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Press Release

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Enquete to 81 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) Stands High at 92%**

In order of fund managers (100%), buy-side analysts (94%), and sell-side analysts (89%)

From the last survey in December 2003, overall rate fell 2 points from 94.6% to 92.6%

● **Those Who Recognize Corporate Social Responsibility (CSR) Has Reached 90%**

In order of fund managers (94%), buy-side analysts (89%), and sell-side analysts (89%)

It is a 4.4 points increase compared to 85.7% in December 2003

● **21% Thinks "SRI Affects Report Making and Stock Selection"**

In order of fund managers (23%), buy-side analysts (21%), and sell-side analysts (13%)

It is a 11.2 points decrease from 32.2% last time, revealing rather steady attitude

SRI (Socially Responsible Investment) is attracting attention. It makes CSR (Corporate Social Responsibility) a criterion in investment making decisions. There are currently eleven SRI funds in Japan, and their net-asset is approximately 102.7 billion yen as of the end of March 2004. The figure is expected to grow in the future. In the U.S., gross-assets working balance of SRI at the end of last year amounted to about 2,175 billion dollars or 228 trillion yen (\$1=105 yen).

Between March 30 and April 20, 2004, Daiwa Investor Relations (President Choukichi Miyata), 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". 81 responses (from 17 fund managers, 19 buy-side analysts, 38 sell-side analysts, and 7 others) were gathered from institutional investors and research wings of both Japanese- and foreign-affiliated leading security companies operating in Japan. This is the third survey on this topic following the one in December 2003. Same questions were used except for a few that were omitted.

The basic outline of the result is as follows:

- 92.6 % either "know well" or "know" SRI

Compared to the last survey approximately six months ago, in December 2003, the rate has dropped 2% from 94.6%. The exact figures are: 100% for fund managers, 94.7% for buy-side analysts, and 89.5% for sell-side analysts.

- As for CSR, 90.1%, a 4.4 points increase from 85.7% in December, either "know well" or "know" about it.

- Among SRI concepts, the item of the highest interest is again "governance and accountability" (statute

observance and information disclosure, etc.).

- Like last time, the hardest SRI concept to grasp is “addressing issues like employment, labor problems, and human rights”.

- As for the effect of SRI on report making and stock selection, 21.0% (a 11.2 points decrease from 32.2%) are feeling they are "affected". The figures are 23.5% for fund managers, 21.1% for buy-side analysts, and 13.2% for sell-side analysts respectively. The floor is beginning to receive SRI calmly.

-The degree of SRI index recognition has decreased. MS-SRI, the top SRI index, is now recognized by 19.0% compared to 22.6% last time.

-Important factors in assessing SRI are "coverage and interview" (58.0%), "environmental report" (56.5%), "business report" (36.2%), and "internet homepage" (18.8%).

- Regarding the future of SRI in Japan, 60.5% are expecting it to take root while 32.1% are not.

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 corporate story building to IR activities advisory.

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

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1. Recognition Rate of Socially Responsible Investment (SRI)

1. 92.6% said they either “know well” or “know” about SRI. The number is about the same as the last time, and recognition rate remains high.
2. By occupation, 26.3% of buy-side analysts selected “know well” and 68.4% selected “know”, compared to fund managers’ 23.5% and 76.5%, and sell-side analysts’ 5.3% and 84.2%. A gap exists between buy-side and sell-side.

2. Recognition Rate of Corporate Social Responsibility (CSR)

1. When asked about CSR, 90.1% replied they either “know well” or “know” about CSR. It is a 4.4 points increase from 85.7%, suggesting the strong interest on this issue.
2. By occupation, 17.6% of fund managers marked “know well” and 76.5% marked “know”, making the total 94.1%. Numbers are 15.8% and 73.7% for buy-side analysts (a total of 89.5%), and 2.6% and 86.8% for sell-side analysts (a total of 89.4%) respectively.

3. SRI Concept of Interest (Multiple Response)

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

1. “Governance and accountability” (statute observance and information disclosure, etc.) prevailed again with 84.6% (74.5% last time) while “environment” (reduction of environmental risks and environmental pollutants etc.) settled at 60.3% (72.7% last time). “Market” (customer handling, client correspondence, consumer satisfaction, procurement policy, etc.) followed with 42.3% (50.9% last time). “Social contribution” (community contribution, collaboration with NGO, etc.) marked 33.3% (25.5% last time), and “employment” (employment relationship, human resources development, protection of human rights, etc.) 19.2% (16.4% last time).
2. By occupation, 75.0% (93.3% last time) of fund managers selected “governance and accountability”, 68.8% (66.7% last time), “environment”, 37.5% (46.7% last time), “market”, 37.5% (26.7% last time), “social contribution”, and 25.0% (13.3% last time), “employment”.
3. Figures for buy-side analysts are: “governance and accountability” 94.4% (70.0% last time), “environment” 88.9% (60.0% last time), “market” 50.0% (60.0% last time), “social contribution” 33.3% (50.0% last time), and “employment” 5.6% (20.0% last time). They are highly interested in general.
4. As for sell-side analysts, first comes “governance and accountability” with 83.8% (a dramatic surge from 66.7% last time), then “environment” with 48.6% (83.8% last time). “Market” follows with 45.9% (50.0% last time), “social contribution” with 29.7% (12.5% last time), and then “employment” with 27.0% (16.7% last time). The interest level is highest regarding governance.

