

I DX3.0 Approach - Background and Overview

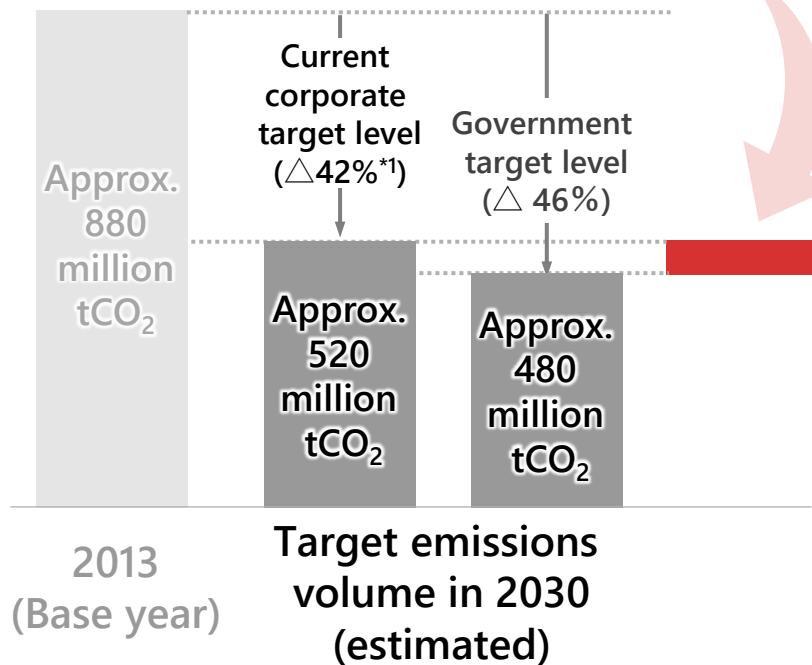
- 1 Why the Social Problem Solving Business now?
- 2 What is the DX3.0 business that NRI is working on?
- 3 What is NRI's challenge to create "digital social capital"?
- 4 How to market solutions to social issues?
- 5 What is NRI's unique approach to commercialization?

II Introduction of Case Study "Forest Carbon Credit"

Forests can play a major role amid the demand for decarbonization efforts

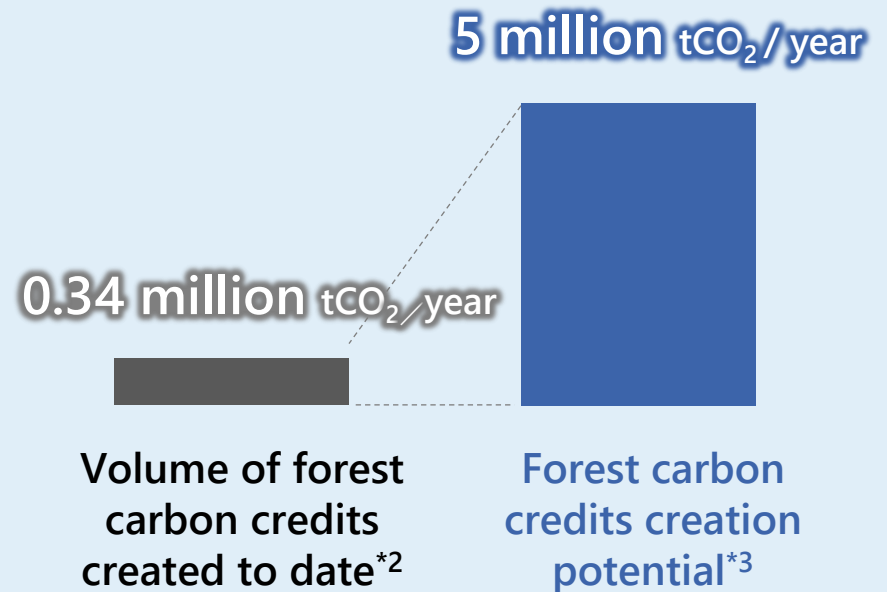
Current emission target level of domestic companies and government target level

Deficit of approx. 40 million tCO₂



*1 Estimated based on published emissions targets of GX League participating companies (as of 1 January 2024).

