



SRI in Japan

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The Japan Research Institute (JRI), Limited

- JRI was established in 1969 by Sumitomo group as an independent organization.
- JRI's activities in "knowledge engineering" are elaborated through the coordinated application of its think-tank, consulting, and systems integration functions.
- Our team provides research service regarding environmental performance and corporate social responsibility of Japanese companies to financial institutions.
 - Please visit our website; <http://www.jri.co.jp>



Japan has only a short history of SRI.

- By contrast with US and Europe, Japanese religious groups and private schools have not been really interested in stock investment.
- Stakeholders such as consumer groups, trade unions and other activists have had less influence comparatively.
- However, on August 20, 1999, the first Eco-fund was launched in Japan.



Why did “Eco-fund” first start as a SRI product in Japan?

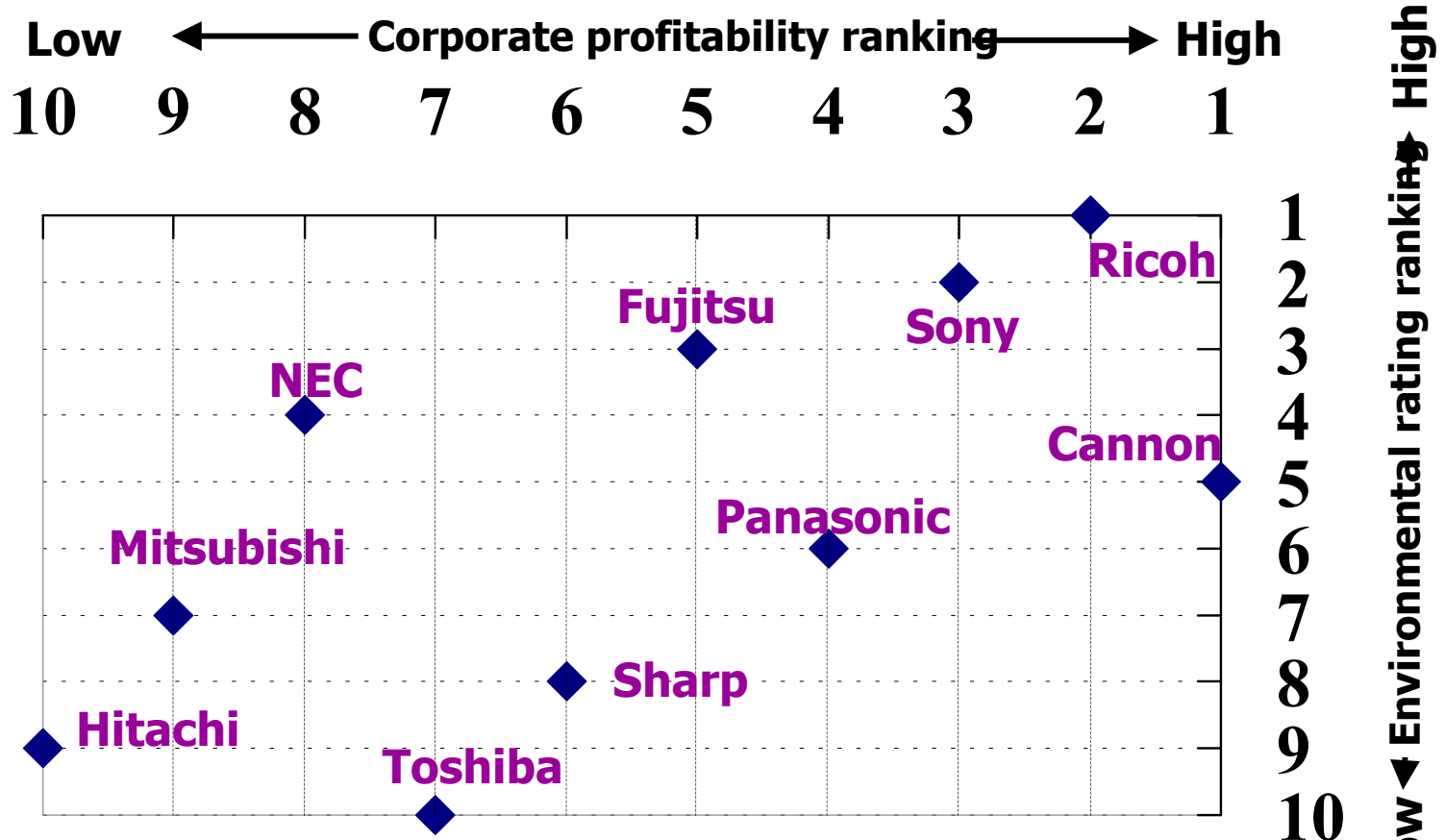
- “Eco-fund” is a mutual fund which invests companies screened from environmental aspects.
- Though it was a foreign-made concept, people in Japan have been conscious about environmental issues, because of serious environmental pollution during the 1970s.
- Companies also came to understand that good environmental performance can enhance their own credibility in the competitive market.



