早稲田大学大学院アジア太平洋研究科

博士論文審査報告書

論 文 題 目

原題名 Original Title	Does Corporate Social Responsibility Raise Investors' Assessment of a Firm and Its Value in Japan? -Comparisons with the United States and Europe-
英訳 In Japanese	日本における CSR と投資家行動及び企業価値に関する実証研究一欧米との比較一

申 請 者

氏 名 Name	姓 Last Name	Middle Name	名 First Name
	Murashima		Miho
学籍番号 Student ID	4014S017-8		

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1. Abstract of the Dissertation

Although increasing numbers of Japanese firms have started to implement corporate social responsibility (CSR), and numerous studies on CSR have been conducted, there is no consensus on the raison d'etre of CSR and its effects. This dissertation investigates whether CSR benefits firms in Japan and how this differs from the United States and Europe, by providing empirical evidence for both short-term and long-term shareholder value implications, with three analyses using different methods. The first analysis, employing the event study method using a unique CSR dataset collected from newspapers, finds that overall investors responded positively to positive news and vice versa, which supported the ''information certification hypothesis'' and the "self-fulfilling prophecy" theory. The study also finds a difference between individuals and institutions as investors, as well as different effects among events, a time-lag for charitable activities to increase firms' value, and investors' behavior change around the Great East Japan Earthquake. The second analysis, using an event study with inclusion and deletion announcement to/from Dow Jones Sustainability Indices, which allows this analysis to be comparative, demonstrates that Japanese institutions do not anticipate changes in the sustainability index like U.S. or European investors and react negatively around even positive events. From the comparative analysis, it also found a large difference between the three markets especially in the context of timing and values. The third analysis examined the impact of CSR performance on Tobin's q in the long term in Japan by ordinary least squares with a cross-sectional dataset. The analysis showed the nature of the news and CSR performance have a positive impact on a firm's value in the long term, whereas charitable activity has no or negative impact on a firm's value, which contradicts the idea of a signal effect of CSR. By comparing these three analyses, the following three additional points were found: (1) Investors' responses differ depending on the source of information. (2) Investors' responses differ depending on their characteristics (individual, institutional, or foreign investors). (3) Though the impact on stock price is temporary in the short term, CSR-related behaviors keep pushing up a firm's quality, or Tobin's q.

2. Outline of the Dissertation and Summary of the Chapters

The chapter outline of the dissertation is as follows.

Chapter 1   Introduction

Chapter 2   Theoretical Background and Hypothesis

Chapter 3   Short-Term Analysis of the Relationship between CSR-Related Announcements and Investors' Reaction in Japan (Analysis 1)

Chapter 4   Comparative Analysis of the Relationship between CSR-Related Index Change and Investors' Reaction between Japan, the United States, and Europe (Analysis 2)

Chapter 5   Long-Term Analysis of the Relationship between Firms' CSR Performance and their Values (Analysis 3)

Chapter 6   Conclusions and Future Work

Chapter 1 presents the background, research questions, hypotheses, and significance of the study. The concept of corporate social responsibility (CSR) has grown rapidly around the world, including Japan. Growing attention to CSR from businesses can be observed from "the Survey of Management Awareness of Corporate Social Responsibility 2014" conducted by the Japan Association of Corporate Executives. According to the survey, from 2010 to 2014, there was a more than twofold increase in the number of firms engaged in CSR activities, as well as budgets and the number of the projects, and 71% of business managers responded that CSR was a core management principleinstead of a cost. Increasingly, firm's activities on CSR have used as one additional indicator for the investors. In fact, the Japanese Government Pension Investment Fund (GPIF), the world's largest pension fund, signed the Principles for Responsible Investment (PRI) which requires more reliable information on environment, social, and governance (ESG) factors which are part of CSR activities.

The author also discusses the definition of CSR and historical debate on how CSR has been viewed by the researchers and practitioners. In this thesis, CSR is defined as "a firm's activity to have a positive impact and to mitigate negative impacts on the society and stakeholders, such as the community, employees, and consumers, beyond its shareholders."

Chapter 2 presents the theoretical discussions on CSR. It starts out with the theory of firm, which is proposed by Friedman in 1970. In essence, Friedman stated, "the only one responsibility of business towards society is the maximization of profit" (Friedman 1970, p1). This idea was widely accepted for a long time in business management and economics. However, people started to expect firms to adopt enlarged responsibilities in their multinational business environments. Firms began to engage in areas that were once considered the responsibility of governments, such as public health, education, social security, human rights, social ills, malnutrition, and illiteracy. Firms, especially multinational enterprises, came to be regarded as key actors to fill global gaps in both legal regulation and moral orientation and to facilitate social peace and stability. Increasingly, firms were exposed to pressure from the specific demands of largely external stakeholders, such as governments, nongovernmental organizations (NGOs), and consumer lobby groups, and media, with regard to a firm's operations, or with regard to generalized social concerns.

