



2009 Review of Socially Responsible Investment in Japan



Social Investment Forum Japan



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Foreword

An “eco-fund” launched in 1999 was Japan’s first financial investment product to consider the environment. Much has happened in ten years, and it now gives us great pleasure to announce the release of the *2009 Review of Socially Responsible Investment in Japan*, our second such report. When initially launched, the eco-fund concept attracted much media coverage and public interest. Over the past ten years, through the many efforts of fund management firms, financial institutions, and many other interested parties, the playing field has expanded rapidly, not only with eco-funds focused mainly on Japanese equities but also socially responsible investment (SRI) funds that more broadly evaluate corporate social responsibility (CSR) efforts, bond-centered products, index funds, “green” real estate investment products, micro-finance investments, and so on. The fact that Social Investment Forum Japan (SIF-Japan) has just reached its seventh year is something I would like to take as a sign that the concept of socially responsible investment has permeated throughout Japan.

Meanwhile, if we look at trends in the world in the intervening years we can see that the SRI market is growing rapidly, with the creation of the United Nations Principles for Responsible Investment (PRI) giving added momentum. The terminology has also changed from “socially responsible investing” to “sustainable investing,” “ESG” investing (which considers environmental, societal, and governance issues), or “responsible” investing, and the objectives have also evolved—from SRI arising from ethics and social justice, to rational investing to create a sustainable society. With the growth of the SRI market as well as national laws and regulations, ESG investing has been broadly accepted even by mainstream investors—most notably, public pension funds—and in fact it has grown into a huge market, surpassing euro €2.665 trillion in Europe and \$2.71 trillion in North America in 2007. The global economic crisis, including the bankruptcy of the global financial-services firm Lehman Brothers (referred to in Japan as the “Lehman Shock”), dealt a heavy blow to the SRI market. All the data is not yet in about the actual extent of the negative impacts, but by some estimates, given that market has contracted by 40 percent, it is still in the range of about JPY 300 trillion. Meanwhile, there are new efforts in countries such as Korea, Brazil, and Thailand to actively promote ESG investments, and the market is expected to grow further.

Turning our attention now from global to Japanese trends over the past ten years, one could say that the lineup of SRI funds has indeed expanded in this country, but some of this was a matter of hype. Total managed assets have yet to reach the trillion-yen mark, and three

asset owners and nine fund managers are the only financial institutions to have signed the Principles for Responsible Investment.

Perhaps there are two ways to see this situation. Was this a lost decade in Japan, when SRI simply got renamed as ESG investing but still did not take root? Or was it a decade of preparation for dramatic growth in the future? We prefer to believe it was a decade of preparation for a big advance in the future. In the first place, savings account for 50 percent of personal financial assets in Japan, and there was in the past only a thin segment of individual investors engaged in long-term equity investing, so investor education is still a work in progress here, but it was very difficult to have pension funds and other institutional investors accept the idea of SRI, which is best suited to the concept of long-term investing. Right from the first launch of eco-funds, it has been the individual investors who understood environmental and social issues and supported SRI. Slight changes have become evident, however. Japanese society has unquestionably begun to move. For example, the Japanese Trade Union Confederation—which has a very close relationship with the Democratic Party of Japan (now Japan’s ruling party)—has begun work to develop SRI guidelines, and companies such as Bloomberg and Thomson Reuters now provide ESG information to investors via their financial information terminals.

As I write this in January 2010, just more than a year has passed since the “Lehman Shock,” financial markets are returning to normalcy, and we are moving toward a low-carbon society with a 25 percent reduction in carbon dioxide emissions by 2020. I expect that stronger tailwinds will be supporting investments paying attention to SRI and ESG. In this context, one might say the timing of this publication is very appropriate.

Our first issue, published in 2007, was cited in the *Annual Report on the Environment* by Japan’s Ministry of the Environment, as well as in the media and many other places, making it the most trusted source of SRI information in Japan. To raise the bar even higher, the writing team for this second issue asked members of this Forum and leading Japanese experts in their respective fields to contribute content for each chapter, resulting in a considerable increase in the number of pages. This effort is primarily a reflection of everyone’s strong desire to encourage ESG investment in Japan, and it is thanks to the support of colleagues such as these that SIF-Japan has made it through the past seven years. For all of this we are truly grateful.

For the publication of this report we received special support from Daiwa Securities Group Inc., FTSE Group, Sumitomo Mitsui Banking Corporation, support from Sompo Japan Insurance Inc., and information and data provision from Mercer Japan Ltd. I must also mention that we receive support on a day-to-day basis for the activities of SIF-Japan from premium members the Sumitomo Trust & Banking Co., Ltd, Cre-en Inc., Seven & i Holdings Co., Ltd., Bloomberg L.P., Integrex Inc., and Nikko Asset Management Co., Ltd., and also financial assistance from the Trust Sixty Foundation. To all of these supporters we express

our deep gratitude. We hope that the next decade will be a time of great progress in Japan for socially responsible investment and that this report will be widely used to serve as a foundation for that progress.

January 2010

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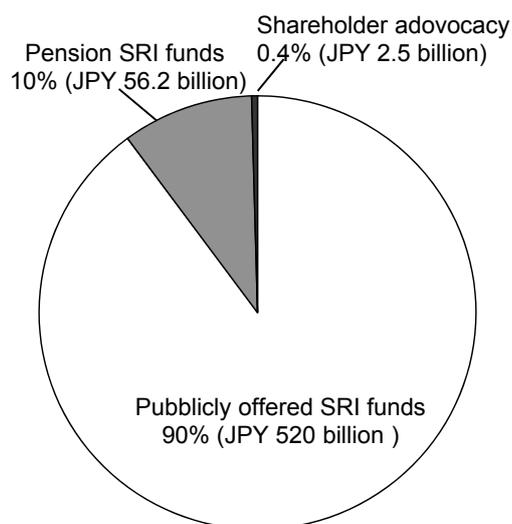
Chapter 1. An Overview of SRI in Japan

The terms *socially responsible investment* (SRI) and *environmental, social, and governance* (ESG) issues are gaining currency in Japan, but in general information is not widely available about SRI, making it difficult to accurately ascertain the current situation. Recognizing those conditions, the aim of this report is to provide information on trends concerning SRI in Japan using the greatest possible range of data.

The very definition of SRI has yet to be firmly established, but for the purposes of this report, we have defined SRI using two criteria: (1) investments for which it is possible to confirm the intention of the ultimate provider of funds being invested, and (2) investments for which one or more of the ESG (environmental, social, governance) factors are considered in the investing process.

The Japanese SRI market at the time of our previous report at the end of 2007 was estimated at about JPY 850 billion. As is clear from these numbers, there was already a huge gap between Japan and Europe/North America in terms of the size of the market, but with the Japanese market estimated to be down to JPY 578.7 billion in 2009, it has obviously contracted in a sluggish stock market. As shown in Figure 1-1, publicly offered SRI investment trusts account for nearly 90 percent of Japan's SRI market. The remaining nearly 10 percent is the SRI management of pension funds, while shareholder advocacy to address environmental and social issues accounts for less than 1 percent of the market. Finally, though not included in these numbers, the community investment sector (investment activities with the goal of contributing to local communities) is dynamic and rich in diversity, though its financial impact may be small.

Figure1-1. Structure of Japan's SRI Market



Source: SIF-Japan

Under these categories, this report will describe Trends in Publicly Offered SRI Investment Trusts (Chapter 2), Pensions and SRI (Chapter 3), Evolving Shareholder Advocacy (Chapter 4), and the Growth of Community Investing (Chapter 5). Finally, we will discuss CSR Trends in Japanese Financial Institutions (Chapter 6), a topic that was not covered in our 2007 edition. Below, as an executive summary, we provide an overview of the main points of each chapter.

Chapter 2. Trends in Publicly Offered SRI Investment Trusts

- In Japan today, SRI of pension funds is limited; the main stream of SRI is in publicly offered SRI investment trusts targeting individual investors.
- The assets under management of publicly offered SRI investment trusts at the time of our previous report amounted to JPY 747.0 billion (September 2007), but this figure plummeted with stock prices since the onset of the global financial crisis, and today amounts to JPY 520 billion (September 2009). At about 0.8 percent of all publicly offered funds, their share is extremely small.
- In terms of the types of funds available, it has been funds on the theme of environmental issues that have been driving the market, accounting for about 80 percent of publicly offered SRI investment trusts as of September 2009.
- If we look at the targets of investment, we see that the main focus was on Japanese equities in 2007, but with the increase of environmental funds there was also an increase in funds targeting international equities, which at present account for 60 percent of the total.
- Assets under management of publicly offered SRI investment trusts are on the rise in the medium term, but the same trend is evident for open-type funds overall if we look at fund flow trends, so one could surmise that the increase in managed assets was driven by the providers of the products, rather than being a response to investor needs.

Chapter 3. Pension Funds and SRI

- SRI by public pension funds is considerably limited in Japan, and there is also a tendency for SRI in corporate pension fund management to be driven by investment managers.
- Japan's first SRI fund designed for corporate pensions was launched in 2003; the market size of SRI funds for pensions had grown to JPY 56.2 billion by the end of March 2009 (Mercer study).
- SRI funds in public pensions are still limited, but a public pension (the Federation of National Public Service Personnel Mutual Aid Associations) commissioned fund management to an SRI fund for the first time in Japan in 2008.
- Research by Mercer found that the majority of investment managers believed that "the SRI market is expanding," but further expansion of SRI would require "involving public pension funds," indicating that the lack of SRI in public pension funds is a major issue for the expansion of the SRI market in Japan.

Chapter 4. Evolving Trends in Shareholder Advocacy

- The impact of shareholder advocacy on SRI markets is very limited in Japan.
- The majority of shareholder proposals relating to the environment and social issues come from shareholder groups campaigning against nuclear power; among 69 shareholder proposals in 2009, 59 (representing market value estimated at JPY 2.5 billion) related to environmental and social issues, and of these about 60 percent were proposals against nuclear power. In 2007, there was also an increase in shareholder proposals relating to railway accidents.
- The majority of shareholder proposals from institutional investors related to corporate governance, and none were related to social or environmental issues.

Chapter 5. The Growth of Community Investing

- The impact of community investing on the SRI market in Japan is extremely limited. Even though the scale may still be small, however, a variety of new initiatives have been launched, such as NPO banks(non-profit organization banks), renewable energy funds, and micro-financing.
- Eighteen institutions nationwide now serve as NPO banks, with a total capitalization of more than JPY 530 million, and a total of more than JPY1.9 billion in loans.
- Renewable energy funds use capital provided by citizens to generate electrical power through renewable energy such as wind and solar; wind power installations have already been constructed in nine locations.
- A number of civic organizations have been established in Japan in the area of microfinance as well, and in fact, a step was made in 2009 toward making microfinance more mainstream with the launch of “microfinance bonds” by the Daiwa Securities Group.

Chapter 6. CSR Initiatives by Japanese Financial Institutions

- According to a survey of financial institutions by Japan’s Financial Services Agency, the implementation of CSR by financial institutions increased from 67 percent in 2006 to 72 percent in 2009, an indication of rising awareness about CSR.
- An increasing number of institutions have become signatories to international initiatives such as the PRI—a sign of rising interest. Despite this, the reality is that the Japanese financial institutions’ share of all signatory institutions in these initiatives is still low.
- Amid rising consumer concern about the environment, the range of financial products and services related to the environment is expanding into environmental lending, environment-friendly term deposits, and so on.

As enumerated in main points for each chapter, the scale of the market is still small and limited. Keys for the future growth of SRI in Japan include addressing the lack of true SRI investors and making progress with SRI in the pension sector. Some may say that SRI is not yet as developed in Japan as in Europe and North America because of a lingering traditional

skepticism that acts as a barrier. Investors are still not sure whether or not consideration of ESG issues has a positive impact on corporate value. In other words, they are still asking, “Can SRI funds produce superior returns compared to ordinary equity funds?”

Amid such skepticism, it is important also to have a broad debate about expanding SRI using regulatory approaches such as requiring information disclosure to pensions, as in the United Kingdom. In the process of such debate, issues concerning ESG—and the relationship between the risks and opportunities of fund management—will clear themselves up. It is important to note that time is of the essence when working to resolve the issues of global warming, biodiversity, and so on, and the situation is urgent if one considers this plus the possible economic losses in the event that finance fails to properly understand its own impacts.

The involvement of a broad sector of citizens and consumers is essential if we are to move forward in the right direction. We believe that if individuals investing in SRI funds, pension assets, or specific corporations—or contributing to and participating in community investing—could be made more aware of money’s connections with environmental and societal issues and maintain a long-term perspective, then the “flow of money” can be more effectively used in Japan to change society for the better.