It is easy to understand the concept “Eco-efficiency”.

- “Eco-efficiency” means combining economical and environmental efficiency.
- The environmental efficiency pays on business in the following contexts.
 - Saving materials and energy means saving cost.
 - Environmental consciousness can avoid the future cost.
 - Green products contribute the growth of business.
- A growing number of companies now recognize that eco-efficient practices are very important as their corporate strategies.

Positive correlation has been proven.



Profitability; Operating income ratio to net sales (FY 1999 settlement)
Environmental rating; Oekom Research, Munich, Germany (early 2000)
Spearman's rank correlation coefficient = +0.64

Current Status of “Eco-fund” in Japan

April 17th, 2002

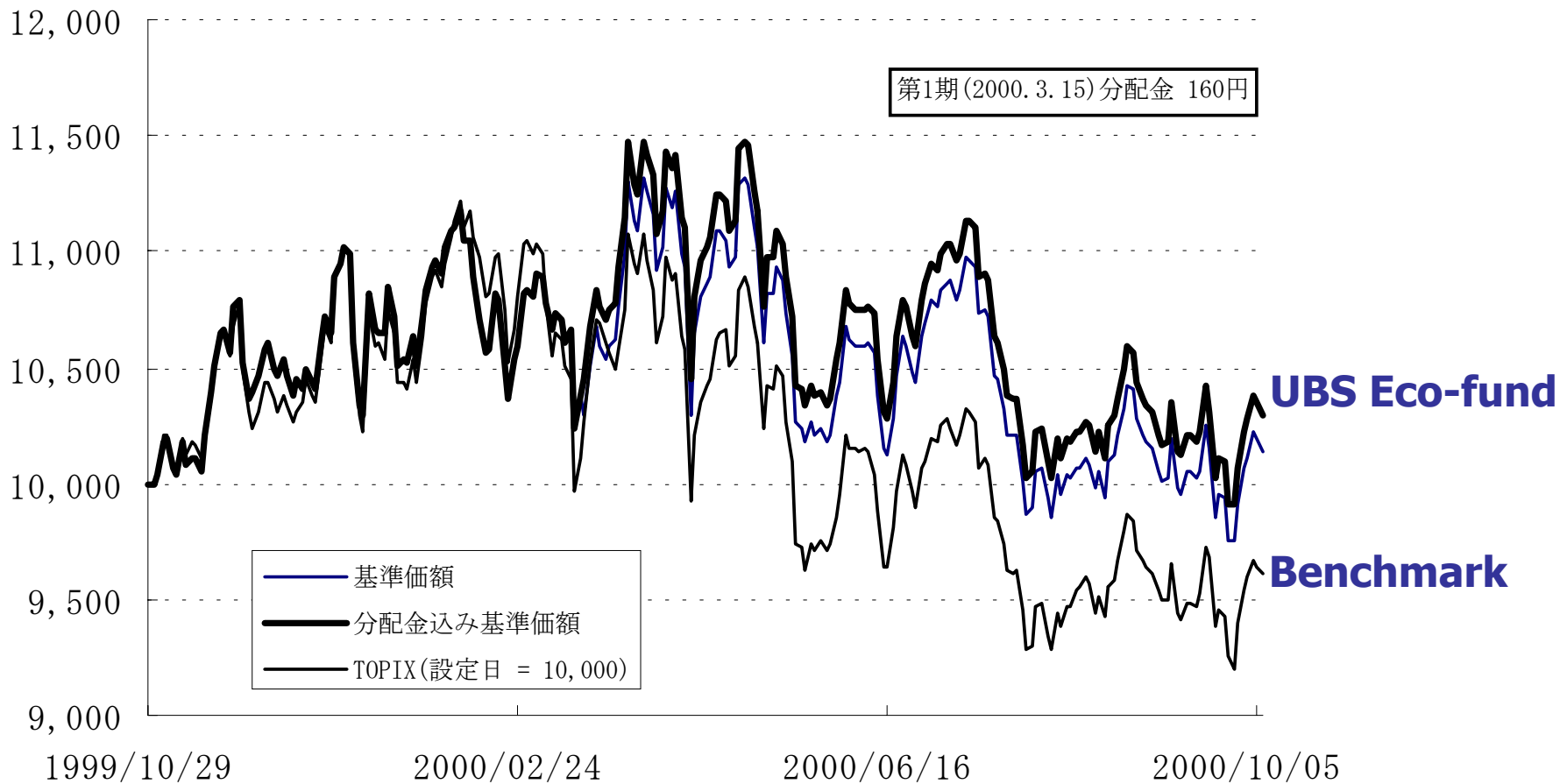
Portfolio management (Research & Screening)	Date of launch	Name of fund	Volume of asset (million US\$)
Nikko Asset Management (Good Bankers)	20-Aug-99	Nikko Eco fund	483.82
Yasuda Kasai Global Asset Management The Yasuda Fire & Marine Insurance Co., Ltd., Yasuda Research Institute, Sompo Japan Risk Management)	30-Sep-99	Green Open (BUNA-NO-MORI)	69.76
Daijibank Asset Management Co., Ltd (Good Bankers)	22-Oct-99	Eco fund	66.94
UBS Global Asset Management The Japan Research Institute, Ltd)	29-Oct-99	Japan Eco fund (Dr.Eco)	39.34
