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Looking back at the process of international negotiations regarding climate change, it would seem that leaving such to the political domain does not protect the interests of investors. In fact, investors themselves have also engaged with companies and governments in promoting climate change countermeasures, along with divestment and integration to avoid climate change risk. The former action can be understood as a kind of behavioral norm that protects the common interests of investors from a medium- to long-term perspective by reducing negative externalities rather than aiming directly at improving investment performance.

Corporate Environmental Performance and Financial Performance	<i>Remiko Asano</i>	16
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Recent studies focus on the link between corporate environmental responsibility (CER) and financial performance. The findings in this article suggest that CER helps decrease firm risk by reducing the probability and impact of adverse events (e.g., environmental scandals).

Automotive Industry Entering New Electrification Era —Impact of shift to electrification and changes in business strategies	<i>Ikuo Ozawa</i>	26
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The electrification of vehicles is an irreversible trend due to the following three reasons:

(1) The tightening of environmental regulations such as exhaust gas regulations and fuel efficiency requirements and changes in environmental regulatory approaches in major countries, namely revision of zero emission vehicle regulations in some US states and introduction of new energy vehicle regulations in China.

(2) Dramatic shift from petrol / diesel engines to electric vehicles by global automakers and many new entries from emerging countries and other industries.

(3) Further cost reductions and technological developments backed by the expansion of the electric vehicle market.

Mizuho Bank forecasts that annual electric vehicle sales for 2030 in five major regions will reach 25.8 million units, of which 6.6 million units (8% of total unit sales)

will be hybrid electric vehicles (HEV), 6.3 million (8%) plug-in hybrid electric vehicles (PHEV), and 12.9 million (15%) electric vehicles (EV).

Automakers will need to re-design their vehicle manufacturing approach and / or electric vehicle architecture, because, despite what is anticipated to be a growing market, market size will remain small for the time being and only limited electric vehicle production will not be profitable. Moreover, automakers will need to dramatically revise existing engine vehicle strategies because market size will start to decrease in the near future. Automakers will have to reallocate management resources from non-core to core operations and pursue economies of scale by tying up with other automakers.

And, instead of automakers, auto parts suppliers will themselves need to establish structures compatible with advanced technological developments / investments regarding electric vehicle components and enjoy survivor benefits. Enlargement of business scale and improved business efficiency are measures by which auto parts suppliers will win amid intensifying competition.

Climate Change-related Qualitative Disclosure in Annual Securities Reports

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This study examines climate change-related textual information disclosed by Japanese companies in annual securities reports and looks at the relationship between disclosure behavior and corporate value. Although the number of companies discussing climate change increased from fiscal 2005 to 2017, little of the content was related to their business and about 40% of disclosing companies simply repeated the same disclosure as the previous year. It was found that the market value of companies mentioning climate change was still statistically significantly larger than those of non-disclosing companies even if controlling the company size, etc. The market value of companies that disclosed relevance to their actual business was also statistically significantly larger than those that didn't say much in this regard.

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Effects on Management of Changes in Regional Banks' Ownership Structure	<i>Tomiyuki Kitamura / Satoko Kojima</i>	67
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In the ownership structure of listed regional banks in Japan, the proportion of foreign institutional investors has increased over recent years. Using data from FY10 to FY16, this paper examines the effects of this increase in the proportion of such ownership on the profitability and payout policies of regional banks. While the results do not show any clear effects on profitability, they suggest that the increase has led regional banks to adopt more aggressive dividend and repurchase policies.

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