Chapter 2. Trends in Publicly Offered SRI Investment Trusts

1. A History of Publicly Offered SRI Investment Trusts in Japan

(1) The Arrival of Eco-Funds and Environmental Screening (1999–2002)

Japan's first publicly offered SRI investment trust was the Nikko Eco-Fund, launched in August 1999. Preceding this, during the first half of the 1990s, eight investment trusts were established, with fund names like “Global Environment” and “Environmental Protection,” in the midst of rising concern about global environmental issues. These funds did not involve SRI screening, however, and were nothing more than investments targeting corporations that were engaged in businesses that related to the environment; thus, they were not considered SRI funds.

When the first publicly offered SRI investment trust was launched, global warming and other environmental issues were attracting much attention, giving rise to high expectations for publicly offered SRI investment trusts in Japan. Exactly at this time, Japan experienced its own version of the UK's Big Bang (large-scale deregulation of the financial system), controls were lifted, allowing banks to sell investment trusts, and raising expectations about the expansion of sales channels and the participation of new types of investors. This happened to coincide with a rising Japanese stock market. An eco-fund was then launched that invested in Japanese equities using environmental screening. In 2000, the high-tech stock bubble burst, however, and the market suffered a dramatic reversal as share prices plummeted, delaying the launch of new SRI funds for some time.

(2) Corporate Scandals Erupt, Publicly Offered SRI Investment Trusts Rise with Emphasis on CSR (2003–2006)

After the collapse of the tech bubble, and in the midst of a slump in share prices, accounting scandals came to light in the United States. In Japan, as well, a series of corporate scandals erupted. As a result, markets developed a keener awareness of corporate social responsibility, and it was in that context that publicly offered SRI investment trusts became more popular. After the second half of 2003, share prices turned around, and there were more new launches of publicly offered SRI investment trusts with an emphasis on CSR.

Noteworthy it was a period for funds that incorporated “worker-friendly” and “womenomics”¹ as screening criteria, and multiple dividend distribution-type hybrid funds (monthly, bimonthly, etc.).

¹ Gender equality and opportunities for women in the economy

(3) Environmental Screening Returns, Investments Expand to Include Foreign Equities (2007–2009)

From 2007 to 2009, with the impact of the Toyako G8 Summit hosted by Japan (where global warming was discussed as a major topic) and other factors, concern about climate change rose to new levels in Japan. Reflecting this concern, funds bearing the words “climate change prevention” were launched on the market. Among environment-related themes, funds with a focus on water resources and businesses associated with green energy stood out from among the rest. In November 2008, Japan’s first SRI global bond fund was launched (investing in bonds and other securities in environmentally progressive countries), and in April 2009, for the first time an exchange traded fund (ETF), investing in 35 selected Japanese corporations related to the environment, was launched and listed on the Tokyo Stock Exchange.

Thus, one can see that the themes and trends in publicly offered SRI investment trusts that are newly formed have a close connection with the concerns of society, stock market trends, the state of the investment trust market, and so on.

Figure 2-1. Trends in New Launches of Publicly Offered SRI Investment Trusts, by Theme (August 1999 through September 2009)

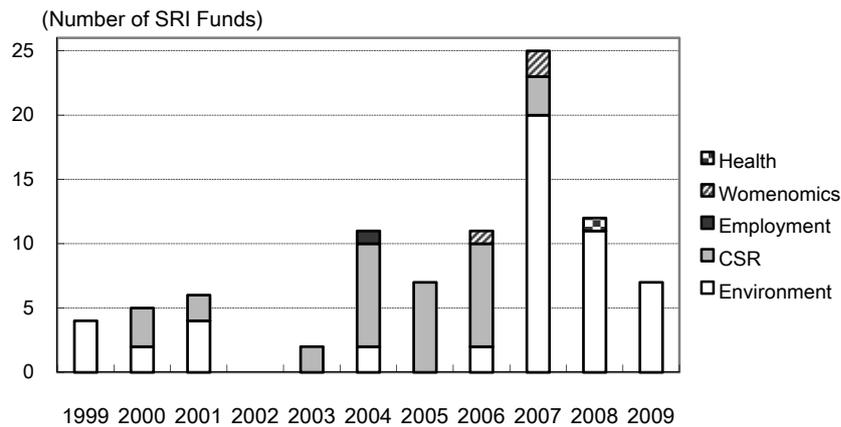
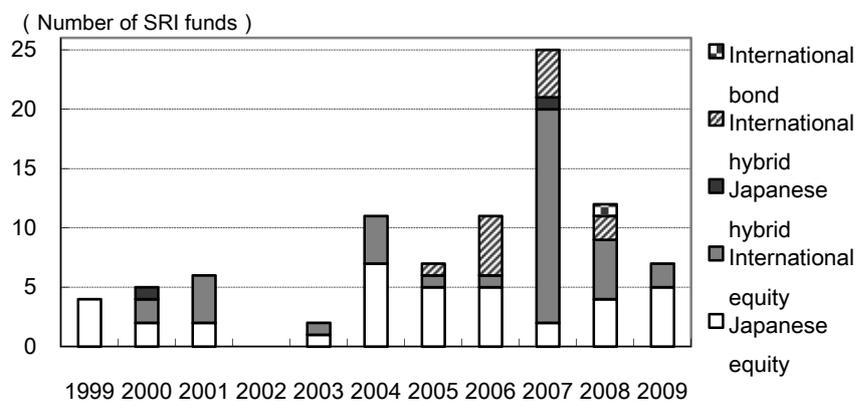


Figure 2-2. Trends in New Publicly Offered SRI Investment Trusts, by Type (August 1999 through September 2009)



Source: SIF-Japan

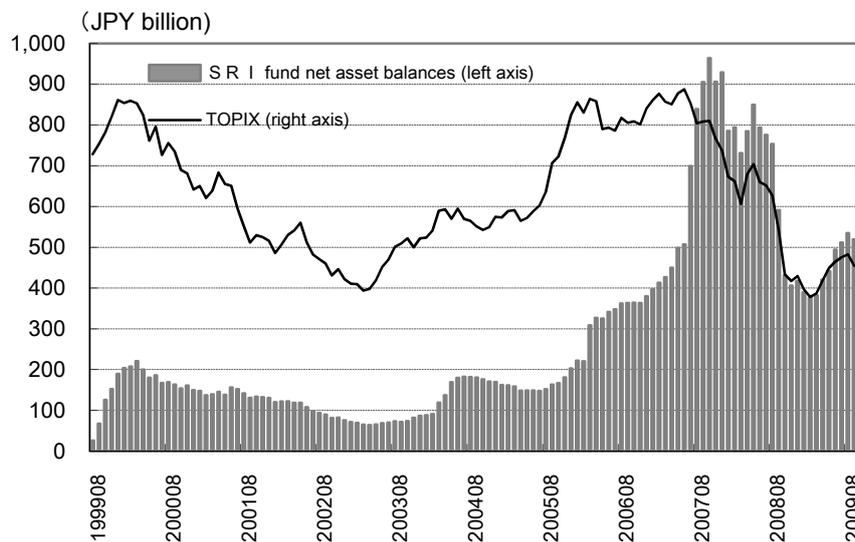
2. Asset Trends in Publicly Offered SRI Investment Trusts in Japan

(1) Trends in Managed Assets: Market Rises and Falls, Managed Assets Gradually Increase, but Still a Very Small Proportion of All Investment Trusts

Ten years have passed since the first publicly offered SRI investment trusts were offered in Japan, but the amounts of funds under management continue to be very small. Looking back over the past ten years and comparing the asset balances of publicly offered SRI investment trusts with share prices (Figure 2-3, the Tokyo Stock Exchange Stock Price Index, or TOPIX), one notes that publicly offered SRI fund balances closely track the timing of expansions and major contractions in the overall market environment. The SRI fund market grew amid a wave of concern about environmental issues and a favorable stock market, but was battered by the collapse of the tech bubble in 2000, the sub-prime loan debacle, and other developments. In September 2008, the markets suffered from a once-in-a-century global financial crisis that included the collapse of Lehman Brothers. Fund balances of publicly offered SRI investment trusts also plummeted with share prices, and assets fell to JPY 370 billion in February 2000, about 40 percent down from the peak. By the end of September 2009, fund balances amounted to about JPY 520 billion, still a meager 0.8% of the publicly offered investment trust market (JPY 59.3855 trillion).

Even though the fund balances are still low, however, it is undeniable that this segment is gradually eking out a larger share within the rising and falling of the overall market.

Figure 2-3. Trends in Net Assets of Publicly Offered SRI Investment Trusts

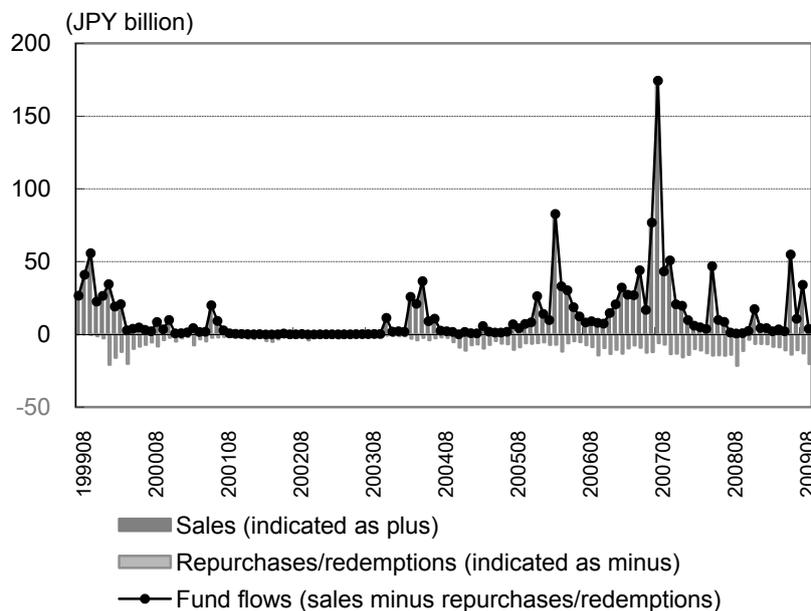


Source: SIF-Japan

(2) Trends in Fund Flows (Sales and Redemptions) of Publicly Offered SRI Investment Trusts: Investments Timed with New Launches

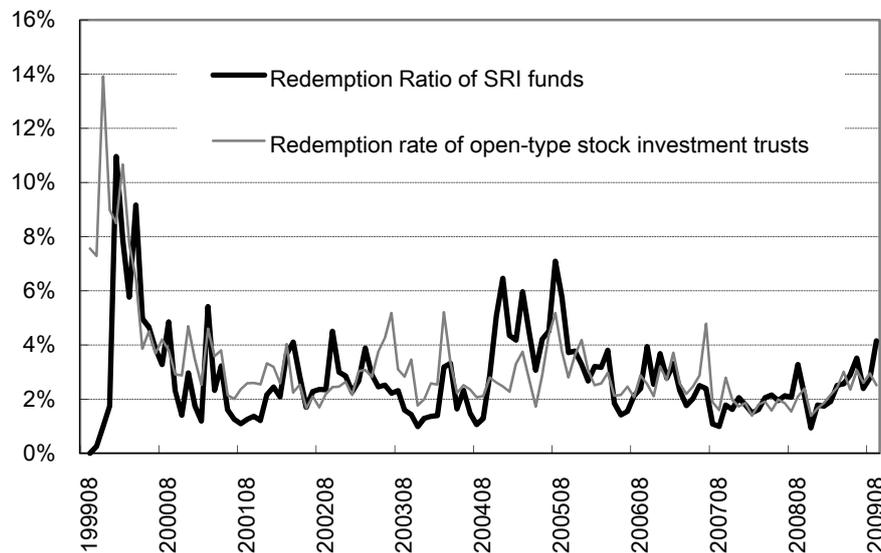
Investor sentiment can be read from the trends in fund flows in and out of publicly offered SRI investment trusts. Figure 2-4 shows a distribution of specific months in which the new sales of funds spiked about five or six times over the course of ten years. These spikes indicate that a large amount of funds flowed into publicly offered SRI investment trusts that were newly established at those times. From the following month, however, the sales plummet, indicating that investors are not carefully watching the timing of investment and then purchasing or steadily accumulating publicly offered SRI investment trusts; rather, their behavior tends to concentrate their investments at the time that funds are newly established. This is a special feature (i.e., investor behavior) generally observed in the fund flows of Japanese equity investment trusts, and it is difficult to determine whether these are investors genuinely interested in SRI investment trusts, or whether investors in ordinary investment trusts are simply expanding their appetite to include publicly offered SRI investment trusts. Because the scale of the market is small, one could say that SRI investors are not yet present in large numbers in Japan.

Figure 2-4. Fund Flow Trends of Publicly Offered SRI Investment Trusts (Sale/Repurchase/Redemption Trends) * Open-Type Stock Investment Trusts only



Source: Prepared by authors from documents by Investment Trusts Association, Japan, and NRI-Fundmark/DL

Figure 2-5. Comparison of Redemption Ratio of Publicly Offered SRI Investment Trusts versus Open-Type Stock Investment Trusts



Source: Prepared by authors from documents by Investment Trusts Association, Japan, and NRI-Fundmark/DL.

