



NEWS RELEASE

Sep 09, 2016

[R&I Green Bond Assessment]

Nomura Research Institute, Ltd.

Unsec. Str. Bonds No.3 (NRI Green Bond): GA1

Rating and Investment Information, Inc. (R&I) has announced the following R&I Green Bond Assessment.

[DESCRIPTION OF RATED INSTRUMENT]

INSTRUMENT NAME	Unsec. Str. Bonds No. 3 (NRI Green Bond)
ISSUER	Nomura Research Institute, Ltd.
ISSUE AMOUNT (mn)	JPY 10,000
R&I GREEN BOND ASSESSMENT	GA1
ISSUE DATE	September 9, 2016
MATURITY DATE	September 16, 2016

[RATIONALE]

Nomura Research Institute, Ltd. (NRI) is a major information services company. NRI engages in various environmental initiatives as part of its business activities. The bond mentioned above (NRI Green Bond) is the first green bond issued in Japan that complies with the Green Bond Principles, the voluntary international guidelines for the issuance of green bonds. "Green bonds" refer to bonds issued for the purpose of financing projects that aim to resolve environmental issues, such as global warming.

In accordance with the R&I Green Bond Assessment Methodology, R&I has judged that the proceeds from the issuance of NRI Green Bond will be used to invest in projects with environmental benefits to a significant degree and has assigned GA1 to the bond. The main rationale is as follows:

- The net proceeds of NRI Green Bond will be used to acquire the trust beneficial interest backed by partial ownership in Yokohama Nomura Building and to fund capital investments for occupancy work. Based on its evaluation of factors such as the high energy efficiency of the building and NRI's planned operational initiatives to increase the energy efficiency, R&I has judged that this project will help resolve environmental issues to a great degree.
- The process for selecting this project as the destination of the proceeds from NRI Green Bond, the approach to managing the proceeds until their allocation to the project, and NRI's reporting policy regarding the allocation of the proceeds and the environmental impacts of the project have been set in accordance with the Green Bond Principles. As a result of its evaluation, R&I has judged these frameworks to be very good. R&I considers NRI's environmental contribution activities to be ambitious and rich in content.

In addition to this assessment, R&I has assigned a credit rating to NRI Green Bond. For details, please refer to <https://www.r-i.co.jp/eng/cfp/corporate/5250/>.

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1. Use of Proceeds

For green bond proceeds to be used to invest in projects with environmental benefits, the eligible projects in which the funds are invested must be identified as being environmentally beneficial.

The net proceeds of NRI Green Bond will be invested in the following project:

Project Category	Project Name	Allocation of Proceeds
Energy efficiency	Yokohama Nomura Building - Acquisition of trust beneficial interest backed by partial ownership in the building:80% - Capital investments for occupancy work: 20%	100%

【Summary of Project】

Yokohama Nomura Building is a 17-story office building that is currently under construction in the Minato-Mirai district in Nishi-ku, Yokohama City in Kanagawa Prefecture. NRI will occupy all floors, with the exception of the first floor which will be leased to shops and restaurants. The developer is Nomura Real Estate Development Co., Ltd, and the construction company is Shimizu Corporation. The building is due for completion in January 2017, and NRI will move into the new building in April 2017. As of August 2016, the building's structure had been completed and the interior construction was in progress.

The Minato-Mirai district is part of the Yokohama Smart City Project, which is designated as a "Next Generation Energy and Social System Demonstration Area" by the Ministry of Economy, Trade and Industry (METI). The district therefore provides for environmentally-friendly facilities, such as area-wide air conditioning systems.

【Evaluation】

In judging the project's environmental benefits, R&I focused on the building's energy efficiency level and how it compares to that of a typical newly-built non-residential building in Japan.

R&I also conducted a comprehensive assessment on NRI's operational initiatives to improve on the building's energy efficiency, as well as the building's environmental performance other than energy efficiency.

In evaluating the building's energy efficiency level, R&I confirmed (a) whether it exceeds the level required by the Energy Efficiency Standards, and (b) the extent to which the building's performance exceeds the average of the energy efficiency-related evaluation items set forth by CASBEE (Comprehensive Assessment System for Built Environment Efficiency), based on which the project has already obtained certification. Regarding (a), R&I employed two indicators, namely "Primary energy consumption amount" and "Building envelope performance", which are included in the Energy Efficiency Standards as stipulated under the Energy Conservation Act. "Primary energy consumption amount" is the total amount of power used for air conditioning, ventilation, lighting, and elevator equipment, among other purposes, converted into a primary energy value. R&I confirmed that the building well exceeds the standards for "Primary energy consumption amount" and "Building envelope performance", as shown in the table below.