UFJ Partners Asset Management Co., Ltd. (UFJ Institute, Ltd)	28-Jan-00	Eco Partners (Green Wing)	31.10
Asahi Life Asset Management Mitsubishi Research Institute, Center for Public Resources Development)	28-Sep-00	SRI fund (Wing of Tomorrow)	55.19
Mitsui Marine Asset Management (Interisk)	31-Oct-00	Eco Balance (The Sea and the Sky)	9.58
Nikko Asset Management (Sustainable Asset Management (SAM))	17-Nov-00	Global Sustainability A	31.48
Nikko Asset Management (Sustainable Asset Management (SAM))	17-Nov-00	Global Sustainability B	16.49
Daiwa Asset Management (Innovest Strategic Value Advisors)	15-Jun-01	Global Eco Gross fund A	44.98
Daiwa Asset Management (Innovest Strategic Value Advisors)	15-Jun-01	Global Eco Gross fund B	74.88
		Total	923.56



Four types of “Eco-fund”

1. Only environmental criteria, investing domestically
2. Environmental and other social criteria, investing domestically
3. Only environmental criteria, investing globally
4. Environmental and other social criteria, investing globally

“Eco-fund” is attractive for investors.





“Eco-fund” is also attractive for companies.

- Most companies are very favorable toward “Eco-fund”.
- Most companies think “to be invested in Eco-fund is an encouragement for my environmental measures”.
- Companies regard environmental disclosures as a way to raise their stock price.