4. Hardest SRI Concept to Understand (Multiple Response)

1. “Addressing issues like employment, labor problems, and human rights” remains on the top with 56.7% (52.1% last time). It is followed by “going beyond compliance” with 38.8% (31.3% last time), “global operation” with 37.3% (35.4% last time), “having good command of subsidiaries and relating companies” with 22.4% (18.8% last time), and others with 3.0% (4.2% last time).

2. Comments heard include “All of them. I do not see any point (analyst, Japanese-affiliated)” and “It just seems like term’s taking a life of it’s own (other, Japanese-affiliated)”.

5. Effect of SRI on Operation

1. “Very much affected” has decreased from 5.4% to 0.0%, and so did “affected” from 26.8% to 21.0%, making the total of those affected by SRI 21.0% (32.2% last time). On the other hand, “not affected” has increased from 41.1% to 48.1%, and “don’t know” decreased from 25.0% to 22.2%. Calm attitude is replacing the over-reaction at one point.
2. By occupation, the percent of “very much affected” fund managers dropped from 13.3% to 0.0%. “Affected” also decreased from 33.3% to 23.5%. Sum of those who are affected thus has declined sharply from 46.6% to 23.5% while “not affected” increased from 40.0% to 58.8%.
3. 0.0% of buy-side analysts considered themselves “very much affected” compared to 10.0% last time. “Affected” also fell to 21.1% from 50.0%. On the other hand, 42.1% answered “not affected” (40.0% last time), and 26.3% “not sure” (0.0% last time). They are not affected as much as fund-managers.
4. The number for sell-side analysts are: “affected”, 13.2% (20.0% last time), “not affected”, 52.6% (40.0% last time), and “not sure”, 26.3% (36.0% last time). As in the last survey, they remained the least affected of three occupations.

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

The distribution is: “Stock rating” 44.4% (54.5% last time), “Coverage” 33.3% (27.3% last time), and “Other” 33.3% (27.3% last time). There are comments such as: “corporate culture (electronic machinery and precision equipment analyst, Japanese affiliated)”, “Content of interview etc. (industrial electronics analyst, Japanese affiliated)”, and “Timing of proxy (analyst, foreign-affiliated)”.

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

The result is: “universe (brand selection)” 50.0% (85.7% last time), “stock trade” 50.0% (57.1% last time), and “other” 0.0% (0.0% last time).

Compared to the last survey, the overall effect is diminishing.

8. SRI Index Recognition (Multiple Response)

1. SRI indices are still not widely recognized. Only 19.0% (22.6% last time) recognize “MS-SRI”, 16.5% (24.5% last time), “DJSI”, 15.2% (17.0% last time), “Domini”, 7.6% (17.0% last time), “FTSE4Good”, and 7.6% (7.5% last time), “Ethibel Sustainability Index”.
2. The most recognized index varies by occupation, and they are: “MS-SRI” for buy-side analysts with recognition rate of 26.3% (30.0% last time), “Domini” for fund-managers with 29.4% (23.1% last time), and “DJSI” for sell-side analysts with 16.7% (16.7% last time).

9. SRI Index Being Watched (Multiple Response)

1. 84.8% (76.6% last time) selected “do not know”. Following it are 10.6% (12.8% last time) for “MS-SRI”,

- 7.6% (6.4% last time) for “Domini”, and 6.1% (10.6% last time) for “DJSI”.
2. For all three occupations, “do not know” leads the list. Figures are, 100% for buy-side analysts, 85.7% for fund managers, and 84.4% for sell-side analysts. Though the number is not high (14.3%), notable is the fund managers’ attention to “Domini”.

10. Index Components Recognition

1. 82.7% said they “do not know” (73.2% last time). With “know well” 0.0% (1.8% last time) and “know” 16.0% (21.4% last time), the recognition rate is expected to improve in the future.
2. Figures of those who “know” are: 23.5% for fund managers, 15.8% for buy-side analysts, and 7.9% for sell-side analysts.

11. Important SRI Assessing Factors (Multiple Response)

1. Overall order did not change with “coverage and interview” 58.0% (61.7% last time), “environmental report” 56.5% (59.6% last time), “business report” 36.2% (25.5% last time), “internet homepage” 18.8% (23.4% last time), “sustainability report” 15.9% (17.0% last time), and “individual indices” 8.7% (4.3% last time).
2. While sell-side analysts value “coverage and interview”, both fund managers and buy-side analysts prefer increasingly popular “environmental report”. Support for “sustainability report” declined slightly from 17.0% to 15.9%.
3. Other voices regarding assessment factors were “I do not take them into consideration (fund-manager, foreign-affiliated)” and “Whether it has improved corporate value is doubtful (other, Japanese-affiliated).”

12. Future of SRI in Japan

1. The percent of those who selected “yes (it will take root)” remained unchanged at 60.5% (60.7% last time), while “no (it will not take root)” has decreased to 32.1% (37.5% last time). “No answer” increased to 7.4% (1.8% last time). In all three occupations, over half of the respondents marked “yes”.
2. Out of those answered “yes”, over 50% think “SRI will spread after a while”. One Japanese-affiliated company’s analyst covering home electronics pointed out, “We may need an institution that guarantees corporations make truthful SRI disclosure”.
3. As for “no”, “In situation where companies after companies do perform, it would be a valid filtering method (IPO analyst, Japanese-affiliated),” “It being a fad, I do not see how it gets established (pharmaceutical analyst, foreign-affiliated),” and “... there is question of investment zest as investors want returns (consumer non-durable analyst, Japanese-affiliated),” are some of the comments received.
4. The view that SRI would take root after some time has not changed from the last time. The survey also reveals the cool on the floor toward one-time boom.