Analysis of the status of redemptions in Figure 2-5 shows no noticeable repurchases on the scale of the sales. Comparing the redemption ratio of SRI investment trusts with that of open-type stock investment trusts, both have tended to be in the range of about 2 percent to 4 percent (on a monthly basis) since 2000, with both following roughly the same trends. It is also no surprise that here there are no major differences in money flows between publicly offered SRI investment trusts and open-type stock investment trusts.

Furthermore, analyzing the monthly trends of inflows and outflows for publicly offered SRI investment trusts with at least three years of operating results, we see that for 27 funds (63%) out of 43 funds (including redemption at maturity), outflows were greater than inflows. About two-thirds of publicly offered SRI investment trusts had outflows. Under the circumstances of this level of excessive repurchases, it would be difficult for SRI investment trusts to increase. On the other hand, there was an inflow trend for defined-contribution pension funds.

3. Asset Balances, by Fund Type: Environmental Screening Funds Invested in Overseas Stocks Account for Most of Balances

Table 2-1 summarizes the net assets, by type, for publicly offered SRI investment trusts. Analyzed by type of screening, funds with the theme of “environment” account for three-quarters (77.5%) of the total of JPY 402.6 billion. Furthermore, if we look at target securities for investment, we see that international equity funds account for JPY 312.2 billion (60.1%), and domestic stock funds for JPY 145.7 billion (28.1%), indicating that assets are

concentrated mainly in equities as the major targets of investment.

Table 2-1. Publicly Offered SRI Investment Trusts: Net Asset Balances, by Type (end of September 2009)

(Units: JPY billion)

	Japanese Equity	International Equity	Japanese Hybrid	International Hybrid	International Bond	Total	
Environment	89.5	308.5	0.9	3.0	0.5	402.6	77.5%
CSR	52.9	3.6	—	54.5	—	111.0	21.4%
Employment	2.2	—	—	—	—	2.2	0.4%
Womenomics	0.9	—	1.0	1.4	—	3.3	0.7%
Health	0.01	—	—	—	—	0.01	0.0%
Total	145.7	312.2	1.9	58.9	0.5	519.3	100.0%
Ratio	28.1%	60.1%	0.4%	11.4%	0.1%	100.0%	

Source: SIF-Japan

Besides these funds, other specialized funds have been formed, examples of which include index funds, 401(k) (defined-contribution pension) funds, separately managed account (SMAs) funds, exchange traded funds (ETFs), and so on. Going forward, we expect to see a broader base of SRI fund investors, plus greater choice with more selection in the types and categories of funds.

4. Conclusion

Looking back at the past ten years since the launch of publicly offered SRI investment trusts in Japan, one can see that the types and forms of new funds is similar to the favorable results of investment trust sales at that time. We can also see that the timing of investing into funds is concentrated at the time the new fund is formed. The fund balances are also extremely small. Extrapolating from this information, it would be difficult to say that a framework has yet been established to direct funds through publicly offered SRI investment trusts toward corporations that recognize social responsibility. It would seem more appropriate that the progress we have seen so far was driven by the providers of financial products searching out or creating investor needs, rather than being based on investors articulating their own need for SRI. Let us hope that in the future, it will be driven by investors who articulate their desire for SRI investments and demand the knowledge and effort of financial product providers to help them.

By incorporating the SRI perspective into investment trusts, the result will be higher expectations for corporations to be aware of CSR. Investors will also develop a greater interest in broader issues such as the environment, and this will provide opportunities to think about the relationship between investing and society. We will watch with keen interest to see how these developments unfold going forward.

Chapter 3. Pension Funds and SRI

1. A History of SRI of Pensions in Japan

Socially responsible investment as a component of pensions in Japan was started by investment managers offering SRI investment trusts to pension funds—rather than the other way around, started by interested pension funds (i.e., funds with ESG investment policies) actively seeking out socially responsible investments. In 2003, Sumitomo Trust and Banking Co. started managing a Japanese SRI equity fund oriented toward corporate pensions. In 2006, after signing the United Nations Principles for Responsible Investment, Mitsubishi UFJ Trust and Banking Corporation also started managing a Japanese SRI equity fund. In 2007, the Fuji Pension Fund adopted a Japanese SRI equity fund.

Meanwhile, because shareholder advocacy in Japan had not been generally recognized as being an approach for socially responsible investing, the fact is that it did not attract much attention from pensions. Even so, various developments did occur, with the introduction of fund formats such as Nissay Asset Management, in collaboration with UK investment manager, Hermes, offering the “Governance fund” for pensions, and the Pension Fund Association adopting corporate governance principles. The Pension Fund Association adopted as one of its basic principles a recognition that it is “essential that corporate governance functions adequately in an organization, in order to ensure sustainable growth and long-term stable earnings,” and in that connection established its Corporate Governance Fund in March 2004. The fund started with JPY 10 billion managed by Nomura Asset Management. The firm implemented a survey of corporations listed on the first tier of the Tokyo Stock Exchange, evaluated companies’ governance structures, and made visits to corporations’ business establishments. In the end, the firm created a portfolio of stocks recognized as having superior corporate governance. The basic concept behind the establishment of the fund was to present criteria for stocks to be included in the fund, and by showing the world a clear image of what was desirable for corporate governance, to contribute to improvements in the corporate governance of Japanese corporations. Although the Pension Fund Association itself did not appear to see this fund as being SRI, it does deserve to be included in the history of SRI in Japanese pension funds if one considers how ESG issues are viewed today in the context of investments.

2. Trends in Market Size of Pension Funds Managed under SRI Principles

According to a pension product survey by Mercer, a leading global provider of consulting, outsourcing and investment services, the scale of the responsible investing fund market as of the end of March 2009 was JPY 56.2 billion, down by about half from JPY 116.7 billion at the end of March 2008. The actual number of clients had been increasing until 2008, but remained flat in 2009.

Table 3-1. Size of the Responsible Investing Market: Assets under management

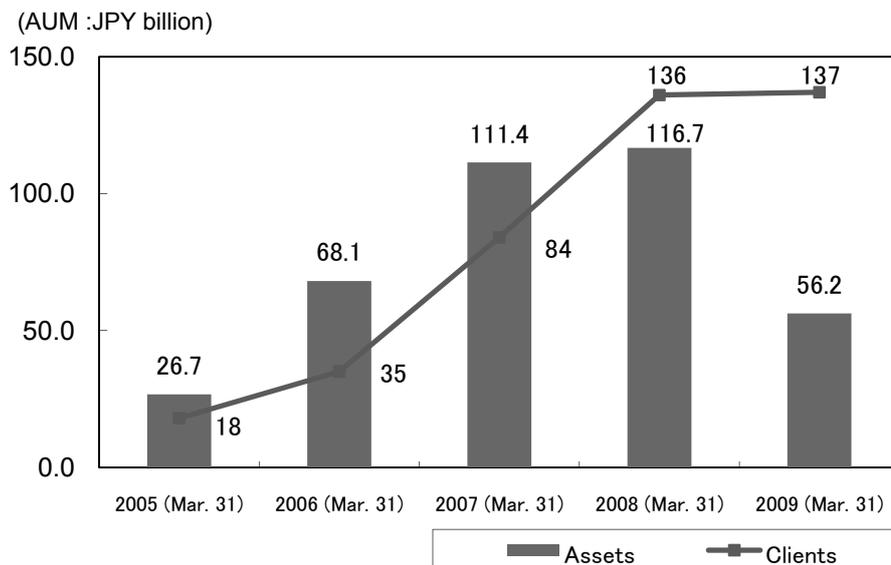
(JPY billion)

No	Type of Product	2005 (end of March)	2006 (end of March)	2007 (end of March)	2008 (end of March)	2009 (end of March)
22	Responsible investing funds (Japanese equity)	0.9	7.5	36.9	58.2	44.4
23	Responsible investing funds (international equity)	0	0	0	0	0
24	Corporate governance funds	25.8	60.6	74.5	58.5	11.8
25	Other responsible investing funds	0	0	0	0	0
	Total	26.7	68.1	111.4	116.7	56.2

Table 3-2. Size of the Responsible Investing Market: Number of clients

No	Type of Product	2005 (end of March)	2006 (end of March)	2007 (end of March)	2008 (end of March)	2009 (end of March)
22	Responsible investing funds (Japanese equity)	3	9	57	109	115
23	Responsible investing funds (international equity)	0	0	0	0	0
24	Corporate governance funds	15	26	27	27	22
25	Other responsible investing funds	0	0	0	0	0
	Total	18	35	84	136	137

Figure 3-1. Size of the Responsible Investing Market in Japan: Trends in Assets Under Management and Number of Clients



Source: Mercer pension product survey

3. Features of the SRI Market for Pensions in Japan

The assets of Japanese pensions rank second among the world's top 300 pensions, after those of the United States. Despite this, the SRI market for pensions is considerably smaller than in Europe and the United States. One reason for this situation may be that in Japan the emphasis is on corporate pensions. Overseas, the emphasis is on public pensions with huge financial assets, while in Japan the activity of public pensions is relatively limited.

Other reasons that deserve mention include the low level of shareholder advocacy, including shareholder engagement with corporations on issues of concern, and the exercise of voting rights. Corporate pensions are the focus of the SRI market for pensions in Japan, and in principle, corporate pensions use external investment managers with discretionary investment management agreements. In the case of pooled funds, the actual exercise of voting rights is not directed by the pension, and the fund manager is under a discretionary agreement, so in most cases corporate pensions do not have the mandate to conduct shareholder advocacy. The Fuji Pension Fund signed the United Nations Principles for Responsible Investment, but its own self-assessment on the PRI website states that it does not exercise voting rights for the purpose of shareholder advocacy.

4. Pension Trends

(1) SRI Strategies for Pensions

In principle, corporate pensions are externally managed, and the investment manager under contract is required to have a Japanese license for a "discretionary account." Because of that requirement, most non-Japanese SRI funds cannot directly be invested by Japanese corporate pensions. Public pensions, not-tax-qualified pensions and the like are not under this restriction.

As of December 2009, the following investment managers were offering ESG funds into which pension funds can invest.

Japanese Equity

- Sumitomo Trust and Banking Co.: Japanese Equity (SRI type)
- Mitsubishi UFJ Trust and Banking Corporation: Socially Responsible Investment Fund
- Chuo Mitsui Asset Management: Chuo Mitsui SRI Fund
- PineBridge Investments: PineBridge Japan Equity SRIFund
- Tokio Marine Asset Management Investment Trust: Japanese Equity (SRI)
- Nissay Asset Management: ESG Synthesis Fund

International Equity

- Goldman Sachs Asset Management: GS Sustain
- Resona Bank: International Equity SRI

(2) Corporate Pensions

One major feature of the Japanese SRI market is the involvement of corporate pensions. Overseas, particularly in Europe and the United States, public pensions dominate, while the actions of corporate pensions are less noticeable. Among the 137 clients (end of March 2009) in the survey mentioned above, one can see that many corporate pensions were selecting SRI funds as one option for actively managed funds of Japanese equities. As a motive for adopting SRI into their funds, according to the *Study Report on SRI and PRI* compiled by the Research Institute for Policies on Pension & Aging, the most common answers were "Because, as a pension plan, we support the idea of SRI" (27.0%), followed by "Because we received a proposal from a fund manager" (22.5%), "Because we expect SRI to serve as a diversified investment approach," (16.9%), and "Because we expect SRI to improve investment performance" (13.5%). These responses indicate that they had high expectations for performance and diversification through the use of these as active funds.

(3) Public Pensions

Five Japanese public pensions—including the Government Pension Investment Fund (GPIF), the world's largest in assets—rank among the largest 20 pension funds in the world, although they are less active relating to SRI than European and American public pensions. Increasingly, international investors create groups through collaborative initiatives, but Japanese public pensions are virtually absent from such initiatives at present. It is difficult to make simple comparisons, however, because public pensions can be structured differently in each country; for example, GPIF is not purely "funded" but also pay-as-you-go. The value of assets under management in Japanese pensions is admittedly large, but the fact that almost this entire amount is in Japanese government bonds differs from the public pensions overseas, which tend to have portfolios mainly focused on risk assets such as equities. Nevertheless, even if the proportion of Japanese public pensions in Japanese and international equities is small, the impact could still be large simply because of the enormity of the funds under management.

As stated above, the PFA has a history of having a keen interest in corporate governance. Meanwhile, in 2008, the Federation of National Public Service Personnel Mutual Aid Associations selected an SRI manager as one of nine new investment managers for active management of a Japanese equity fund, which could be the first case that a public pension invested in an SRI strategy.²

5. Fiduciary Duty and Socially Responsible Investment

There has been some debate about whether or not socially responsible investment is in violation of the fiduciary duty of pension funds and fund managers. The issue of fiduciary duty has long been a topic revolving around SRI, and even today in Japan many still do not think the issue has been resolved. Below we will introduce a number of opinions influencing the

² *Nenkin Joho* ("Newsletter on Pensions & Investment"), 27 June 2008 (in Japanese).

debate about fiduciary duty in Japan.