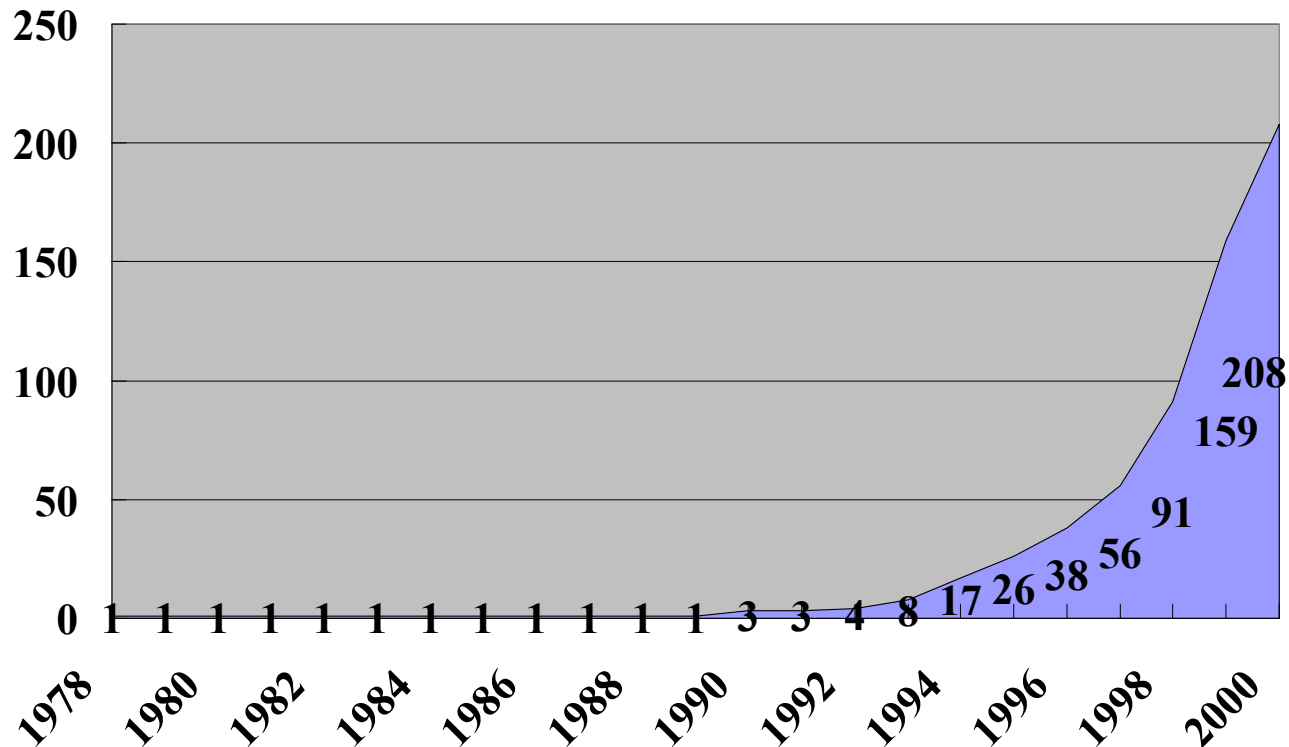


“Eco-fund” is also attractive for Government.

- Ministry for the Environment of Japan regards “Eco-fund” as a kind of tool supporting their public policy.
- For example, they think that they can promote environmental disclosure not by regulation but by market mechanism.
- Consequently, they expect that “Eco-fund” can contribute to the sustainable industrial growth.

Actually, “Eco fund” spurred “Environment report” boom in Japan.

- The number of environment reports achieved more than 200 .

