

Epilogue

As business generates value for society, it influences society and is influenced by society. Thus, the success of business is deeply rooted in the development of the society in which it operates. Financial market and financial intermediation link the long-term success of business to the sustainable development of society by bridging business and society.

In Japan, CSR has tended to be perceived as an imported Western concept in the globalization of business, and the social responsibility of business has tended to be biased toward compliance or philanthropy, considered it is different from trust-building in Japan's traditional model for sustainable development of business in society over generations. If CSR is limited to compliance or normative issues, then corporations need only clear the bottom line. After a long period of economic stagnancy, Japanese companies and financial professionals are undergoing reform of their historical corporate governance and review of their CSR policies to place stakeholder relationships at the core of corporate management and governance for revival and survival.

This book is a compilation of our research on CSR activities and corporate governance in the context of the Japanese financial system. We hope this book helps readers to comprehend the features of and changes in Japan's CSR. In addition, we hope readers obtain insight into how corporate managers could be motivated to extend their business opportunities and manage latent risk by responsible business as well as how finance professionals could develop confidence and trust to build a bridge between business and society.

Index

A

Accounting-based profitability measures, 63, 73
Accounting-based risk measures, 62, 73
Agency cost, 21, 85, 94, 119, 124, 161
Analyst forecast, 126, 156

B

Bank-centric system, 2, 5
Bank dependency, 10, 117, 123, 124
Bank relationships, 10, 94, 117, 123, 125, 130, 133, 136
Black–Scholes–Merton (BSM) probability of default, The, 179
Bubble economy, 10, 25, 30, 38, 88
Business case approach to CSR, 16

C

Company Law, 158
Competitive advantage hypothesis, 53, 63, 67, 70, 80
Composite CSP index, 53, 58, 61, 130
Conceptualization of CSR, 23, 30
Conservative bias, 174
Conservative forecasts, 158, 162, 171
Corporate citizenship, 3, 7, 16
Corporate culture, 20, 54
Corporate Financial Performance (CFP), 16, 53, 86, 199
Corporate governance, 57
Corporate Governance Code, 11, 31, 48
Corporate governance reform, 10, 105

Corporate governance reporting, 32
Corporate reputation, 19
Corporate Social Performance (CSP), 3, 16, 53, 177, 199
Cost of capital, 4, 10, 117, 133, 157
Cost of debt, 117, 118, 122, 124, 126
Cost of equity, 117, 118, 124, 126, 140
Credit spread, 178, 194
Cross-shareholdings, 8, 9, 37, 50, 85, 88
CSR awareness, 15
CSR awareness and practices of Japanese companies, 7
CSR awareness of managers, 28, 33
CSR dimension, 58, 59, 61, 75
CSR initiatives, 15, 16, 21, 22
CSR reporting, 22
CSR strategy, 55, 78, 121, 156, 161, 173

D

Default risk, 177
Dimensional CSP indexes, 9, 53, 61, 104
Distance to default (DD), 179

E

Efficient market hypothesis, 17
Employee relations, 95, 98, 108
Environmental accounting, 26
Environmental management, 26
Environmental, social, and governance (ESG), 30, 48
Environment preservation, 55, 64, 98
ESG factors, 31

European Commission, 3
 External shareholders, 88

F

Fama–French three-factor model, 140, 155
 Financial constraint, 181
 Financial Instruments and Exchange Act, 7
 Financial Services Agency (FSA), 31
 Forecast accuracy, 10
 Fukushima nuclear accident, 28, 73, 94, 105, 110, 112, 117, 137

G

Global compact, 24
 Government Pension Investment Fund (GPIF), 11, 44

H

Home-country bias, 92
 Human resource management, 55, 64, 73, 113

I

Implied cost of equity, 155, 159
 Insider-oriented business, 2, 6, 54
 Instrumental stakeholder approach, 23
 Internal cost of capital, 154, 155
 Internal governance, 23, 95, 99
 Internal rate of return, 10, 155, 158
 ISO 26000, 28

J

Japanese business model, 5, 24
 Japanese CSR, 6, 7
 Japanese pension funds scheme, 90
 Japan Investor Relations Association, 158
 Japan's Economic Revitalization Strategy, 32

K

Keidanren, 25
 Keizai Doyukai, 25

L

Long-term institutional investors, 10, 37, 85, 87, 113, 118, 121
 Loss Given Default (LGD), 178

M

Management earnings forecasts, 10, 153, 155, 158, 162
 Management forecast bias, 163
 Market-based profitability measures, 75
 Market-based risk measures, 62, 73, 78
 Market-based types of financial systems, 88
 Market-oriented system, 1, 10

Market perception of CSP, 118–120, 154
 Measure of earnings forecast optimism, 160
 Measure of forecast accuracy, 160
 Mediation analysis, 199
 Micro moral unity paradigm, 5
 Moral capital, 21
 Moral unity paradigm, 6

N

Natural environment preservation, 1
 NIKKEI NEEDS, 63, 96, 182
 Non-financial disclosure, 10, 21, 32, 50, 78, 85, 92, 112, 118, 120, 156

O

Optimistic forecasts, 10, 158, 160, 162, 169, 171
 Ownership structure of Japanese listed companies, 9

P

Patent Act of Japan, 202
 Patents, 199
 Pension Fund Association (PFA), 44, 90
 Philanthropy, 7, 16, 21, 22, 26, 54–56, 64, 73, 108, 112
 Principles for Responsible Investment (PRI), 8, 27, 47
 Probability of Default (PD), 177
 Profitability measures, 61

Q

Quality of products, 24, 29, 55, 73, 99

R

Recovery rate, 194
 Relationship-oriented business, 8, 50
 Resource-based view, 19
 Risk management hypothesis, 67
 Risk reduction hypothesis, 53, 58, 64, 70, 80, 136, 147

S

Sanpo-yoshi, 5
 Self-assessment report, 25
 Shareholder's value maximization, 23
 Shareholder value, 18
 Social contribution, 7, 55, 56, 64, 73, 95, 98, 108, 112
 Socially responsible investment (SRI), 8, 37, 86
 Social norm, 1, 5, 16, 54, 130, 136
 Social trust, 21
 SRI market in Japan, 37, 47, 93

Stakeholder engagement, [22](#), [120](#), [123](#)
Stakeholder relationships, [4](#), [5](#), [9](#), [10](#), [16](#), [20](#),
[24](#), [30](#), [53](#), [59](#), [160](#)
Stakeholder theory, [4](#), [15](#), [19](#), [23](#)
Stewardship Code, [8](#), [11](#), [31](#), [37](#), [48](#), [105](#)
Strategic CSR, [15](#), [18](#), [23](#)
Strategic stakeholder approach, [54](#)
Strategic stakeholder management, [55](#), [95](#)
Structural credit risk model, [177](#)

T

Technological competitiveness, [200](#)
Technological innovation, [199](#)

Tokyo Stock Exchange (TSE), [7](#), [30](#), [60](#), [89](#),
[182](#)
Toyo Keizai Corporate Social Responsibility
Database, [4](#), [60](#)
Trust bank, [41](#), [43](#), [90](#)

W

Weighted Average Cost of Capital (WACC),
[117](#), [119](#), [125](#), [126](#)

Y

YK value, [202](#)