(a) Noboru Terada's Article

In the Japanese publication *Nenkin Joho* (“Newsletter on Pensions & Investment”) in June 2003, Noboru Terada—at the time an executive advisor the (former) Government Pension Investment Fund) articulated his personal opinion in the “Other View” column, titled, “Socially Responsible Investments Violating Fiduciary Duty.” In the article he described the case of a shareholder resolution from CalPERS (California Public Employees’ Retirement System, which manages pension and health benefits for public employees, retirees, and their families) calling for an investee company to repatriate its headquarters from an offshore tax haven back to the United States, saying that this was a new form of socially responsible investment, and that when it came to corporate pensions, this type of SRI was in conflict with the Employee Retirement Income Security Act (ERISA) in the United States. Thus he concluded that in Japan, as well, “social objectives that contradict the financial objectives of pensions should not be brought into the discussion.” Some people believe that this article by Terada is one of the reasons that Japanese public pensions are reluctant to consider socially responsible investment. In an interview printed in 2004 in the *Nenkin Joho* newsletter (in an article entitled “Rapidly Rising Socially Responsible Investment in Pensions”) Terada responded to a question by fiercely criticizing SRI based on the same reasoning as described above, and opposed the adoption of SRI into defined-benefit pension funds. The Government Pension Investment Fund (GPIF) decided not to adopt SRI. Because the readers of this article would be highly interested in the topic, we can assume that his views had considerable impact, especially considering Terada’s position on the expert committee.

(b) Statement of Opinion by Hideyuki Morito (Mitsubishi UFJ Trust)

When the Mitsubishi UFJ Trust and Banking Corporation launched sales in 2006 of its Japanese equity SRI fund, it sought the legal opinion of Hideyuki Morito, then a professor at Seikei University, to address the issue of fiduciary duty. Professor Morito concluded in his statement that fiduciary duty under Japanese law—under the provisions of legislation or under contract—places the duty of loyalty and duty of care upon persons involved in asset management of pension funds (fund directors, business owners in contractual relationships, investment managers); and if an investment under SRI management and another form of fund management is economically equivalent—in other words, if SRI-type fund management can compete economically with non-SRI management—there is no violation of the duty of loyalty or duty of care. This conclusion is similar to the statement of supporting opinion from the U.S. Department of Labor regarding interpretation bulletins and Calvert’s letter on the ERISA law.

(c) Opinion of Freshfields Bruckhaus Deringer (Law Firm)

The United Nations Environment Programme Finance Initiative (UNEP FI), in order to formulate the United Nations Principles for Responsible Investment (PRI), determined that it

was necessary to establish a position regarding the issue of fiduciary duty, and requested the Freshfields law firm to provide a legal opinion regarding ESG. The statement concluded that there was a lack of debate about the issue of fiduciary duty in Japan:

It is difficult to say that there has been any serious research in Japan into the very concept of fiduciary duties and the current situation is that virtually no legislation, guidelines or general literature exists that alludes to fiduciary duties and their relationship with ESG issues. Generally, we believe that as managers conducting themselves in good faith, fund managers are under the duty of care and duty of loyalty, and as for the details. For example, it is understood that as a person knowledgeable about the management tasks and duties of loyalty in order to obtain a profit for a member, a director of a pension fund must exercise a reasonable level of attention to his tasks. In Japan, this concept of fiduciary duty is thought to have been imported from England and the United States, and still today its interpretation is an importation of discourse under U.S. legislation; in particular, it would be no exaggeration to say that there has been no independent discussion in Japan about the relationship between ESG and fiduciary duties.³

6. Principles for Responsible Investment

The Principles for Responsible Investment provide a framework for institutional investors to be incorporated into investment decisions based on the awareness that environmental, social, and corporate governance (ESG) issues have an impact on investment performance, in other words, on long-term returns. As of 2009, Japanese signatory institutions included three asset owners and nine fund management firms. Signatories are growing in number, particularly in Europe, but there are still very few signatories from Japan.

All signatories are expected to submit self-assessments every second year. The responses are scored and the overall results are summarized in the UN PRI Report on Progress. For the first time, the distribution of scores by country is presented in the 2009 edition; the scores of Japanese signatory institutions were lower than other countries overall. About one-quarter of signatory institutions have released their own assessment reports results on the PRI website; from Japan only the Fuji Pension Fund has published its results.

Figure 3-2. Japanese Signatories to the Principles for Responsible Investment

Asset Owners	Investment Managers
Kikkoman Corporate Pension Scheme Taiyo Life Insurance Company Fuji Pension Fund	Mitsubishi UFJ Trust and Banking Corporation Chuo Mitsui Asset Trust and Banking Co., Ltd. Mizuho Trust & Banking Co., Ltd. Sumitomo Trust Daiwa Asset Management Co., Ltd. Nissay Asset Management Corporation Sompo Japan Insurance Inc. Resona Bank Limited Nikko Asset Management Co., Ltd.

³ Source: Freshfields Brukhaus Deringer Law Office documents, 30 November 2005, translated by SIF-Japan.

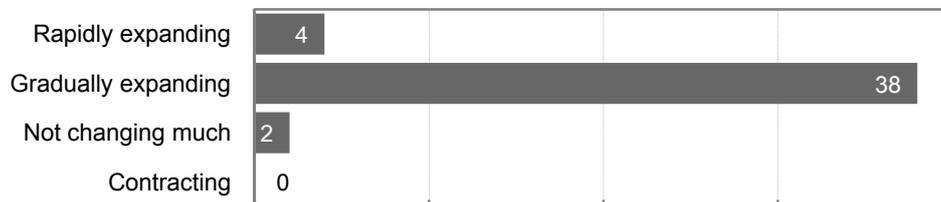
7. Future Prospects: Input from Mercer Pension Product Survey 2009

In June 2009, Mercer conducted an interview survey of investment management institutions regarding managed products and assets under management for Japanese pensions. This survey is conducted every year, but questions regarding responsible investing were added for the first time in 2009; in total, 47 responses (of 85 firms contacted) were received from trust and banking companies, investment advisors, and life insurance companies.

Overall, investment managers believed that the responsible investing market will gradually increase in the future, and Japanese equities will expand as an asset class. More than half believed that investment managers will become more proactive in corporate engagement and the exercising of voting rights, and had high expectations for public pensions to become more active in responsible investing.

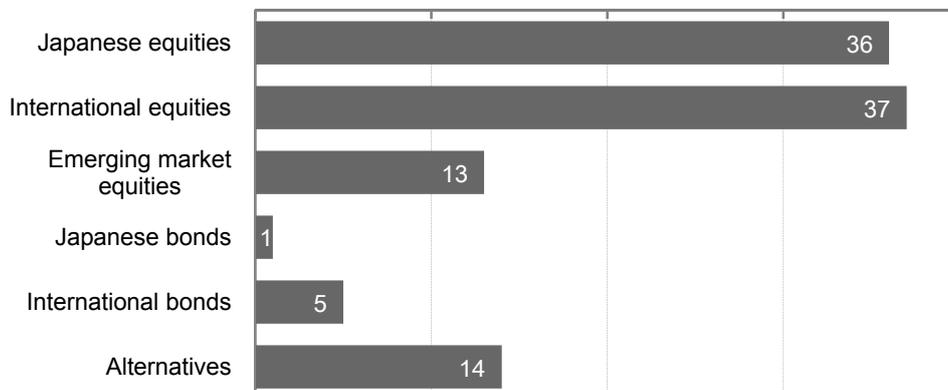
Q1. What are your predictions for the responsible investing market for the next three years?

The most common response was that the responsible investing market is “gradually expanding,” followed by “rapidly expanding,” with both responses together accounting for more than 95 percent of valid responses. No respondents indicated that the market was contracting.



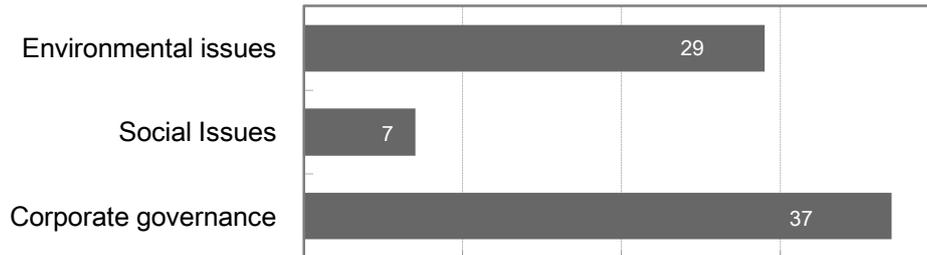
Q2. In which asset classes do you think responsible investing will expand in the next three years? (Multiple choices accepted.)

The vast majority of responses indicated an expansion of equities, and only a small number indicated bonds.



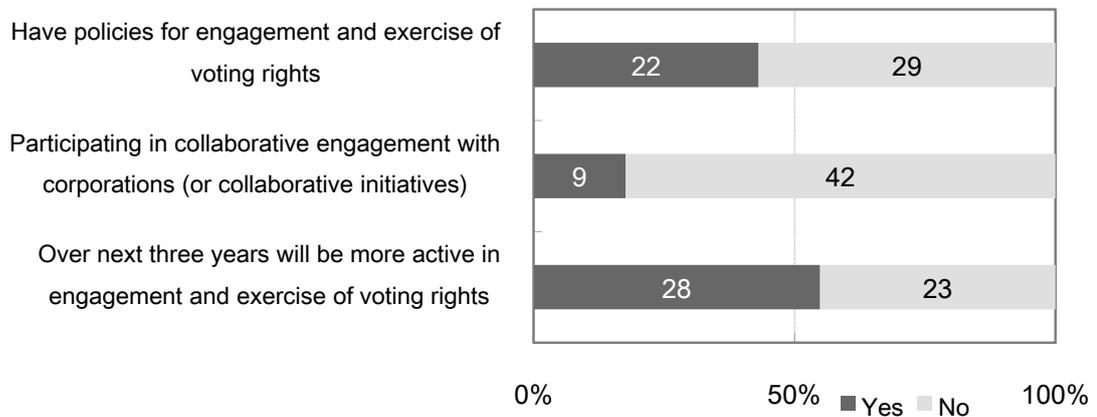
Q3. What do you think is the most important ESG issue? (Free response, maximum three items.)

The most common response related to “corporate governance,” followed by “environmental issues.” The fewest responses were for “social issues.” Under corporate governance, many responses related to “corporate governance” and “consideration of stakeholder interests.” Under environment, “dealing with climate change, reducing greenhouse gas emissions,” were most reported, and under society, “poverty and inequality.”



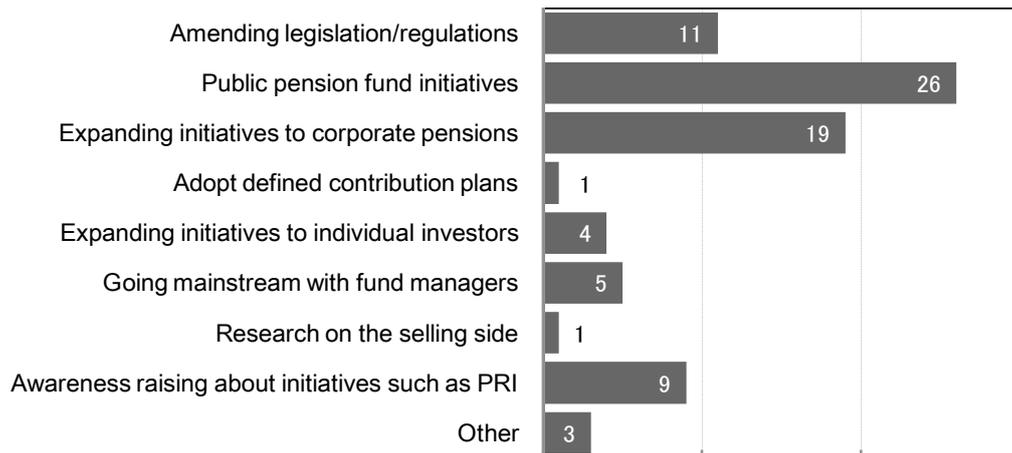
Q4. Regarding engagement and the exercise of voting rights.

Forty percent of investment managers have policies relating to engagement and exercise of voting rights. Less than 20 percent are participating in collaborative engagement with corporations (collaborative initiatives). More than half of investment managers plan to be more active in engagement and the exercising of voting rights in the next three years.



Q5. What are key factors to promote responsible investing in Japan? (Maximum three responses)

Responses included initiatives to address public pensions, and expanding initiatives to corporate pensions. Other noteworthy responses included amending legislation/regulations, and raising awareness about collaborative initiatives such as PRI. Others included “research into investment performance.”