Regarding (b), R&I confirmed that the building has been evaluated above average for "Primary energy consumption amount" and "Building envelope performance", as well as for the other items pertaining to energy efficiency under CASBEE's evaluation framework. According to the CASBEE certification, the building's lifecycle CO2 emission (including the construction and demolition of the building) is 21% lower than that of the average newly-built non-residential building. Hence, R&I has judged that the building's energy efficiency level exceeds that of a typical new non-residential building in Japan.

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According to the second party opinion issued by Vigeo Eiris, a company run by France's Vigeo SAS, the project is an "eligible project" under the Green Bond Principles. The project has obtained or plans to obtain other environmental certifications regarding energy efficiency, as shown in the table below.

As for the operations of the building, Yokohama Nomura Building's office space will be designed for "free-address" seating arrangements, in aim to further enhance energy efficiency. In addition, Renewable Energy Certificates will be purchased as part of the building's electricity supply.

Aside from energy efficiency-related measures, the building adopts a rainwater utilization system, and efforts are being made in greening the building site. R&I has confirmed that the building has been highly evaluated for the non-energy related items set forth by CASBEE.

Given the above, R&I has judged that the environmental performance of Yokohama Nomura Building, which backs the project in which the proceeds of the NRI Green Bond will be invested, is high. Moreover, further improvement in energy efficiency through operational initiatives is expected. Hence, R&I has evaluated the project to be greatly beneficial to the environment.

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«Energy Efficiency Standards»

Standard	Summary
Primary energy consumption amount	<ul style="list-style-type: none"> The building complies with the Energy Efficiency Standards of 2013. According to the notification filed with Yokohama City, the primary energy consumption amount of the building is 109,465.0 GJ/year, which is below the standard of 134,074.0 GJ/year. The BEI ratio¹ is also favorable at 0.8165.
Building envelope performance	<ul style="list-style-type: none"> The building complies with the Energy Efficiency Standards of 2013. According to the notification filed with Yokohama City, the building envelope performance (PAL*) of the building is 412 MJ/m²year, which is below the standard of 466MJ/m²year. The BPI ratio² is also favorable at 0.8842.

«Environmental Certifications Obtained/ to be Obtained»

Certification	Class	Remarks
CASBEE (Comprehensive Assessment System for Built Environment Efficiency)	S-rank	<ul style="list-style-type: none"> CASBEE Certification for Buildings was obtained on March 8, 2016.
LEED	GOLD (to be obtained)	<ul style="list-style-type: none"> The building will be certified when the construction is completed. Certification for the design has been obtained.
DBJ Green Building Certification	(to be obtained)	<ul style="list-style-type: none"> The building will be certified before or at completion.
SEGES (Social and Environmental Green Evaluation System)	“Tsukuru-Midori” Certification	<ul style="list-style-type: none"> Certification has been obtained. This certification is for outside facilities and green space.

¹ BEI (Building Energy Index) = primary energy consumption of the building ÷ standard primary energy consumption. The ratio represents the level of primary energy consumption of a building compared to the requirement under the Energy Efficiency Standards.

² BPI (Building PAL* Index) = PAL* of the building ÷ standard PAL*. The ratio represents the level of PAL* of a building compared to the requirement under the Energy Efficiency Standards.

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«Key Environmental Systems»

Key Environmental Systems	Summary
Management system for energy conservation (connectivity to BEMS・CEMS ³) System to visualize energy consumption	<ul style="list-style-type: none"> The system, which connects to the Yokohama Smart City Project, conducts automatic demand control in response to instructions to conserve energy sent from CEMS. The system also allows tenants to check the building's status regarding energy consumption through the web browser on their PCs (visualization).
Co-generation system	<ul style="list-style-type: none"> The system generates electricity using engines that run on medium-pressure gas, and uses the waste heat for air conditioning. The system is highly energy-efficient, and the building's air conditioning can be partially operated in the event of a power outage.
Natural ventilation system	<ul style="list-style-type: none"> The system uses air vents by the window (manual operation) and exhaust fans for ventilation.
Rainwater utilization system	<ul style="list-style-type: none"> Rainwater is recycled to water plants, for outside water sprinklers, and to flush toilets.

2. Process for Project Evaluation and Selection

For green bond proceeds to be used to invest in projects with environmental benefits, the issuer's rationale and process regarding the selection of eligible projects must be clear and reasonable.

【Outline of NRI's Selection Process】

In January 2015, NRI's Board of Directors decided to move its offices to Yokohama Nomura Building and to acquire the trust beneficial interest backed by partial ownership in the building. The company has been engaged in various initiatives to reduce energy consumption in response to global warming, and chose to move into a green office building to further reduce CO2 emissions from business operations.

The building, which has obtained or plans to obtain environmental certifications from various domestic and overseas organizations, became a candidate project for NRI Green Bond given its superior environmental performance.