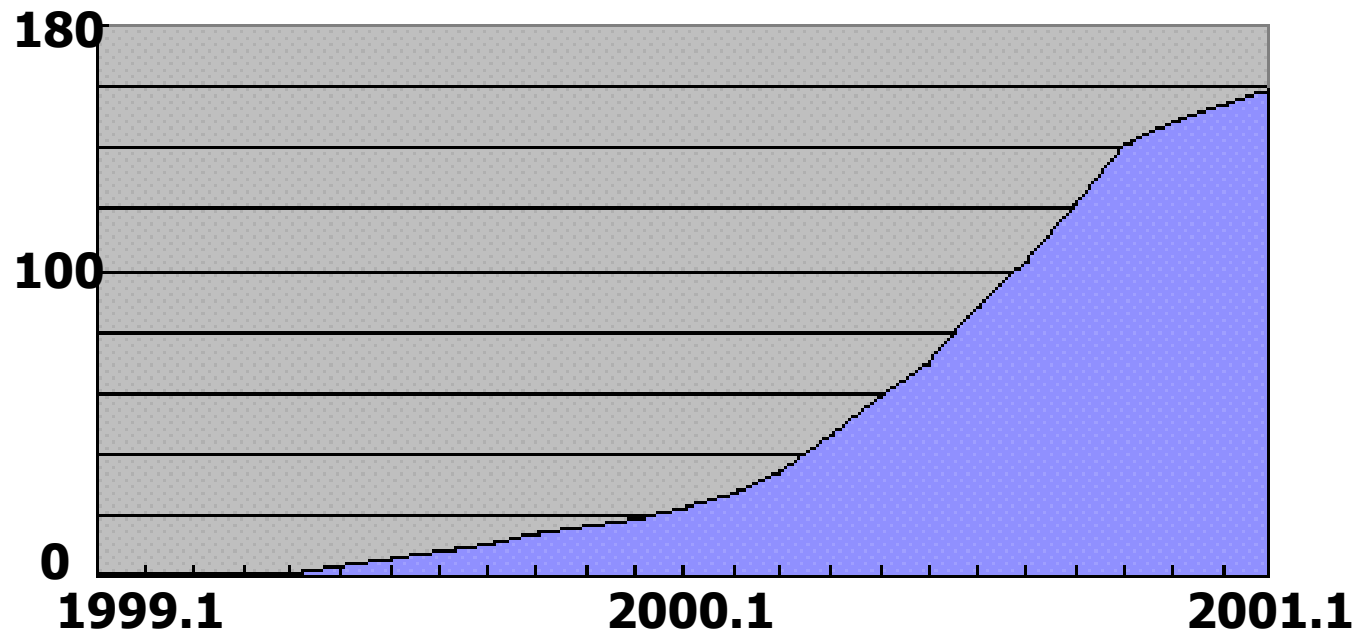


Source; the National Institute for Environmental Studies



Also it spurred “the environment accounting”.

- The number of companies building the environmental accounting system has also increased.



Source; Ministry of the Environment, Japan



Future of SRI in Japan

- Full-fledged SRI products will be launched soon.
 - Expanding criteria into whole field of corporate social responsibility including employment, human right, relationship with stakeholders and so on.
- Integrex inc. (an independent advisor group) has already started a comprehensive survey on the compliance of Japanese companies.
 - Providing the result to Japanese asset management firms.
- Several pension funds and institutional investors are getting more interested in SRI.



Positive response from business leaders

- There actually exists some misunderstanding that SRI is an antibusiness activism within economic circle.
- However, business leaders cannot ignore these movement any longer because US and European investors have a great influence on Japanese stock market.
- Japan Federation of Economic Organizations and Japan Association of Corporate Executives have already started their own study group responding to CSR and SRI matters.



Matters to be discussed

- We have a variety of discussions over criteria for SRI screening right now.
 - Environmental criteria are relatively objective. Some other social criteria depends on the cultural background.
- It actually needs to modify the criteria for SRI screening in Japanese sense.
- This is a challenging work, but we believe that SRI is an attractive financial product which leads an individual benefit and a public benefit simultaneously.



Expanding the Eco-funds in Asia

- It will be great to see that a growing number of Eco-funds or other SRI products are launched in Asia. We can exchange information in near future.
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