8. Conclusion: Moving toward Pension Fund Management that Reflects the Intentions of Citizens

In Japan today, the beneficiaries of the management of pension fund assets are virtually forgotten. There may be many individuals who agree with the idea of SRI, but once the individual’s money is in a pension fund and the investor has fiduciary duty, the thinking is that the investor must only “pursue profit for the beneficiary.” Indeed, the majority of beneficiaries may be willing to introduce negative screening (even if it reduced performance slightly), but when it comes to a pension fund there is some hesitation to do so. If the intentions of the beneficiary are made clearer, it might become more common for pension funds to be expected to incorporate SRI. With advances in information technologies today, it has become relatively simple for a large number of people to express their wishes or intentions. If defined-contribution pension plans become more popular in Japan, individuals will be more free to select funds as they wish, so it will become easier for people who agree with the SRI approach to incorporate SRI Fund into their own portfolios. The important thing is for every beneficiary to recognize that he or she is a key player among the stakeholders involved in pension funds. When this day comes, the intentions of citizens as beneficiaries will end up being reflected in the ways pension fund assets are managed.

Chapter 4. Evolving Trends in Shareholder Advocacy

1. Shareholder Meetings and Shareholder Advocacy in Japan

In the past, at the vast majority of annual general meetings of shareholders of Japanese corporations, no questions were asked, the meetings ended very quickly, and they were not able to function as a venue for communication between shareholders and the corporation. In recent years, however, with increased interest in corporate governance from pension funds and institutional investors, and the increase in shareholder activism by hedge fund activists, there has also been an increase in opportunities for shareholders and investors to take action.

Shareholder rights and procedures to submit proposals are defined under Articles 303 through 305 of Japan's Companies Act. The proposals that shareholders can submit are limited to the matters for resolution listed in the Companies Act.⁴ Thus, shareholder proposals on environment and social issues must also be in line with the matters of the shareholder meeting—proposals to amend articles of incorporation, election or dismissal of directors, appropriation of surpluses, and so on. In other words, shareholders of Japanese companies have strong “proxy access”, but cannot submit non-binding or for-advisory-vote proposals. In other words, shareholders of Japanese companies have strong access to the use of proxies, but cannot submit non-binding or for-advisory-vote proposals. In the United States, most shareholder proposals are non-binding or for advisory votes, and, in many cases, companies do not adopt the proposals even though the proposals clear a majority vote. It is worth noting that Japan's Companies Act stipulates that in order to have the right to submit a shareholder proposal, shareholders must possess voting right units representing at least one one-hundredth of total prescribed shares, or at least 300 units, and that the shares must have been held continuously since at least six months prior to the general meeting. All these conditions above could be seen as making it more difficult to use shareholder proposals to express frank opinions about environmental or social issues.

2. Trends for Shareholder Proposals on Environmental and Social Issues in 2009

(1) Shareholder Proposals in 2009

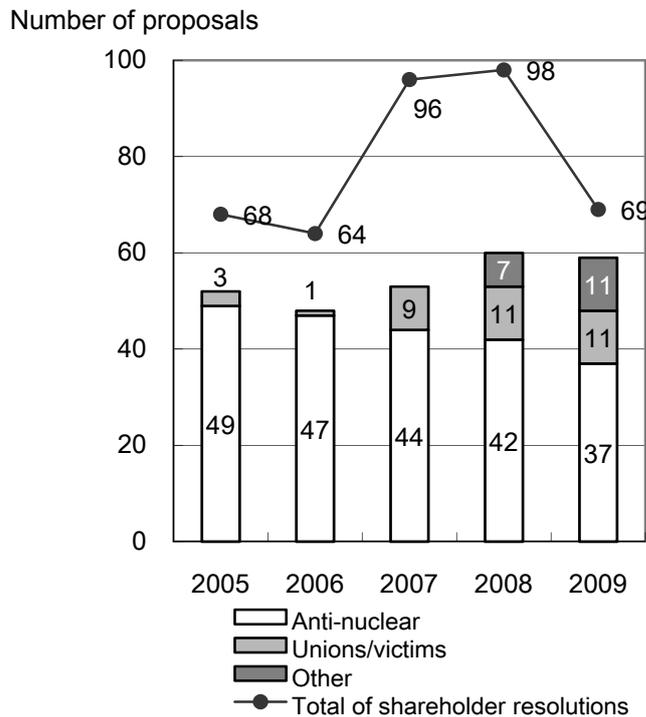
In 2009 there were 59 shareholder proposals on environmental or social issues, and the market value of the shares on which the proposals were made, based on the numbers of shares held by proposers, was JPY 2,480 million.⁵ Of the 59 proposals, 46 attempted to address environmental and social issues by calling for amendments to the articles of

⁴ However, this restriction does not apply if provided for separately under a company's articles of incorporation.

⁵ Calculated by multiplying the number of votes of proponents for each company times share prices on the base date. Analysis is based on corporate documents from shareholders' meetings, media reports, and Shojihomu Report No. 1883.

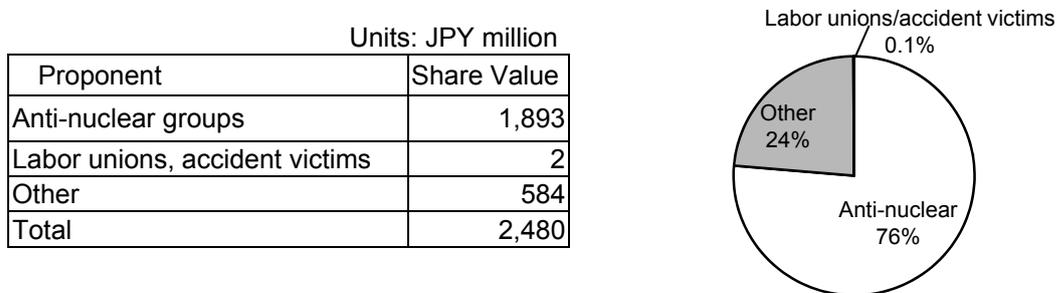
incorporation. Seven proposals called for the removal of directors with the objective of addressing environmental or social issues, and two called for changes to directors' compensation. The remaining four called for the establishment of a proposal for the appropriation of surpluses for the establishment of a reserve fund for special objectives. The assets held by shareholders proposing anti-nuclear proposals amounted to JPY 1,893 million, or 76 percent of the value of assets of proposers of environmental and social shareholders proposals.

Figure 4-1. Trends in Shareholder Proposals (Total and Environmental/Social)



Source: Data provided by RiskMetrics Group.

Figure 4-2. Asset Values and Ratios of Environmental/Social Shareholders Proposals (2009)



Source: SIF-Japan.

In terms of the affiliations of the shareholders who made the 59 proposals, 37 were from shareholder groups that have declared their opposition to nuclear power generation, and 11 were shareholder proposals from rail labor unions as well as railway accident victims and their families. There is a long history of shareholder proposals from opponents of nuclear power, but shareholder proposals from the victims of rail accidents started to increase in 2007. This increase is thought to be associated with multiple rail accidents that occurred in 2005 and later.

(2) Changes in Procedures for Shareholder Proposals

For a shareholder proposal on environmental or social issues, generally a number of individual shareholders will join their votes in order to secure the right to make a shareholder proposal. Shareholder proposals by the anti-nuclear faction and labor unions follow that approach. In 2009, with a shift to electronic share certificates, some changes were made to the regulatory system, making shareholder resolution procedures somewhat more complicated. Concerns were expressed that there would be impacts on shareholder proposals by the grouping of individual shareholders, but proposals were actually proposed by the antinuclear faction and others, generally the same as had been done in the past.

(3) Major Shareholder Proposals in 2009

Below are two main points that describe the proposals of 2009.

Shareholder proposals targeting railway companies: East Japan Railway Company received ten environmental/social shareholder proposals from shareholder groups of labor unions at the company's shareholders' meeting in 2009. The proposers are mainly employees from when this was known as the national Japan Rail company, and they were making an issue of the fact that they were not rehired by the new company when Japan Rail was privatized in 1987. The West Japan Railway Company received proposals that three directors resign to take responsibility for accidents. The proposers included victims and families affected by the Fukuchiyama Line train derailment that occurred in 2005, killing 107 and injuring 549 persons. The proposal did not pass, but former President Masao Yamazaki, one of the officials whose resignation had been demanded, resigned as CEO immediately thereafter, on July 8, after being indicted without arrest for professional negligence resulting in death. Later, it came to light that West Japan Railway Company had demanded revisions in investigative reports before they were published, and that it had had frequent interactions with members of the investigative committee.

Opposition to power generation from MOX nuclear fuel: Power utilities Tohoku Electric Power Co., Tokyo Electric Power Co., Chubu Electric Power Co., Kansai Electric Power Co., Chugoku Electric Power Co., and Kyushu Electric Power Co., are the target of anti-nuclear shareholder proposals. In total, there were 37 such proposals. Of special mention, power

generation from mixed oxide (MOX) fuel began in 2009, and five companies received proposals demanding a halt to the use of this fuel. The anti-nuclear proposals were mainly in the form of amendments to the articles of incorporation. All the proposals were rejected.

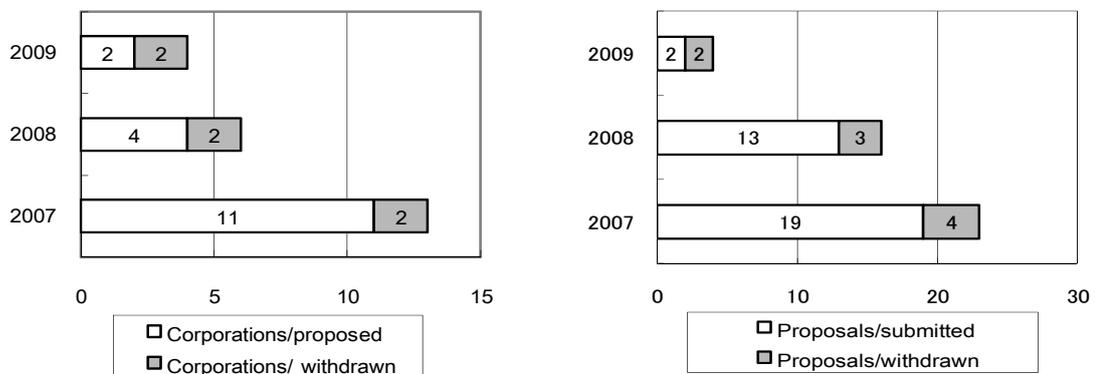
Legal criteria for shareholder proposals are said to restrict the scope of their content and opportunities for them to be used, and economic conditions may weaken the popularity of shareholder proposals, but in recent years there have been some new developments in shareholder advocacy. In the future, it is expected that such proposals from minority groups will attract attention of institutional investors to a variety of environmental and social issues, such as climate change and human rights, and become a force that creates effective opportunities for engagement.

3. Engagement

(1) Shareholder Proposals from Institutional Investors

The majority of shareholder proposals from institutional investors, targeting Japanese corporations have to do with capital efficiency (dividends and share repurchases) and corporate governance issues, such as the election and dismissal of directors, and the anti-takeover measures(poison pills); proposals relating to environmental and social issues are almost nonexistent. In 2007, the number of proposals increased rapidly, but in 2008 and 2009, there was less action. Considering the fact that very few shareholder proposals had ever been submitted by institutional investors until that point, 2007 was a very significant year. The major cause of the increase in 2007, however, was that Steel Partners, an activist hedge fund, had submitted 11 shareholder proposals targeting six corporations for June meetings, and thereafter the number of shareholder proposals from that the fund declined, and a number of proposals from institutional investors declined. Figure 4-3 shows the number of proposals at June meetings, which each year accounts for almost 80 percent of annual general meetings, and Table 4-1 shows the details of those proposals.