Freeman (1984) collected various ideas on the stakeholder-related approach and developed an organized theory of management, known as stakeholder theory. Stakeholder theory posits that the survival of a corporation is affected not only by its shareholders, but also by various other stakeholders, such as employees, governments, and customers. Friedman's (1970) theory of firms and Freeman's (1984) stakeholder theory have coexisted in parallel for a while and the debate is still ongoing. To ascertain the effect of CSR on firm's value, a number of theories are being proposed: the information certification hypothesis; the investor awareness hypothesis; "self-fulfilling prophecy"; the liquidity hypothesis; the distribution effect hypothesis. The literature has not come to a consensus in this regard, and additional empirical research is needed to address this issue. Based on these theories that are proposed, the thesis lays out eight hypotheses to test the impact of CSR activities on firms' value, especially in Japanese context.

Chapter 3 examines the relationship between investors' response and the announcement of Japanese firms' CSR-related news, using the short-term event study method. Uniquely collected news data by the author allow this analysis to take a deeper approach to studying the nature of the effects. This analysis provides some evidence for five hypotheses, which

refer to the relationship between CSR-related announcements and investors' reaction, and relevant issues. In conducting the empirical analysis, it also compares the differences in investor behaviors in the U.S. and Europe, as well as conducting various robustness checks.

The results indicate that for positive news, investors respond positively before the news announcement but not significantly after the announcement, and for negative announcements, investors react negatively before and after the negative news announcement. These findings are generally consistent with the information certification hypothesis and the self-fulfilling prophecy. The thesis also explores the behaviorial differences among types of investors: Japanese individuals; Japanese institutions; and foreign investors. The results indicate that Japanese individual investors positively respond before and after the CSR-related positive news but do not react to negative news, whereas both Japanese institutional investors and foreign investors, mainly institutions, are not responsive to positive news but do react negatively before and after negative news, which is stronger for Japanese institutions than foreign investors. The comparison between Japanese and US and Europen investors reveal two findings. First, negative reactions to negative news are observed in both the U.S. and Japanese markets, which can be interpreted to mean that investors pay attention to firms' irresponsible behavior. Second, investors in the Japanese market seem to be interested in CSR-related positive news before the announcement but not as strong as those in the European market. Similarity between the Japanese market and both the U.S. and European markets was found.

Chapter 4 analyses investors' response to the announcement of Japanese firms' CSR-related events, represented by inclusion in or deletion from the Dow Jones Sustainability Index (DJSI). This analysis provides comparable results by using a widely accepted index, the DJSI, whereas the previous analysis in Chapter 3 utilizes originally collected data, which are not perfectly comparable to previous studies because of their uniqueness. Categorizing firms by main shareholder makes this analysis unique because it enables researcher to specify the response of Japanese investors, mainly institutional investors. The empirical analysis is conducted using event study methodology with various robustness checkes performed. The results show that investors do not respond around the announcement day but sell stocks shortly before and after the index change for positive events. For index deletion, there is no significant result. The results are counterintuitive overall. As investors for DJSI-listed firms include foreign investors, however, this result does not perfectly reflect the Japanese investors' attitudes. Additional analysis by types of investors show that Japanese investors sell stocks shortly before and after the index change, not the announcement day for positive events, which indicates that (1) Japanese investors do not anticipate the sustainable index change like U.S. or European market investors. They may respond to the index change because of automatic portfolio rearrangement. (2) Japanese investors react negatively around the positive event because they value the CSR-related events negatively or just fix profit at the peak of the stock price raised by foreign investors.

Finally, this analysis finds opposite responses for index deletion between Japanese and foreign investors. Though there is no perfect consensus in the statistical results, the comparison demonstrates speculative or temporal attitudes in the U.S. market and positive valuation in the European market, whereas less attention and negative response to inclusion in the sustainable index was found for the Japanese market, especially for Japanese institutional investors. This may be due to the fact that the sustainable index has a shorter history in the Japanese market, thus the investors are not familiar with it.

