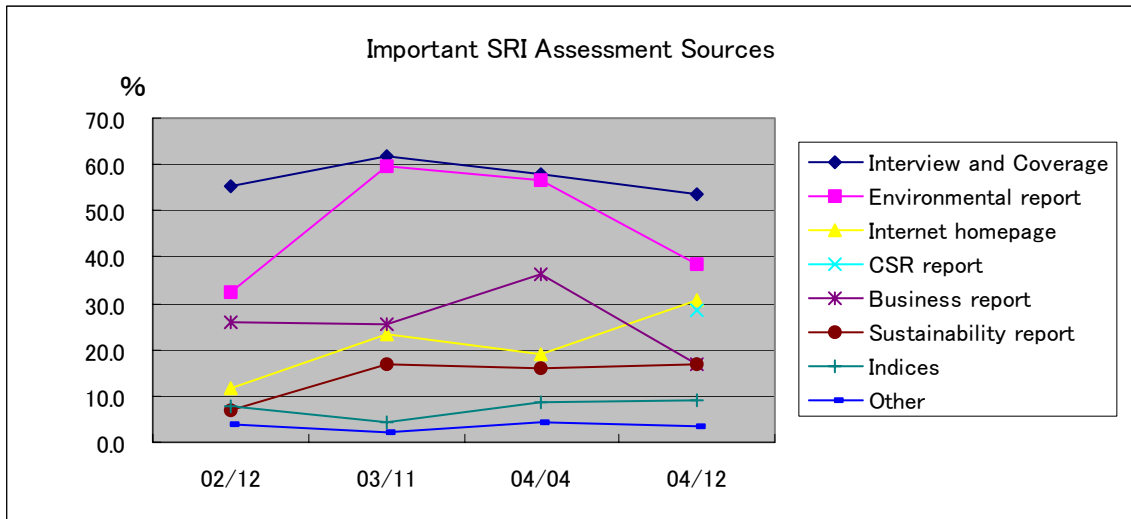
1. An overwhelming 74.4% (10.4% decrease from last time) selected “do not know”. The rest in order of highest to lowest are 12.2% for “DJSI” (up 6.1%), 8.9% for “FTSE4Good” (up 8.9%), 7.8% for “MS-SRI” (down 2.8%), 6.7% for “Domini” (down 0.9%), and 1.1% for “Ethibel Sustainability Index” (down 0.4%).
2. For all three occupations, “do not know” leads the list. Figures are 82.5% for sell-side analysts, 75.0% for buy-side analysts, and 60.0% for fund managers respectively.

### 10. Index Components Recognition

1. 76.8% chose “do not know” (down 5.9% from last time). With 2.0% “know well” (up 2.0%) and 19.2% “know” (up 3.2%) making up 21.2% of the response, the recognition rate has improved.
2. Sum of “know well” and “know” is 37.5% for fund managers (up 14.0%), 20.0% for buy-side analysts (up 4.2%), and 11.9% for sell-side analysts (up 4.0%).

### 11. Important SRI Assessment Sources (Multiple Response)

1. The result is 53.4% “coverage and interview” (down 4.6% from last time), 38.6% “environmental report” (down 17.9%), 30.7% “internet homepage” (up 11.9%), 28.4% “CSR report” (new item), 17.0% “business report” (down 19.2%), 17.0% “sustainability report” (up 1.1%), and 9.1% “indexes” (up 0.4%). “Internet homepage” has overtaken “business report”.
2. Regardless of occupation, “coverage and interview” and “environmental report” are considered important, and “CSR report” that has recently gained popularity outscored “business report”. “Sustainability report” has shown slight increase from 15.9% to 17.0% compared to the last time. Among fund managers, “internet homepage” tied with “environmental report” for the second place.
3. Voices regarding other sources include “None. It is a must for corporations, and it alone does not lead to competitive edge (fund manager, foreign-affiliated)” and “IR mail from corporations (fund manager, foreign-affiliated).”



## 12. Whether SRI Takes Root in Japan

1. The percent of those who selected “yes” increased to 67.7% (7.2% increase from last time) compared to 31.3% “no” (down 0.8%) and 1.0% “no answer” (down 6.4%). In all three occupations, over half of the respondents marked “yes” as in 73.8% of sell-side analysts, 64.0% of buy-side analysts, and 56.3% of fund managers.
2. Among those who answered “yes”, there were comments such as though it would take root, the spread “ would take some time”, be “only on surface” and “limited scale”. At the same time, there was one saying “continued spread of SRI probably is the natural course”.
3. As for “no”, comments were like it is “something to be expected (fund manager, foreign-affiliated)”, “securing return supersedes everything (consumer non-durable analyst, Japanese-affiliated)”, and “the label seems to go first... (machinery and SPE analyst, Japanese-affiliated)”, but there was also “ The idea is worth preaching for recognition.”