Figure 4-3. Numbers of Corporations Receiving Shareholder Proposals from Institutional Investors, and Number of Shareholder Proposals (AGMs held in June)



Source: Prepared by author from "White paper on general meetings of shareholders (Kabunushi Sokai Hakusho)" for each year published by Shoji Houmu magazine and other published documents, etc

Table 4-1. Shareholder Proposals from Institutional Investors (AGMs held in June 2008 and 2009)

AGM Month	Target Company	Proponent	Shareholder Resolution	Result
Jun-08	Hibiya Engineering, Ltd	Brandes Investment Partners LP.	1. Additional appropriation of surplus (increase dividend to JPY 32.5 at end of period, JPY 40 per year) 2. Share repurchase (up to JPY 1.5 million shares or JPY 1.5 billion)	Both rejected
	Ono Pharmaceutical Co., Ltd.	Brandes Investment Partners LP.	1. Appropriation of surplus (increase dividend to JPY 130 at end of period, JPY 220 per year) 2. Share repurchase (up to JPY 10 million shares or JPY 60 billion)	Withdrawn
	Nihon Housing Co., Ltd.	Inoue Investment (A subsidiary of Harakosan Co., Ltd.)	1. Not to trigger anti-takeover measures against Harakosan 2. Election of two directors nominated by Harakosan	Both rejected
	Gakken Holdings Co., Ltd	Effissimo Capital Management	1. Removal of the president	Withdrawn
	Electric Power Development Co., Ltd.	The Children's Investment Master Fund	1. Partial amendment of articles of incorporation (limitation of cross-shareholding) 2. Partial amendment of articles of incorporation (limitation of number of internal directors up to 3, and mandatory election of external directors) 3. Increase dividend (JPY 90 at end of period, JPY 120 per year) 4. Increase dividend (JPY 50 at end of period, JPY 80 per year) 5. Share repurchase (up to JPY 15 million shares or JPY 70 billion)	All rejected
	Kitazawa Sangyo Co., Ltd.	1 FS Investment Partnership Fund	1. Election of one external director 2. Abolishment of anti-takeover measures	Both rejected
Jun-09	Omikenshi Co., Ltd.	IRIC	1. Election of one director	Rejected
	Rome Co., Ltd.		1. Share repurchase	Rejected
	Mitsui Sumitomo Insurance Group Holdings, Inc	Brandes Investment Partners LP.	1. Additional appropriation of surplus (dividend increase to JPY 67 per year)	Withdrawn
	Kitazawa Sangyo Co., Ltd.	1 FS Investment Partnership Fund	1. Abolishment of anti-takeover measures	Withdrawn

Source: Prepared by authors from "White paper on general meetings of shareholders (Kabunushi Sokai Hakusho)" for each year published by Shoji Houmu magazine and other published documents, etc.

(2) Engagement Other Than Shareholder Proposals

Major engagement activities conducted by institutional investors other than the submission of shareholder proposals include (1) proxy contests or proxy solicitation, (2) expression of opinion regarding resolutions of specific corporations, (3) the release of corporate governance policies and proxy voting guidelines, and (4) dialogue with the corporation. Most of the action is mainly in the area of corporate governance, but item (4) here also includes tackling environmental and social issues in the context of responsible investments.

(a) Proxy Contests

In many cases in Japan, proxy contests accompany shareholder proposals. A shareholder is, of course, able to raise a proxy contest against company proposals. In one exceptional case, a company proposal was rejected by a proxy contest raised by an institutional investor: Ichigo Asset Management solicited proxies opposing the resolution for a merger at an extraordinary general meeting of steelmaker Tokyo Kohtetsu in February 2007, and won the contest.

(b) Expression of Opinion regarding AGM Proposals of Specific Corporations

One example of the expression of opinion is the press release by the U.S. firm South Eastern Asset Management commenting on the election of the CEO of Nippon Koa Insurance in 2008 and 2009.

(c) The Release of Corporate Governance Policies and Proxy Voting Guidelines

The “Guidelines for the Exercise of Voting Rights relating to the Exercise of Shareholder Voting Rights” released in 2001 by the Pension Fund Association was a pioneer in this area in Japan. The Japan Securities Investment Advisors Association and the Investment Trusts Association request their members to issue guidelines and principles relating to the exercise of voting rights, and many investment advisory firms and investment trust companies post principles and guidelines on their websites. Non-Japanese institutional investors such as CalPERS (California Public Employees’ Retirement System) also release their principles and guidelines relating to corporate governance and proxy voting for Japan. Furthermore, a report on Japanese corporate governance issued by the Asian Corporate Governance Association (ACGA) in May 2008 had a considerable impact by calling for improvements in the corporate governance of Japanese companies. There are also examples of non-Japanese institutional investors announcing principles demanding consideration of supply chain management, child labor, and environmental issues.

(d) Dialogue with Corporations

Environmental, social and corporate governance issues are taken up in dialogue between institutional investors and corporations in an increasing number of cases. There is also an increase in the number of cases of independent meetings being conducted regarding

proposals prior to the actual shareholder meeting. Regarding opportunities for discussion with shareholders at one-on-one meetings/telephone calls prior to shareholder meetings in 2008, 495 among 1,962 corporations had some form of opportunity for discussion with shareholders (individuals, corporations, and institutional investors, etc.).⁶

4. Conclusion

As is written in Principles 2 and 3 of the Principles for Responsible Investment, we could say that important responsibilities of shareholders, through engagement, are to expect that corporations will contribute to solving environmental and social problems, and to oversee the progress of corporations in doing so. Shareholder advocacy today is small compared to the size of the market capitalization of Japanese markets, but it is expected to play a bigger role in the future.

⁶ Junkan Shojihomu Issue No. 1850 (Report on Shareholders' General Meetings, 2008 Edition).

Chapter 5. The Growth of Community Investing

1. Community Investing in Japan

Until recently, the SRI market in Japan was focused only on screening, but in recent years more organizations have begun to play a role in community investing. Examples include NPO banks and citizen-funded wind power installations. Each may not be large in its own right, but one can see the potential of this market in the context of a variety of initiatives.

To compare with Europe and North America, this chapter was limited to alternative initiatives in which the main entity behind community finance was the citizen (i.e., citizen-financed initiatives), and it does not cover the initiatives of governments and traditional financial institutions. Furthermore, this chapter also did not cover certain types of investment and financing in the context of citizen financing that cannot be easily counted as investments and loans (e.g., mutual aid, local currency, etc.).

2. Community Investing: Scale and Status

(1) NPO Banks

NPO banks are a breed of “citizens’ non-profit banks” established with the purpose of providing funding to non-profit organizations, individuals, and so on. They carry out activities for the benefit and welfare of the community, or for the environment, through funds provided voluntarily by citizens. Even though they are referred to as banks, they are not depository financial institutions under Japan’s Banking Act or the like, and their financing comes mostly from financial contributions received (and therefore the original capital is not guaranteed, and no interest or dividends are paid), and they are operated as lending businesses under Japan’s Money Lending Business Act.

The term “NPO bank” in Japan generally refers to an entity that provides financing to social enterprises. In this report, however, we also consider others—financial institutions that assist heavily indebted individuals, and financial institutions (mostly connected with Catholic churches in Japan) that support mutual assistance—as they have many objectives and characteristics in common with NPO banks. In Japan today, there are 11 NPO banks targeting corporations that carry out social enterprises, and 18 NPO banks that are financial institutions engaged in mutual assistance. NPO banks are an important type of financial institution, multiplying in many parts of Japan, to solicit financial contributions from citizens and fund social projects and enterprises.

Table 5-1. NPO Banks in Japan (end of March 2009)

Units: JPY million

Organization Name	Established	Type of Financing	Subscribed Capital	Total Loans Provided	Loans Outstanding	Remarks	
						Financing Program	Funding Source other than Subscribed Capital
Mirai Bank	1994	Environmental goods purchase, NPOs, ecological housing, etc.	183.427	861.342	74.106	Interest: 3% Max. JPY 9 million Max. term: 10 years	—
Women's and Citizens' Community Bank	1998	NPOs and W.Co. ⁷ engaged in projects in Kanagawa Prefecture	127.540	397.965	46.934	Interest: 1.8~5% Max. JPY 10 million Max. term: 5 years	—
Hokkaido NPO Bank	2002	NPOs, W.Co.	43.800	225.270	25.220	Interest: 2% Max. JPY 2 million Max. term: 2 years	Donations 7.030
NPO Yume Bank (Nagano Prefecture) ⁸	2003	NPOs	16.610	113.690	27.770	Interest: 2~3% Max. JPY 3 million Max. term: 3 years	Donations 25,000 Borrowings 22,000
Tokyo Community Power Bank	2003	W. Co., NPOs, citizen entrepreneurs, etc.	93.700	62.100	29.289	Interest: 1.5~2.5% Max. JPY 10 million Max. term: 5 years	—
ap bank	2003	Renewable energy and other environment-related projects	Not released	295.875	Not released	Interest: 1% Max. JPY 5 million Max. term: 10 years	—
Niigata Community Bank	2005	Support for community businesses and urban development	6.720	0.300	0.300	Interest: 3% Max. JPY 2 million Max. term: 3 years	—
Community Youth Bank "momo"	2005	Projects that empower local communities to have brighter future	34.250	22.000	17.838	Interest: 2.5% Max. JPY 3 million Max. term: 3 years	—
Kumamoto Social Bank	2008	Projects that benefit society in Kumamoto Prefecture	3.950	Preparation phase	Preparation phase	—	Donations 0.056
Natural House Bank	2008	Furniture when people move, home electronics/appliances, pellet stoves	20.210	0	0	Interest: 2.0% Max. JPY 5 million Max. term: 10 years	—
Moyai Bank Fukuoka	2009	Preparation phase	Preparation phase	Preparation phase	Preparation phase	—	—
Total			530.207	1,978.542	221.457		

⁷ W.co refers to "women's collective," a cooperative association in which members neither hire nor are hired, but rather where workers jointly contribute capital, and the owners of each business or operation work as equals, to create businesses that provide things and services needed in a community.

⁸ The loans outstanding of NPO Yume Bank are greater than the subscribed capital, but this is because the bank has other sources of financing of loans.

(2) Direct Lending by Citizens

NPO banks can be described as a type of direct lending in the form of community banks or trust cooperatives, but another type of initiative referred to as “direct lending by citizens” is also growing in Japan.

A typical arrangement involves anonymous partners, and by collecting financial contributions from many citizens can procure the financing needed for the installation of electrical power generation equipment, such as what is called “shimin fusha” (literally, “citizen” and “windmill”), or citizen-funded wind power. The first citizen-funded windmill in Japan was the “Hamakaze” turbine, installed in September 2001, in the town of Hamatombetsu (Hokkaido, in northern Japan), and by 2006, there were windmills installed at nine locations nationwide (total rated output of 12,640 kilowatts). Recently, through the Ohisama Energy Fund (“Ohisama” means “Sun”), there have also been new efforts to construct photovoltaic power generation plants through arrangements similar to the wind power projects.

Instead of using the format of the “anonymous partnership” contract renewable energy funds also adopt the form of a jointly managed specified cash trust, as in the case of the “Nature Power Fund Earth Wind 2009” launched in 2009. This fund, through the cooperation of the Renewable Energy Citizens Fund Inc. and the Trans Value Trust Company, sells trust benefit rights in order to procure funds to cover the construction costs for a 3-billion-yen citizens’ community wind power plant. Besides the investment from citizens for renewable energy based on conventional anonymous partner contracts—because a direct financing scheme has succeeded by using a cash trust to establish it as a trust asset—in the future we expect to see an even greater effort to establish a variety of community funds, such as for renewable energy investments, making use of this kind of jointly managed and designated money trust.

(3) Microfinance

Until now, microfinancing was generally a type of initiative implemented in developing countries, but microfinance initiatives have also begun in Japan. Here, we will introduce a number of microfinance initiatives that have started.

(a) Oikocredit Japan

Oikocredit Japan is the Japanese support association (SA) of Oikocredit, a social finance institution established in the Netherlands in 1975. The activities of Oikocredit Japan actually began in 1996, but because of the growing importance of socially responsible investing in developing countries, the organization is trying to strengthen its administrative structure. Oikocredit Japan collects contributions in units of JPY 10,000, and these are used to purchase shares of the main organization, Oikocredit, which uses the contributions from 18 countries around the world as the core capital for financing microfinancing institutions (MFI) and producers’ cooperatives in developing countries, fair trade organizations, and so on. The

total contributions from Oikocredit Japan are still relatively small, at 15 JPY million, but the organization has a valuable presence as a portal for microfinance in Japan and producers' cooperatives in developing countries.

(b) ARUN, LLC.

ARUN, LLC. is a limited liability company established in December 2009 with the aim of creating an social investment platform based in Japan for social enterprises in developing countries. One of the special characteristic of this fund is that it is oriented towards meso-level finance, financing small and medium sized social enterprises which are too small for commercial banks, but too big for microfinance institutions. At present, with the funds gathered from ten investors in Japan (minimum contribution of JPY 500,000), an investment (USD 150,000) has been made to a social enterprise that engages in an organic rice sales program in Cambodia. Within next five years, ARUN plans to grow into a fund of about JPY 300 million.⁹

(c) Cambodia ONE

Cambodia ONE is a microfinance fund created in Japan and planned by an organization called Living in Peace, which was established with the objective of reducing poverty in developing countries. The fund's sales and solicitation within Japan are being handled by Music Securities Inc.¹⁰ An appeal that began in September 2009 raised JPY 52.92 million (minimum collected funds were JPY 21.18 million as of the end of November 2009), and investments begin at JPY 30,000 per case, which makes relatively small investments possible. The funds are provided to Samic-Limited (former name CHC-Limited), a Cambodian microfinance initiative, and the structure is to operate lending through Samic-Limited to local farmers and small operators such as coffee shop owners.