Forest-based carbon credits can play a major role in helping companies achieve their goals

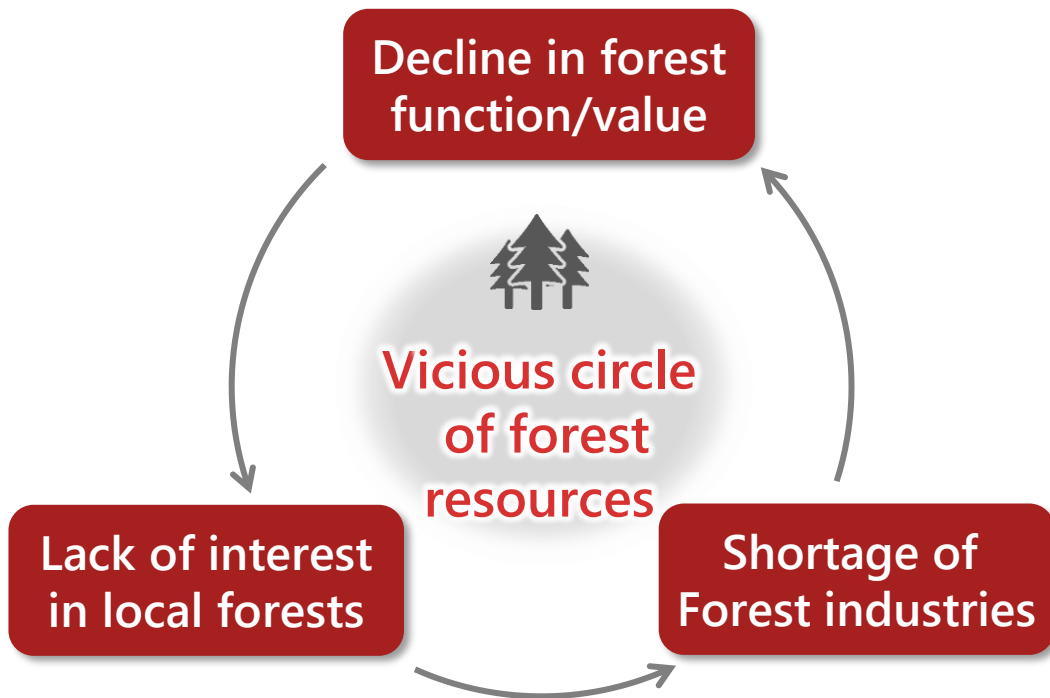


*2 About the J-Credit System (data collection), January 2024

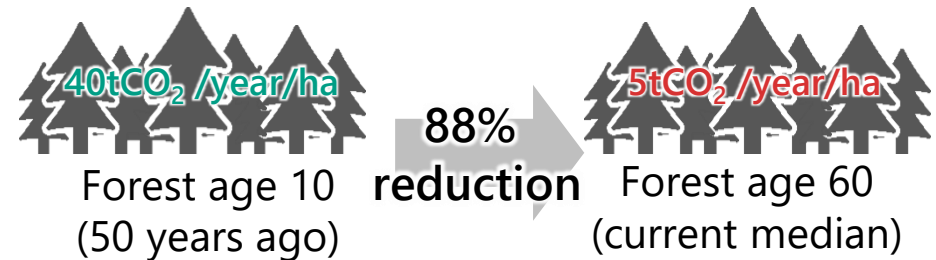
*3 Since most of the issued forest-based J-credits come from forest management activities (Methodology: FO-001), forest lands for which forest management plans have been formulated are the immediate target. The calculation assumes that all of the 5 million hectares will be applied to the J-Credit System, and that about 20% will be operated, generating 5 tons/year of J-credits per hectare from the operated forest land.

