

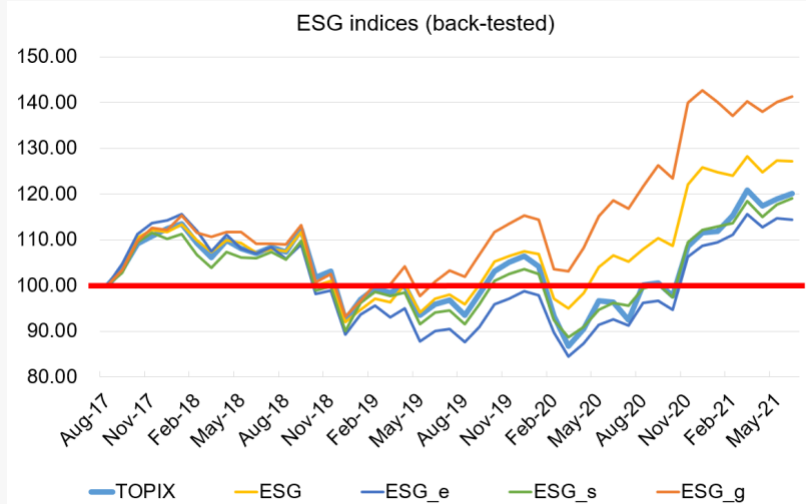
Effectiveness of Investment Methods Using ESG Information

The QUICK Corporate Valuation Research Center has created a set of indices of listed stocks in Japan using ESG scores developed by Arabesque S-Ray GmbH.

TOKYO, JAPAN, January 18, 2022 /EINPresswire.com/ -- The growing public interest in ESG (Environment, Social, and Governance) issues is forcing the investment world to respond. However, the evaluation of ESG-related matters basically demands non-financial information, which makes it difficult to verify the effectiveness of taking ESG issues into account in relation to stock investment. As one way to tackle the problem, the QUICK Corporate Valuation Research Center created a set of indices of listed stocks in Japan using ESG scores developed by Arabesque S-Ray GmbH, a German ESG evaluation company, and it then examined their significance.

In the first stage, we screened stocks based on liquidity, and in the second stage, we selected the top 100 stocks using four types of ESG scores (ESG total score and ESG sub-scores (E, S, and G)). From the end of August 2017 to the end of July 2021, the index based on the ESG total score showed higher stock returns than TOPIX. Looking at the ESG sub-scores, which are evaluations that only consider the characteristics of each ESG theme, only the ESG sub-score for governance (G) resulted in higher stock returns than TOPIX.

No.	Jan-20		Jul-20		Jan-21	
1	9697	CAPCOM	69.69	6645	OMRON	73.83
2	6005	MIURA	69.41	8035	TKOELCN	72.76
3	9437	DOCOMO	69.38	2587	SUNTRYBF	71.53
4	7458	1 KOSHO	68.98	4927	POLAORHD	71.19
5	6988	NTTODEN	68.86	4507	SIONOGI	70.99
6	4527	ROHTO	68.59	7649	SUGI HD	70.19
7	4403	NOF	68.58	9697	CAPCOM	69.98
8	8035	TKOELCN	67.48	6988	NTTODEN	69.92
9	7649	SUGI HD	67.45	6857	ADVNTST	69.79
10	4204	SEKSUIC	67.31	4452	KAO	69.78
11	6645	OMRON	66.93	9437	DOCOMO	69.56
12	4503	ASTELLAS	66.90	9433	KDDI	69.21
13	6754	ANRITSU	66.56	4527	ROHTO	68.81
14	3141	WELCIAHD	66.29	3382	7&I-HD	68.36
15	7846	PILOT	66.19	6005	MIURA	68.10
16	6594	NIDEC	66.00	5332	TOTO	68.02
17	4922	KOSE	65.88	7956	PIGEON	68.01
18	6857	ADVNTST	65.48	4204	SEKSUIC	67.96
19	7832	BANNAMHD	65.41	5947	RINNAI	67.75
20	8036	HIT-HT	65.28	7951	YAMAHA	67.40
				2587	SUNTRYBF	66.54



The indices created using the ESG score in this study also demonstrated higher investment efficiency than TOPIX. However, when considering the alpha of the CAPM and Fama-French three-factor model, both scores showed variations from month to month, and the source of the excess returns was not always clear. In the future, companies will be required to disclose more non-financial information, and it will become clearer what factors affect risk and return.

In the future, ESG information will be increasingly positioned as an important factor when investing in stocks. Currently, institutional investors are using ESG information to strengthen their engagement with companies. In addition, the Japan Exchange Group (JPX) has also expressed its ESG-oriented stance. We hope that the content of this study will help you in your future investment analysis.

For more information, please visit this site.

https://www.nikkei.co.jp/nikkeiinfo/en/global_services/quick/effectiveness-of-investment-methods-using-non-financial-information-esg-scores.html

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