(d) Microfinance and Issuance of Bonds by Daiwa Securities Group

Daiwa Securities Group and the International Finance Corporation, based on the Global Medium Term Note Program of the International Finance Corporation, issued bonds (Microfinance Bonds) domestically in Japan in November 2009, targeting individual investors and institutional investors, in order to procure the necessary funds for microfinance-related programs and projects of the IFC. Denominated in Australian dollars for a three-year term, the plan is to issue a total of JPY 20 billion to 30 billion, and the loan manager envisions loans of 1,000 Australian dollars (about JPY 80,000), at an interest rate of about 4 percent.¹¹ The three examples introduced above are funds that have emerged from grassroots activities, but this case of the issuance of microfinance bonds is the first in Japan from a large securities

⁹ From presentation materials by Satoko Kono at social finance workshop at Asian Forum for Solidarity Economy (Tokyo, 7–10 November 2009).

¹⁰ Music Securities Inc. website: <http://www.securite.jp/microfinance/>

¹¹ Notice of microfinance bond issue (Daiwa Securities Group): <http://www.daiwa-grp.jp/data/current/press-2603-attachment.pdf>

firm, and it will attract attention as an approach from the mainstream world of finance.

(4) Other

Another citizen venture capital initiative is Social Venture Partners Tokyo. This organization was inspired by examples of social venture capital cases in the United States. Members who are partners contribute JPY 100,000 per year, and also participate by reviewing investments and providing support for projects that receive funding. Meanwhile, the citizen project organizations selected for funding receive up to JPY 1,000,000 for their activities, and also receive other forms of support from partners (management strategy, financing, capital procurement, development of business revenues, etc.). The special feature of this example is that the capital providers are at the same time providing support to citizens' organizations (i.e., providing an incubation function).

(5) Trends in Government

Regarding the government's approach to community financing, in recent years Japan's Ministry of the Environment has been actively considering support strategies. Under this program, organizations that offer financing and investing for environmental community businesses are referred to as "community funds"; the program promotes environmentally friendly activities through the use of community funds and so on, and has been running for three years, since 2007. More concretely, as model projects, it provides assistance for environmental community businesses supported by NPO banks and renewable energy funds. It is also preparing manuals on the formation of NPO banks and anonymous partner funds, and creating frameworks for the support and capacity building of environmental community businesses. These types of initiatives can also be utilized in community investing other than in the environmental field, and because there are limits on what individual citizens' funds can accomplish working alone, manuals and other materials prepared through this program are expected to be widely used.

3. Future Prospects for Community Investing

The following points are worth noting regarding the future prospects for community investing in Japan.

(1) Institutional Arrangements

As seen in this chapter, institutional structures are not yet well established for community financing in Japan, because, for example, the kinds of institutional support for community development financial institutions one finds in the United Kingdom and United States have not existed before in Japan. Because they cannot find the right legal status suited to creating a framework for community financing, many groups have had a difficult time moving ahead. Regarding the funds introduced in this chapter as well, while considering the variety of their missions, scales, and stages of development, the organizations are selecting the form of organization to adopt—whether it be some form of voluntary partnership, the combination of

a voluntary partnership and a specified nonprofit corporation, an anonymous partner contract, a limited liability company, a general incorporated association, a public interest incorporated foundation, or whatever—but in order to make the ideal selection, it is essential to have expert knowledge about legislation, such as the amended Money Lending Business Act. These requirements result in extremely high barriers to entry for someone wishing to develop a fund. In the future, it will be necessary for government and the civil sector to cooperate for the creation of institutional arrangements that are simple and easy to understand for community investment funds.

(2) Networking among Community Investment Funds

This chapter has shown the diversification in recent years of organizations oriented toward community investing. Among these, the Japan NPO-Bank Network is taking the initiative and engaged in networking among NPO banks, but one could say that there is still room for improvement in networking within Japan and with overseas groups, when it comes to renewable energy funds, microfinance funds, and so on. Many funds are still small in scale individually, so the key point for development moving forward is mutual information exchange and empowerment by networking. There are high hopes for future development, including linkages with overseas networks such as the International Association of Investors in the Social Economy (INAISE), an international association of social finance organizations.

(3) Promoting Collaboration with Government and Local Financial Institutions

Some NPO banks are already receiving funding from governments, but to expand the credibility and scale of community investing in the future, the injection of funding from governments—in particular from local municipalities—could be a trigger for future growth. It would also be desirable to see funds and financial schemes developed in collaboration with small financial institutions like local credit associations and credit unions.

Whatever the case, many challenges remain for community investing in Japan, so it would be encouraging to see a breakthrough on the points listed here.

Chapter 6. CSR Initiatives by Japanese Financial Institutions

1. Overview of the CSR Activities of Financial Institutions

The discussion about how financial institutions themselves, which play a role in SRI in Japan, are implementing CSR as corporations is an important point in the debate regarding the future development of the SRI market. In this chapter, we will describe the features of CSR activities of Japanese financial institutions, and based on trends in the financial industry, also touch upon some concrete details of CSR programs, as well as the current state of CSR initiatives.

To begin with, let us examine the overall situation of CSR initiatives by each type of financial institution. Here, we refer to a March 2009 report entitled “Results of Study of the State of CSR at Financial Institutions” from Japan’s Financial Services Agency (FSA). This study, implemented in 2006 and 2009, targeting financial institutions in Japan, is useful to ascertain this situation and the features of the CSR activities of those institutions. An outline of the study is presented in Table 6-1.

Table 6-1. Summary of CSR Study by Financial Services Agency

Summary of Study	2006 Study	2009 Study
Study Period	January–February 2006	January–February 2009
Target Institutions	Registered depository financial institutions, insurance companies, securities companies, etc.	Registered depository financial institutions (17 in total), insurance companies, securities companies, etc. Note: Money-lending businesses were added to the study in 2009
Valid Responses (percent in parentheses)	1,217 companies (98%)	1,343 companies (96%) 2,757 including-consumer finance businesses (59%)
Definition of CSR (excerpt from report)	The responsibility of corporations—recognizing the objective of sustainable development in the context of relationships with a variety of stakeholders—and the economic, environmental, and social initiatives based on that responsibility; more specifically, a wide range of voluntary initiatives by corporations, including regulatory compliance, the paying of taxes, consumer protection, environmental protection, respect of human rights, community contributions, and so on.	

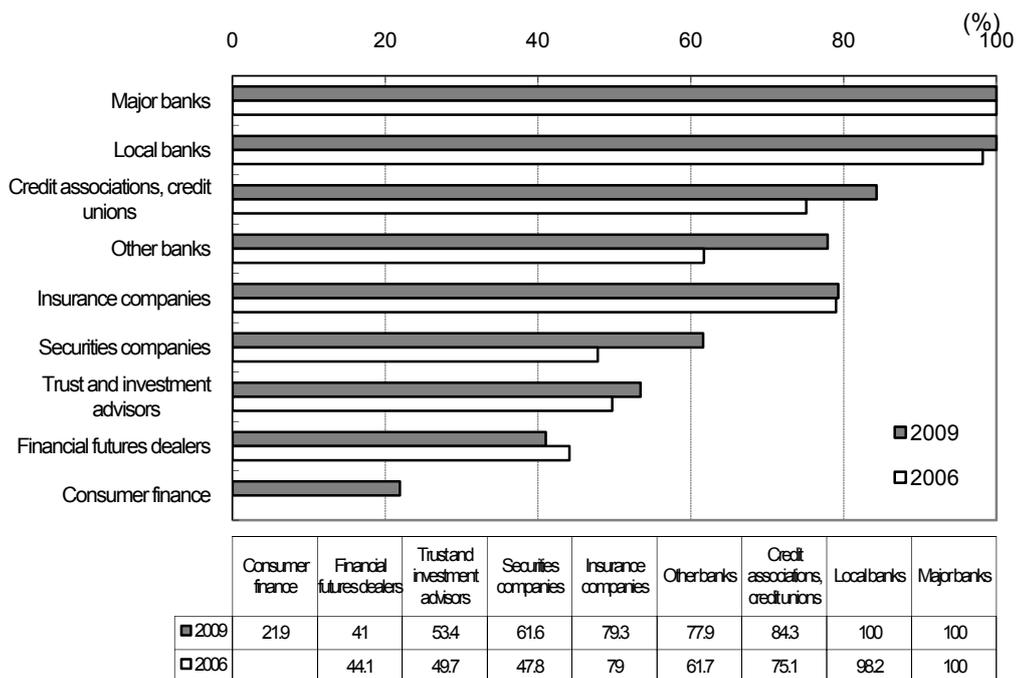
(1) The State of CSR Initiatives

Overall, compared to 2006 research, the ratio of implementation of CSR (the percent of total respondents that replied, “We are conducting specific initiatives with some degree of

emphasis on CSR”) improved from 66 percent to 70 percent (Figure 6-1). By industry, the awareness at banks is extremely high, at 100 percent, followed by the insurance industry at 80 percent, both of which are above average. The securities industry increased from 40 percent in the previous survey to 62 percent this time, but it is lower than average, and one could say that the level is low.

The 2006 study also asked, “When did you begin CSR initiatives in decision-making and initiatives as a part of management?” In response, 41 percent responded “since 2000,” 23 percent “during the 1990s,” and 33 percent “during the 1980s.” CSR started to be a popular term after 2000. Despite that, it was interesting to find that many financial institutions had been engaged in these initiatives since more than 20 years ago. By sector, the initiatives of local banks started early, with 26 percent answering they “started in the 1960s or earlier,” and 28 percent answering “since the time our institution was established.” Excluding local banks, for almost all other corporations, CSR activities started to pick up after the year 2000.

Figure 6-1. Implementation Rate of Initiatives with an Emphasis on CSR



Source: Prepared from *State of CSR at Financial Institutions* report.

In addition to CSR activities, 60 percent of respondents answered “We are conducting initiatives with the environment in mind,” and 83 percent of institutions answered “We have CSR initiatives.” By industry, initiatives of major banks and local banks were high, at 100 percent, while investment trusts and investment trust advisors were less than average, at 73 percent. Furthermore, if we look at a survey conducted by the Japan Securities Dealers

Association, 49 percent of all members responded “We are tackling environmental issues,” while only 15 percent answered “We are currently considering tackling environmental issues,” indicating a considerable gap on the environmental topic compared to the initiatives of banks.¹²

As for information disclosure, according to the survey by the Financial Services Agency, 80 percent of institutions conducting CSR initiatives answered “We are conducting information disclosure regarding our CSR initiatives.” Asked about major measures, more than half responded with “Publication in disclosure newsletters” and “Reporting on our initiatives on our own company website,” while less than 10 percent of institutions responded with “We are publishing CSR reports.” There is not necessarily a strong correlation between the issuing of CSR reports and the actual conduct of CSR activities. Because of this, if we look at it from the perspective of external institutions such as CSR research companies, it is possible that the CSR activities of financial institutions are being underestimated.

(2) Objectives of CSR Activities

The survey helped to identify special characteristics of each industry regarding the objectives of CSR activities. Banks reported that “mutual harmony and prosperity with the local community” were the major objectives of activities, and insurance companies reported it was “reflecting the public benefit of projects we handle.” Meanwhile, besides the two objectives of securities companies—“mutual harmony and prosperity with the local community” and “reflecting the public benefit of projects we handle”—there is also a tendency to think that CSR was “a way to get a better public image.” In the survey conducted by the Japan Securities Dealers Association mentioned above regarding the merits of tackling environmental issues, 80.9 percent responded that “it’s a way to get a better public image.” These results suggest that securities companies—rather than thinking that CSR activities present a way to grow through their main business—have a strong impression that CSR is public relations or marketing.

