



Nomura Research Institute Group

Nomura Research Institute ESG Briefing Q&A Sessions

February 25, 2021 Nomura Research Institute, Ltd. Headquarters/Zoom meeting

1st person (analyst)

Q1 There was an explanation of DX3.0, but what is the specific business covered by DX3.0 and what are some examples?

A1 There are many approaches to DX3.0, but we would like to focus on three first: carbon neutrality*¹, circular economy*², and food value chain*³.

Structural reforms to society cannot be achieved by NRI alone. For example, in terms of the carbon neutrality, we would like to talk with power companies that we already have relationships with about how we can work together in the future. Regarding the circular economy, we will investigate what specific business we can do together with distribution and retail companies that we have been working together with over long years. In regard to the food chain, we are starting discussions about what we can do together with groups related to agriculture that we provide system operation for.

This is how we would like NRI to tackle these themes via business together with client companies, rather than launching businesses related to DX3.0 by ourselves.

*1 The state where the amount of carbon dioxide (CO₂) emitted equals the amount absorbed.

*2 Efficiently reusing limited resources in production and circulating them in a sustainable manner.

*3 The chain of added value created by increasing and combining the added value at each stage of food; from production, manufacturing, and processing to distribution and consumption.

2nd person (analyst)

Q2 Interest in social issues such as the realization of a carbon neutral society is increasing in Japan. Where does NRI, a company with links to various clients, think the interest of Japanese companies lies? Also, where does NRI think business opportunities for solving social issues lie?

A2 (1)

In our dialog with various companies, we believe that in general every company is highly interested in social issues. In particular, regarding the carbon neutrality, initiatives have been accelerating since the pledge by the Suga administration last year. However, although there is concrete talk about the development of individual technologies such as methanation*⁴, there is not yet enough overall analysis and research into what

effects the application of such technologies can have on society. We believe that the companies are currently working on contributing to the carbon neutrality in the fields they are proficient in and within the range possible. However, from 2021 we would like to actively share information, particularly from our consulting department, regarding the overall framework and what the cumulative effect on society will be.

A2 (2)

As noted in the media, we believe that the situation will change as rules regarding the disclosure of carbon neutrality are adopted at each company.

In January, the chairman of BlackRock, Inc., the world's largest asset management company, stated that the company will not invest in companies that do not disclose Scope 1, Scope 2, and Scope 3 greenhouse gas emissions^{*5}, and the trend of improved disclosure is set to continue.

For example, the shared online services of NRI account for more than 100 billion yen, and this service is contributing to reducing carbon emissions at client companies.

However, the carbon dioxide emissions of client companies, which are included in the Scope 3 (other indirect emissions) of NRI, generally must be calculated at each company using the formula "1 ton of carbon dioxide emissions per 1 million yen of transactions." Supposing that there was to be a law stating that carbon dioxide emissions caused by data centers must be made zero, we would ultimately not be able to do so, as with this formula, the carbon dioxide emissions counted as Scope 3 emissions will increase proportionally to the scope of transactions with each company.

Therefore, we would like to adopt a method for calculating carbon dioxide emissions that takes the actual situation into account, rather than the coefficient calculation of 1 million yen = 1 ton, as well as switching the power of the data center where shared online services are used to 100% renewable energy so that carbon dioxide emissions can be made zero for the data center use of client companies.

At the next ESG briefing session, we would like to announce the results of efforts toward decarbonization.

*4 Technology for synthesizing methane, the major component of natural gas, from hydrogen and carbon dioxide (CO₂). The Japanese government positions this technology as one promising technology for carbon recycling (CO₂ recycling), as it uses carbon dioxide as a raw material when synthesizing methane.

*5 Global standard guidelines for calculating and reporting greenhouse gas emissions over an entire supply chain, formulated by the GHG protocol. Comprised into three scopes: Scope 1 (direct corporate emissions), Scope 2 (indirect emissions due to energy use), and Scope 3 (other indirect emissions).