A cross-organizational assessment by the Accounting & Finance Department and the Environmental Activities Section was conducted on the project's eligibility, and the results were reported to the Board of Directors.

NRI estimates that CO2 emissions per employee can be reduced by 9% by moving into the new building. Note that this estimate takes into account only the effect of the shift to LED lighting. This reduction amount is reflected in the NRI group's environmental targets.

NRI Green Bond has obtained an independent second party opinion from Vigeo Eiris. According to the opinion, the project is an "eligible project" under the Green Bond Principles, and contributes to creating a sustainable society.

³ BEMS (Building Energy Management System): System to optimize power consumption at buildings. CEMS (Community Energy Management System): System to optimize power consumption in a region.

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【Evaluation】

As mentioned above, NRI's decision to make Yokohama Nomura Building the eligible project for NRI Green Bond was an institutional decision that involved the company's Environmental Activities Section. The building's environmental performance and the additional environmental benefits to be achieved through operational initiatives were taken into consideration. Hence, R&I has evaluated the process regarding the selection of eligible projects to be greatly clear and reasonable.

3. Management of Proceeds

For green bond proceeds to be used to invest in projects with environmental benefits, the proceeds must be allocated to eligible projects, and must not be invested in projects other than eligible projects.

【Outline of NRI's Management of Proceeds】

An ordinary savings account dedicated to NRI Green Bond will be established to manage the proceeds. The account's transactions will be executed by NRI's General Affairs Department, and managed by the Accounting & Finance Department.

The issuance proceeds net of expenses will be invested within a year from issuance, during the period between January and June 2017. If, for any reason, NRI decides to cancel the purchase of the building, the proceeds will be invested in another green project.

A separate balance statement will be compiled for the account, which will be audited by an independent auditor.

【Evaluation】

As discussed above, NRI Green Bond's proceeds will be managed in a segregated account and audited separately. Hence, R&I has evaluated the framework for managing the proceeds from NRI Green Bond to be superior.

4. Reporting

To ensure that green bond proceeds are used to invest in projects with environmental benefits, the issuer is expected to provide details on the eligible projects, the timing of investments, and the environmental benefits yielded by the projects.

【Overview of NRI's Reporting Framework】

On August 19, 2016, a news release on NRI Green Bond was posted on NRI's website. A summary description of the eligible project, as well as the second party opinion issued by Vigeo Eiris, is disclosed on this website. A description of the project and the framework for the management of proceeds is also provided in the amended shelf registration statement filed on the same day.

NRI will provide an annual update on NRI Green Bond in the CSR report until the bond's maturity. The items to be reported are listed below.

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< Status on the Allocation of Proceeds >

Item	Description
Allocation of proceeds	Use and amount of proceeds allocated
	Outstanding amount of proceeds at the beginning and end of the reporting period.

※The above items will be audited by an independent auditor.

< Energy Efficiency and GHG emissions >

Item	Description
Energy	Annual energy consumption (GJ)
	Annual energy savings (year-on-year change)
GHG emissions	Annual GHG emissions (scope 1&2) (tCO ₂)
	Annual reduction of GHG emission per employee (scope 1&2) (year-on-year change)

※The above items are expected to be assured by an independent third party (limited assurance).

< ESG Indicators on the Building's Construction and Operations >

Item	Construction	Operations
Environment	GHG emissions during construction (tCO ₂)	Industrial waste (t), recycle rate (%)
	Ratio of construction byproducts that have gone through final treatment (%)	Water usage (m ³)
	Industrial waste (t)	—
Social responsibility	Results of on-site inspection regarding social responsibility (illegal labor, child labor, etc.) (including subcontractors)	—
	Number of serious work accidents (including subcontractors)	
Governance	Measures taken regarding ESG-related lawsuits, if any (including subcontractors)	
Contribution to the local community	Relationship with local stakeholders (qualitative information)	Actions taken to communicate and to build relationships with the local community (qualitative information)

【Evaluation】

Given the above, R&I has evaluated NRI Green Bond's reporting framework to be superior in content and frequency.

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5. Issuer's environmental contribution activities

The extent to which green bond proceeds are used to invest in projects with environmental benefits will be affected by the issuer's involvement and track record regarding environmental contribution activities. Issuers with strong interest and a robust track record in terms of environmental contribution activities are more likely to allocate the proceeds to and execute investments in projects with environmental benefits.

【Overview of NRI's Environmental Contribution Activities】

NRI is a major information services company that offers a full range of services, from consulting to operation and management.

NRI's policy, framework and track record regarding environmental contribution activities are described below.