¹² “Survey Results on the State of Environmental and Social Contribution Initiatives,” by the Japan Securities Dealer Association (in Japanese): <http://www.jsda.or.jp/html/houkokusyo/pdf/koken200803.pdf>

Figure 6-2. Reasons for Conducting CSR Activities (Depository Financial Institutions)

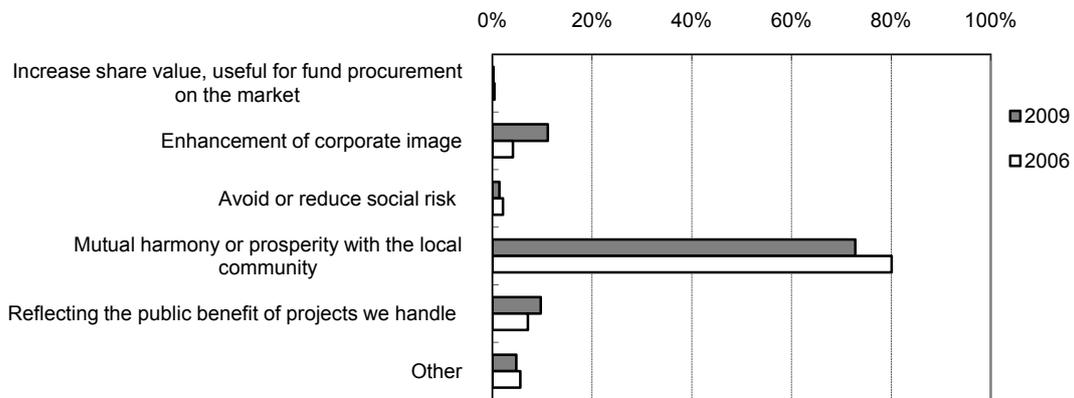


Figure 6-3. Reasons for Conducting CSR Activities (Insurance Companies)

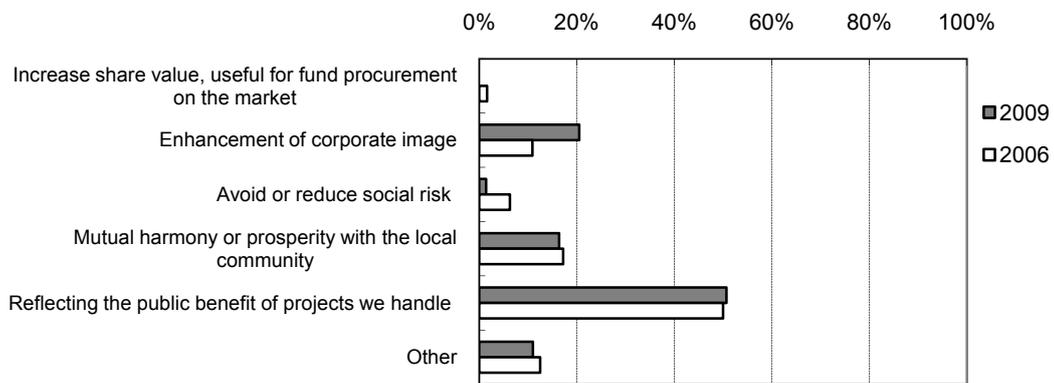
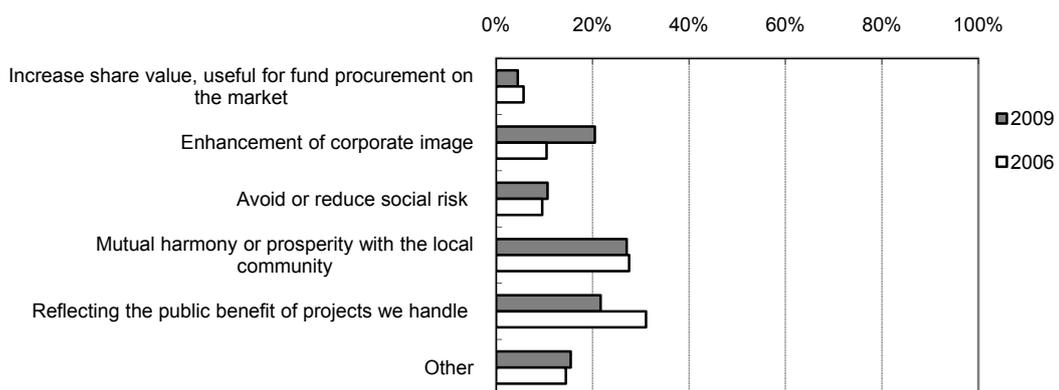


Figure 6-4. Reasons for Conducting CSR Activities (Securities Companies, etc.)



Source: Prepared from *State of CSR at Financial Institutions* report.

(3) Signing of International Initiatives

As an indicator of institutions' consideration of initiatives, we would like to consider here how many institutions have signed on to each set of principles. The numbers of institutions

signing are as follows (as of December 2009). In particular, participation in the PRI was (1) low at only about 2 percent of all Japanese corporations (leaders were Australia at 14 percent, United States at 14 percent, United Kingdom 12 percent, the Netherlands at 7 percent, and France at 7 percent); (2) even though there were 27 fund management institutions managing publicly offered SRI investment trusts, considering that only 12 had signed, there is a large potential for future expansion. Furthermore, of the institutional investors with total managed assets of 55 trillion dollars that have endorsed the Carbon Disclosure Project (CDP), Japan was low, at only 5 percent, compared to the United States at 60 percent, the United Kingdom at 13 percent, Canada at 10 percent, Germany at 9 percent, and Brazil at 8 percent.

Table 6-2. Status of Japanese Financial Institution Participation in International Initiatives

Name of Principles	Number of Signatory Institutions	Number of Japanese Signatory Financial Institutions
Principles for Responsible Investment (PRI)	652	12
Equator Principles	40	3
UNET Financial Initiative	184	17
Carbon Disclosure Project (CDP)	475	23
Global Compact	6,995	94 (including 8 financial institutions)

(prepared by the authors, from various websites)

2. Financial Products and Services Designed with an Awareness of CSR

According to the study by the Financial Services Agency, 53 out of 160 institutions answered that they were “engaged in environmental financing.” There were 24 examples of environment-friendly term deposits that make donations to environmental conservation activities with a portion of the deposits. In addition, besides environmental businesses such as tradable emission permit businesses and environmentally friendly real estate, a special feature was that there were many products that incorporated donations and volunteer activities, such as charitable trusts with the objective of environment protection, and cause marketing, which donates a portion of profits.

As for special features on the socioeconomic dimension, stores are being designed with the elderly in mind, due to the rising average ages of customers with the graying of Japanese society. Initiatives are also being conducted that consider things in the context of Japanese society’s needs, such as financial education at the local level, products aimed at tackling Japan’s low birth rate, and so on.

Activities such as the development of environmental financial products such as these were the most popular among the products launched in 2007, the study reveals. To put this into context, one could surmise that the companies began their initiatives as a result of the heightening of public awareness about environmental issues before the start of the first

commitment period of the Kyoto Protocol and the Toyako G8 Summit hosted in Japan.

3. Future Trends

After the year 2000, the pace of CSR initiatives of financial institutions gained momentum. The CSR products and services that expanded are described above. What stands out, however, is the emphasis on products and services based on donations and volunteering and the like, giving one the impression that financial institutions still perceive CSR to mean typical “charitable” activities such as social contributions and volunteering.

Environmental issues and societal issues are having a greater impact on corporations, and at the same time the need for the market to address such problems is also growing greater. One could also point to the recent increase in environmentally friendly products, organic food, fair trade items, and so on, as a sign that the concern and demands of customers regarding these issues is also rising. This is why the role of financial institutions—which support the business development of corporations that address environmental and societal concerns—is also growing larger. In the future, we believe financial institutions will shift from seeing CSR activities as mainly meaning social contributions (volunteering) and instead see CSR as a key business strategy in the context of (1) higher awareness and greater expectations from customers and investors, (2) the development of corporate technologies and services relating to environment and societal issues, and (3) the emergence of new business opportunities arising from international initiatives and policies. The age has only just begun in which CSR activities are directly linked with the business of financial institutions in Japan. We look forward to an expansion of CSR-related products and services, and their greater presence in the market in the future.

Authors' Biographies

Chapter 1 An Overview of SRI in Japan

Yoko Monoe: Yoko currently works for Economic Research Dept of Daiwa Institute of Research as a researcher focusing on environment and energy policies. She majored international relations at Waseda University, Graduate school of Asia-Pacific Studies, and acquired a master's degree. She developed her career at an environmental consulting firm and subsequently an European public organization after her graduation, and has been with Daiwa Institute of Research since 2008. She is a committee member of Social Investment Forum-Japan.

Chapter 2 Trends in Publicly Offered SRI Investment Trusts

Toshitaka Saotome: Toshitaka works for Nomura Asset Management, Asset Management Research Department as a Senior Manager focusing on market trends of asset management and regulatory trends in financial markets. He wrote many reports for various publications and teaches investment educations at some universities. After his graduation from Keio University, Faculty of Science and Technology, he started his career at Nikko Securities, and subsequently developed his career both at Nikko Asset Management and Tokyo Mitsubishi Asset Management as a person in charge of product development and marketing. He has been at the current position since April 2005.

Chapter 3 Pension Funds and SRI

Megumi Terayama (CMA): Megumi is a Senior Consultant in Mercer's investment consulting business in the Tokyo office. She consults to corporate pensions and other organizations such as financial institutions and universities. As a member of the global Responsible Investment (RI) team, she also offers RI advice to Japanese clients. She earned a Master in Public Affairs from School of Public and Environmental Affairs at Indiana University. Megumi has a BA in Economics of Kyoto University. She is a Chartered Member of Securities Analyst Association Japan.

Chapter 4 Evolving Trends in Shareholder Advocacy

Minako Takaba: Minako is an ESG analyst at RiskMetrics Group ESG Analytics. She graduated from Yokohama National University, International Graduate School of Social Science and holds a master degree of management. She started her career at KPMG sustainability services as a CSR consultant and afterward moved to European mobile phone company as a CSR person. She has been with RiskMertics since 2007 and has been a committee member of Social Investment Forum Japan since its establishment.

Akemi Yamasaki: Akemi graduated from Hitotsubashi University, Faculty of Law. She joined one of the big 4 Japanese security house, and currently works for a research firm as a chief consultant/researcher of corporate governance, IR and ESG. She wrote many books, reports

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Chapter 5 The Growth of Community Investing

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Kazuyuki Tsuchiya: He currently works for a Japanese research firm. While working as a researcher at the firm, he has been engaged in EcoChokin (Savings for Environment) project of A Seed Japan (a Non-Governmental Organization) as a volunteer since 2004 and was appointed to a board member of the organization in 2006. He is currently in charge of campaigns and advocacies for financial institutions on EcoChokin. He wrote many articles for various publications.

Chapter 6 CSR Initiatives by Japanese Financial Institutions

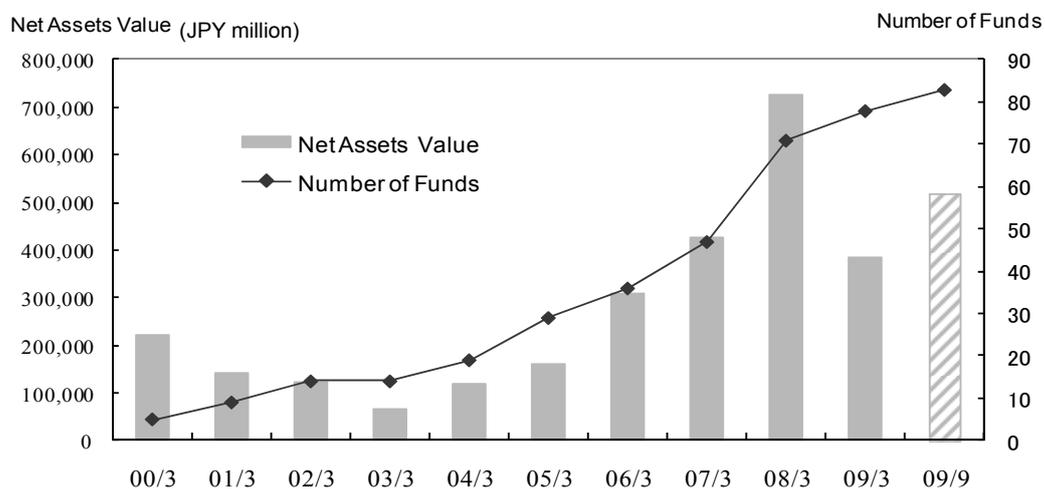
Mari Onojima: Mari Onojima currently works as a Japanese equity analyst at Nikko Asset Management. She studied financial engineering at Keio University, focusing on SRI and performance. She was a representative of the student group of Social Investment Forum Japan and now became a committee member of the forum.

Data & Chart on the Japanese SRI market

(Table)The Historical Data on Publicly Offered SRI Investment Trusts (JPY million)

	Number of Funds	Net Assets Value		Number of Funds	Net Assets Value
1999/9	2	67,293	2004/12	26	169,755
1999/12	4	189,731	2005/3	29	158,727
2000/3	5	220,668	2005/6	30	148,656
2000/6	5	186,002	2005/9	31	153,388
2000/9	6	163,252	2005/12	33	202,852
2000/12	9	149,618	2006/3	36	308,426
2001/3	9	139,392	2006/6	40	340,003
2001/6	11	156,114	2006/9	42	363,270
2001/9	11	130,869	2006/12	44	379,924
2001/12	14	130,556	2007/3	47	426,706
2002/3	14	122,318	2007/6	48	506,645
2002/6	14	107,552	2007/9	61	754,931
2002/9	14	89,610	2007/12	68	922,043
2002/12	14	75,498	2008/3	71	726,802
2003/3	14	65,247	2008/6	77	788,041
2003/6	14	68,706	2008/9	75	587,323
2003/9	14	71,623	2008/12	77	419,589
2003/12	16	86,684	2009/3	78	382,461
2004/3	19	118,963	2009/6	80	492,817
2004/6	22	179,834	2009/9	83	519,377
2004/9	25	180,684			

(Figure)Trends of Publicly Offered SRI Investment Trusts in Japan



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