Chapter 5 examines the long-term analysis of firms' CSR performance and their values. It provides comprehensive and foundational insight into the relationship between firms' CSR activities and firm value, whereas previous analyses in Chapters 4 and 5 are based on short-term analysis. For the analysis, the dataset is similar to the one used in Chapter3, originally constructed dataset on Japanese firms' CSR announcements. Instead of the stock price, the dependent variable in this analysis is Tobin's q, which measures how much value the firm produces with its asset base, is the dependent variable. Tobin's q of the target firms in each year is calculated using the data from Thomson Reuters DataStream. Tobin's q is regressed on the number of CSR events and control variables. There are two notable results from this analysis. First, the annual CSR performance has a positive impact on a firm's value, proxied by a log of Tobin's q, after 1 and 2 years. In addition, the positive news affects a firm's value positively after a year but not 2 years. Second, a firm's positive CSR activity with a more altruistic image does not show any impact on the firms' value. Moreover, news related to developing countries has a negative and significant impact on a firm's value.

Chapter 6 summarizes the findings from the empirical exercise in this dissertation. Overall the results indicate that for positive news, investors responded positively before the news announcement but not significantly after the announcement, and for negative announcements, investors reacted negatively before and after the negative news announcement. Among different types of investors, individuals seemed to focus on the positive news, while institutions, including Japanese and foreign, were more concerned with negative news. In the analysis examing the index inclusion/exclusion (to be more comparable with existing studies), the thesis finds that investors sold stocks shortly before and after the index change, not on the announcement day for positive events. The comparison demonstrates speculative or temporal attitudes in the U.S. market and positive valuation in the European market, whereas there was less attention and negative response to inclusion in the sustainable index in the Japanese market, especially for Japanese institutional investors. The last set of results indicate that the annual CSR performance has a positive impact on a firm's value, but purely altruistic ones do not. According to the findings and shortcomings of each chapter, recommendations for further empirical research on the relationship between CSR and value of firms are also discussed in this chapter.

3．Discussions of Oral Defense Examination

After carefully reading the dissertation, the examination committee convened the oral defense examination on Septermber 10, 2019. The examination lasted approximately two hours.

During the examination, the following points were raised. First, a more detailed explanations on the original dataset and the indexes that are used should be included. Second, more discussion on the results obtained from the eimprical analyses should be included, especially on discussing the possible underlying reasons for the results and explanations for unexpected findings. In addition to these, a number of points were raised on the formatting of the thesis.

4．Evaluation and the Result of Examination

The examiners find that this dissertation is well-written, and makes a number of contributions to the literature on the relationship between CSR and value of firms. The dissertation makes use of the uniqueness of the dataset, which is constructed by the author by painstakingly combing through Japanese newspapers. The dataset includes detailed information on news on firms, the nature of news, and date of such news, including the announcements by firms on the CSR. By using this unique dataset coupled with appropriate empirical methodologies, the dissertation was able to analyze the impact of CSR on firms' value in more detailed and convincing manner than the existing literature.

After careful assessment of the submitted dissertation, whose summary is presented in sections 1 and 2 of this report, the oral presentation of the dissertation, subsequent discussions and revisions made to the dissertation, the committee members came to a unanimous decision that Miho Murashima, the author of the submitted dissertation, should be granted a Ph.D.

申請者名: 村嶋 美穂

博士論文審査委員会

主査 Chief Examiner:

氏名 Name: 鍋嶋 郁　　　　　　　　　　　㊞(Signature)
所属 Affiliation: 早稲田大学大学院アジア太平洋研究科
職位 Title: 准教授
学位 Degree: Ph.D. 取得大学 Conferred by：University of California, Davis
専門分野 Specialty: 国際経済学

副査 Head Deputy Examiner:

氏名 Name: 浦田 秀次郎　　　　　　　　　㊞(Signature)
所属 Affiliation: 早稲田大学大学院アジア太平洋研究科
職位 Title: 教授
学位 Degree: Ph.D. 取得大学 Conferred by: Stanford University
専門分野 Specialty: 国際経済学

副査 Deputy Examiner:

氏名 Name: 加藤 篤史　　　　　　　　　　㊞(Signature)
所属 Affiliation: 早稲田大学大学院アジア太平洋研究科
職位 Title: 教授
学位 Degree: Ph.D. 取得大学 Conferred by：University of Michigan, Ann Arbor
専門分野 Specialty: 開発経済学

副査 Deputy Examiner:

氏名 Name: 弦間 正彦　　　　　　　　　　㊞(Signature)
所属 Affiliation: 早稲田大学大学院社会科学研究科
職位 Title: 教授
学位 Degree: Ph.D. 取得大学 Conferred by: University of Minnesota
専門分野 Specialty: 応用経済学

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