

An Empirical Study on the Impact of Environmentally Friendly News on
Stock Prices in Japan¹

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ABSTRACT

This paper investigates how stock prices respond to announcements of corporate environmental measures by using a standard event study methodology. Examining 862 cases of Japanese listed companies from December 15, 1996 to December 15, 2004, we find that news on environmental research and development (R&D) had strongly positive impacts on stock prices. In particular, environmental R&D announcements of high-technology industries (chemicals, electronics, and automobiles) affected stock markets more positively than did those of non-high-technology industries. In contrast, the announcements of investment based on environmental accounting tended to decrease stock prices.

Keywords: Environmental management, Environmental accounting, Research and development, Event study, Valuation, Corporate social responsibility

JEL Classifications: L60, M14, Q29

Selected References:

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