Item	Summary
Environmental policy	<ul style="list-style-type: none"> The NRI group actively promotes environmental initiatives under its environmental and biodiversity action policies.
Organizational structure to promote environmental contribution activities	<ul style="list-style-type: none"> NRI has an established organizational structure to promote environmental contribution activities. The Environmental Activities Committee was launched in May 2014, and the Environmental Activities Section was established in July of the same year. The Environmental Activities Committee comprises 11 members. The chairman is a Senior Corporate Managing Director, and the deputy chairman is the director responsible for datacenter services. Other members include the head of datacenter management as well as the head of general affairs at group companies. The committee meets once every two months.
Environmental targets and progress	<ul style="list-style-type: none"> NRI has complied and disclosed environmental targets for FY2022, in which NRI aims to reduce GHG emissions by 18% in FY2018 and 25% in FY2022, from the levels in FY2013. NRI is making significant progress in reducing GHG emissions. As of the end of FY2015, NRI had reduced GHG emissions by 19.9%, exceeding its target by a large margin.
Key environmental contribution activities	<ul style="list-style-type: none"> NRI has taken various initiatives to reduce electricity consumption, such as the adopting of energy-saving facilities at its datacenters that account for 80% of the total electricity consumption of the NRI group. All of NRI's datacenters have implemented ISO14001 EMS standards. In addition, NRI's major office locations have adopted NRI-EMS, which is NRI's own standard for EMS. The standards together cover 94% of GHG emissions for the total group. NRI's "shared online services" allows multiple companies to share a common information system. This service significantly reduces the total amount of electricity consumption, compared to the case where each company develops and uses its own system.
Reporting policy regarding environmental contribution activities	<ul style="list-style-type: none"> NRI's environmental initiatives are reported on NRI's website dedicated to environmental topics, as well as in the annual CSR report. The main reporting items include NRI's organizational structure and track record regarding environmental contribution activities, and for the Key Sustainability Performance Indicators each fiscal year. The Key Sustainability Performance Indicators of the company is assured (limited assurance) by Ernst & Young Sustainability Co.,Ltd., an independent third party.

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Evaluation by external organizations

- In FY2015, NRI was selected by CDP, an international non-profit organization, to be included in the CDLI (Climate Disclosure Leadership Index). Of the 500 candidate companies (the top 500 companies in the FTSE Japan Index by market capitalization), only 25 Japanese companies including NRI were selected in FY2015.

【Evaluation】

As discussed above, NRI has established an organizational structure to promote environmental contribution activities, though relatively recently. The company is also active in promoting and reporting environmental initiatives. Hence, R&I considers NRI's stance toward environmental contribution activities to be ambitious and rich in content.



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R&I Green Bond Assessment is R&I's opinion regarding the extent to which the proceeds from the issuance of green bonds are used to invest in projects with environmental benefits and is not statements of fact. R&I Green Bond Assessment does not certify the environmental benefits and other qualities of the eligible projects. Hence, R&I will not be held responsible for the effectiveness of the projects, including their environmental benefits. R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business. Further, R&I does not give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing R&I Green Bond Assessment and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to R&I Green Bond Assessment (including amendment or withdrawal thereof). As a general rule, R&I issues R&I Green Bond Assessment for a fee paid by the applicant. For details, please refer to <http://www.r-i.co.jp/eng/policy/policy.html>.

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【Comprehensive Evaluation】

R&I has evaluated NRI Green Bond in accordance with the R&I Green Bond Assessment. The results for each item are as described below. Each item has been assessed on a scale of one to five, with  being the highest and  being the lowest.

Item	Assessment	Summary
Use of proceeds		The environmental performance of the eligible project, Yokohama Nomura Building, is sufficiently high, and further improvement in energy efficiency is expected through operational initiatives. R&I considers the eligible project to be greatly beneficial to the environment.
Process for project evaluation and selection		The rationale and organizational structure for selecting eligible projects is appropriate. R&I considers the process for selecting eligible projects to be greatly clear and reasonable.
Management of proceeds		The proceeds will be managed in a segregated account and audited separately. R&I considers the framework for managing the proceeds to be superior.
Reporting		R&I considers the reporting framework to be superior in content and frequency.
Issuer's environmental contribution activities		NRI has an established organizational structure and sufficient track record regarding environmental initiatives. R&I considers NRI's stance toward environmental contribution activities to be ambitious and rich in content.

Based on a comprehensive assessment of each of the items described above, R&I has judged that the proceeds from the issuance of NRI Green Bond will be used to invest in projects with environmental benefits to a significant degree, and has assigned GA1 to NRI Green Bond.

The methodology for R&I Green Bond Assessment is disclosed on R&I's website:

<https://www.r-i.co.jp/eng/ancil/>

<https://www.r-i.co.jp/jpn/ancil/gba/>

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