The decline in the functions and values of forests has led to a decline in interest in local forests

Vicious cycle of declining values related to forest resources



● Decline in CO₂ absorption by aging forests



● Increased severity of natural disasters due to reduced forest function

- Landslides
- Flooding due to reduced water storage capacity



● Decline of local industries related to forests, etc.

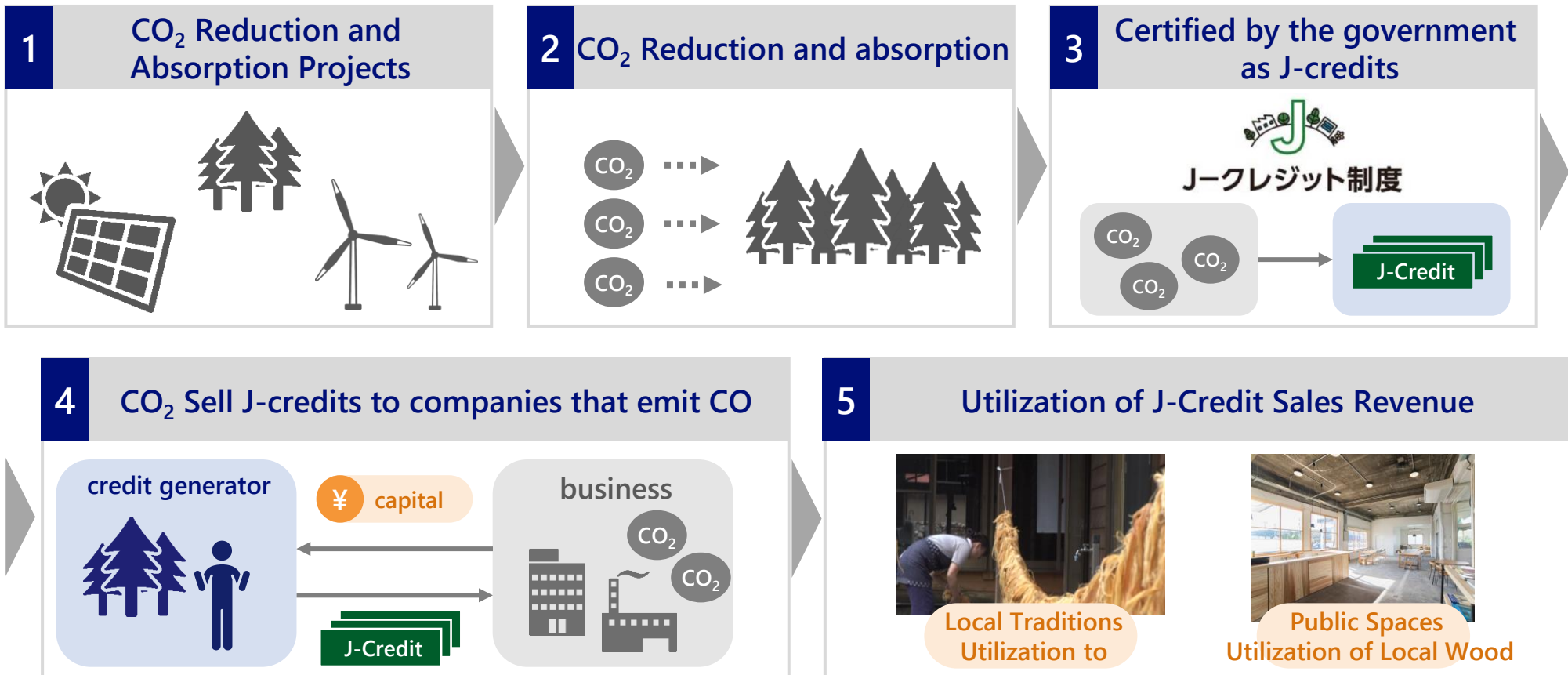
- Difficulties in succession, etc. due to aging population



Related "Code": What is the J-Credit System?

