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The Future of SRI in Japan

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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 Ecofund 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 for Japanese 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.

Current Status of "Eco-fund" in Japan

	Name	Type	Inception	Screening	Price Y (31 O	Net asset Value (Y mil) ct 01)		Net asset Value (Y mil) ct 02)
Nikko	Nikko Ecofund	Domestic equity	20 Aug 99	Environment	6,731	68,796	5,471	46,609
Sompo Japan	-	Domestic equity	30 Sep 99	Environment	7,158	8,334	6,555	7,959
DIAM	-	Domestic equity	29 Oct 99	Environment	6,696	8,971	5,671	7,059
UBS	-	Domestic equity	29 Oct 99	Environment	6,953	5,369	5,935	4,150
UFJ	-	Domestic equity	28 Jan 00	Environment	5,711	4,141	4,834	3,292
Asahi Life	-	Domestic equity	28 Sep 00	Environment, employment, consumer, social contribution	8,054	8,038	6,798	4,827
Mitsui Sumitomo Insurance AM	-	Domestic balanced	31 Oct 00	Environment (global warming)	8,730	1,218	8,334	1,204
Nikko	Nikko Globe A	Global equity	17 Nov 00	Economy, social, environment	8,715	4,149	7,467	2,155
Nikko	Nikko Globe B	Global equity	17 Nov 00	Economy, society, environment	7,369	2,295	5,878	1,203
Daiwa SB Investments	Mrs Green A	Global equity	15 June 01	Environment	8,582	8,138	6,987	3,106
Daiwa SB Investments	Mrs Green B	Global equity	15 June 01	Environment	8,834	14,096	7,602	
					Total	133,545	Total	86,782



Four types of "Eco-fund"

- Only environmental criteria, investing domestically
- Environmental and other social criteria, investing domestically
- Only environmental criteria, investing globally
- Environmental and other social criteria, investing globally



SRI in Japan to the second stage.

- 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.



Positive impact to 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.



Positive impact to investors

- Several pension funds and institutional investors are getting more interested in SRI.
 - Jupiter Asset Management in conjunction with Commerz International Capital Management (Japan) has launched a new SRI investment fund. Called the Jupiter World SRI Fund it is targeted at Japanese institutional investors and has already raised 3 billion Yen (\$25.6m).



The future of SRI in Japan

- SRI in Japan will expand into the following categories soon;
 - Shareholder Engagement
 - Investors can use their status as shareholders to improve a company's behavior.
 - Project Investment
 - Supporting a particular sustainable project or activity by financing it by investment or loans.



Focusing on the attractive projects



Some evidences related to this movement

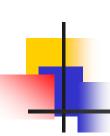
- Community investment fund could establish a wind-power plant in Hokkaido.
- Some Japanese companies have already started to invest in the afforestation projects.
- The World Bank's Prototype Carbon Fund is supported by several Japanese companies.



What are the attractive projects?

- Water
- Energy
- Health
- Agriculture
- Biodiversity ?

Forests as environmental assets



Investment in forests / Japanese perspective

- SRI in Japan is still in the gray of the daybreak and not headed for the investment in forests. However I believe the sustainable and responsible money in Japan will flow into this kind of investment in near future.
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