The J-Credit System: Mechanism to promote national decarbonization by government certify emission reductions and absorption of CO₂

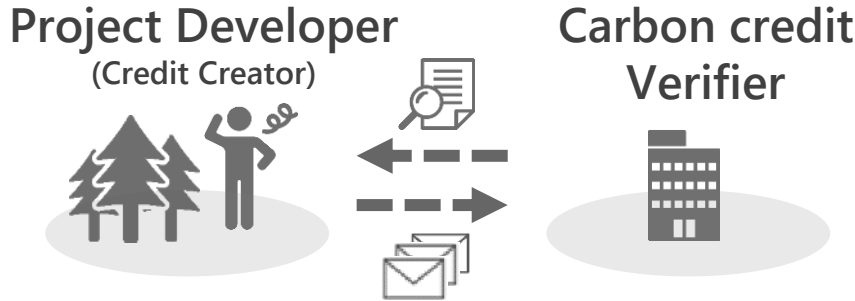
How the J-Credit System Works



Resolving factors that impede the creation and distribution of forest carbon credits, which can be an opportunity to utilize forest resources

Carbon credits creation and distribution process

Carbon credits creation and distribution process which NRI aims to achieve



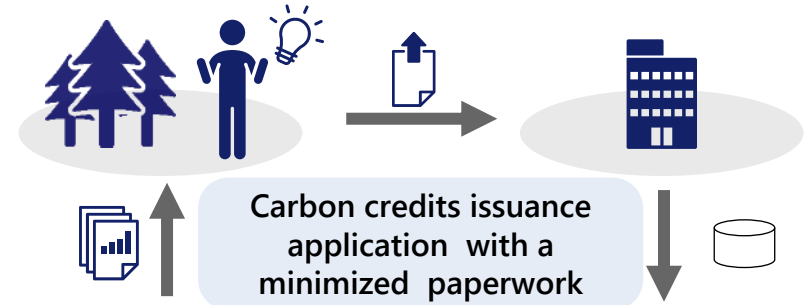
Complications in carbon credit creation

- Burden of preparing paperwork, etc.
- Communication costs
- Difficulty in accessing the demand side

J-Credits **Limited issuance or credits**

Carbon Credit Market

Forest-based



Automated/Assisted Credit issuance application

Information management using blockchain

J-Credits **Increased issuance of credits**

Carbon Credit Market

Forest-based



Credit Creation to Credit verification

Credit Market

※J-Credits: Japan's government-led carbon credit scheme

Specific examples of initiatives

Promoting the creation and distribution of forest-derived J-credit in forest lands within the city of Tsuruoka, Yamagata Prefecture

Areas of focus for this initiative



Aim to generate forest-derived J-credits in FY2024 from the two target forest areas (about 50 ha each)*

The period covered by the certification is assumed to be 8 years from FY2024. The target methodology is FO-001 (Forest Management Activities).



NRI presence as a platformer and enabler in forest credit

Aiming for expansion

Initiatives in Forest Carbon Credits

Solving social issues: Breaking out of the vicious cycle of forest resource utilization that the region faces

Companies aiming to decarbonization



Front player

Forestry cooperatives
and forest owners

- Implement projects that contribute to decarbonization
- Creation of forest-derived J-credits



Platformer

NRI

- Infrastructure to Promote Creation and Distribution of Forest-Derived J-Credits



Code maker

J-Credit System
Steering/Certification Committee

- Promote decarbonization investments
- Reducing Japan's Greenhouse Gas Emissions

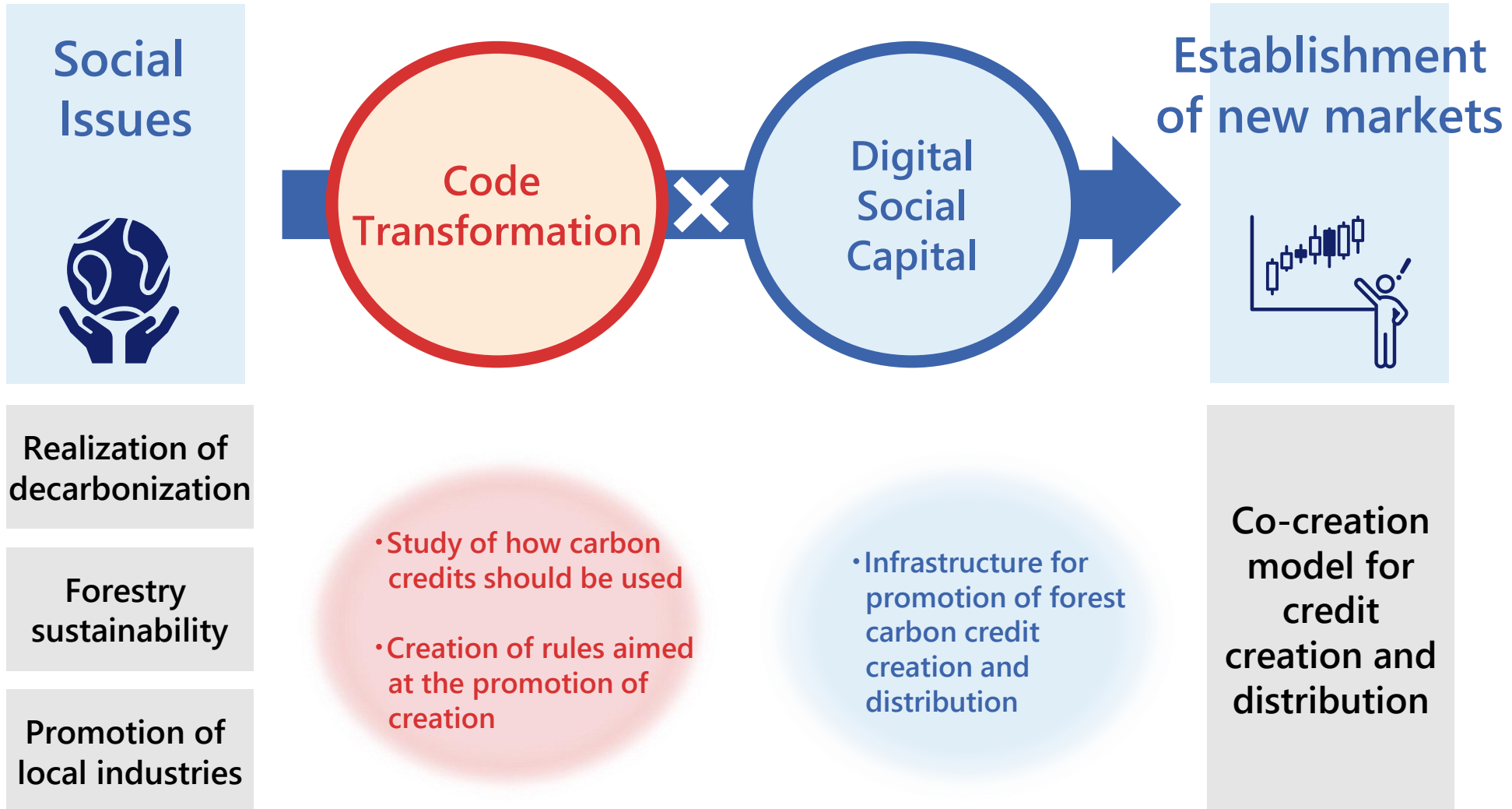


Enabler

Ministry of Economy, Trade and Industry,
Ministry of the Environment municipality + NRI

- Study on how to utilize J-Credit
- Creating rules to promote J-credit creation

NRI is working towards realization of a co-creation model for forest carbon credits issuance and distribution, especially in rural areas





**Envision the value,
Empower the change**