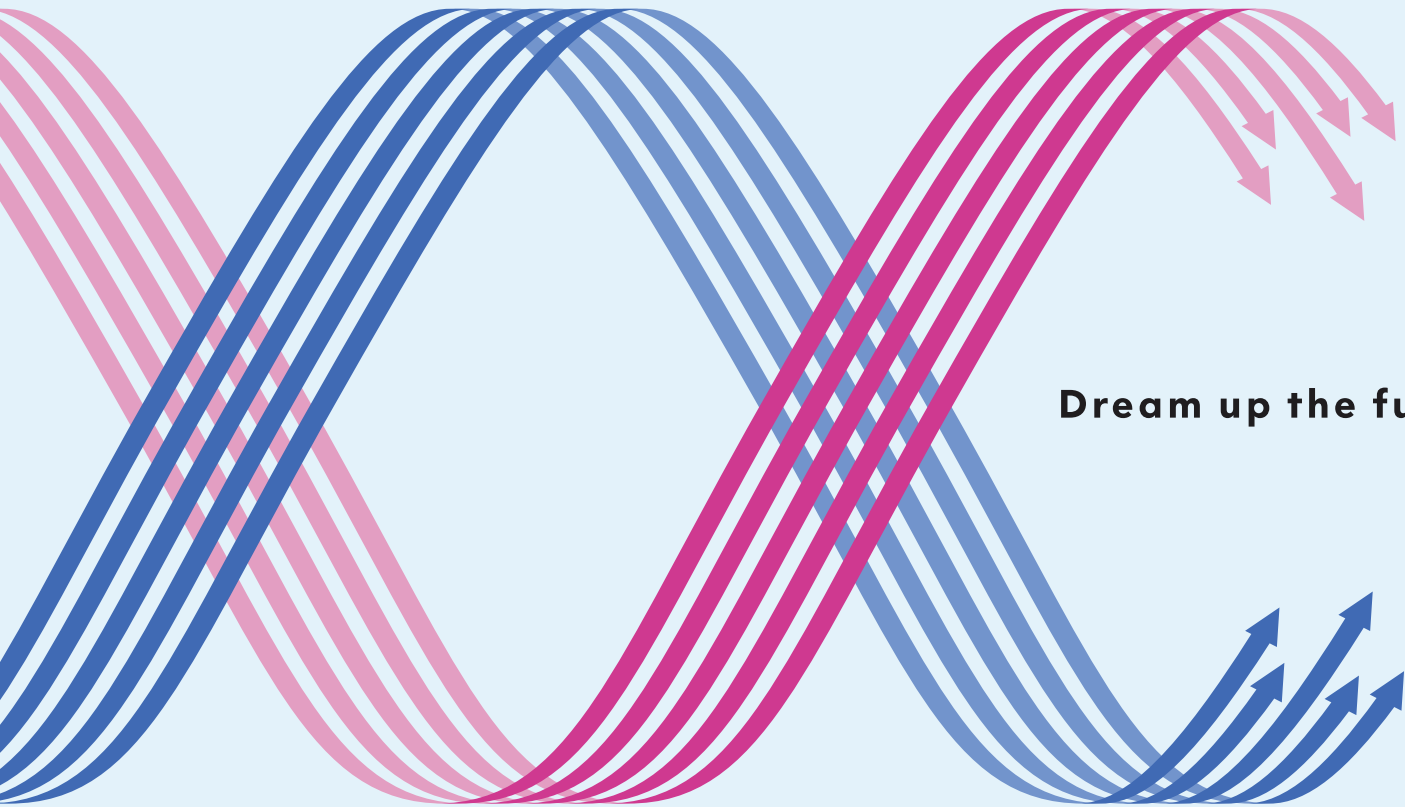


Integrated Report 2019

(Year ended March 31, 2019)



Dream up the future.

A Corporate Philosophy that Builds on the Founding Spirit and Lives on Dream up the future.

NRI offers integrated services ranging from consulting through to IT solutions. We were established through the merger of the former Nomura Research Institute, Ltd., Japan's first private-sector think tank, and Nomura Computer Systems Co., Ltd., a leader of Japan's IT industry.

We summarize our commitment to creating a new society, business and the future in our corporate philosophy - Dream up the future. While succeeding NRI's founding spirit in these times of rapid change, we are working to develop new social values and resolve various social issues.



NRI's Corporate Philosophy

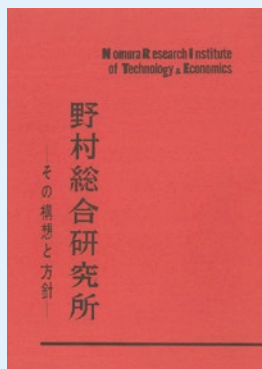
The NRI Founding Spirit Continues to Be Passed Down

Japan's First Full-fledged Private-sector Think Tank

The origin of NRI's consulting business goes back to 1965 when Nomura Securities Co., Ltd. expanded the functions of its Research Division and established the former Nomura Research Institute, Ltd. The objective was to make a dramatic leap to develop into a high-quality research and investigation institution.

The founding prospectus, "Nomura Research Institute—its Concept and Policies," describes the following as the aims of establishing the Institute: "To be a new type of research institute that had never existed in Japan before," and "To promote industry and be of service to society through research studies." This has been passed down to today in NRI's DNA, which makes it an

organization with the primary goal of creating new social value and engaging in the resolution of social issues through its main business activities.

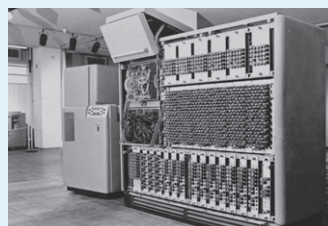


The founding prospectus of former Nomura Research Institute (Produced by Nomura Securities in 1962)

Japan's First Commercial Use of Computers

The origin of NRI's IT solutions business is the Electronic Data Processing Division of Nomura Securities Co., Ltd. that was established in 1953. In 1955, the division adopted the use of a commercial computer (UNIVAC-120) that had just been developed in the United States, making headlines as the first instance in Japan of the commercial use of a computer. This is the result of the desire and passion to create new systems previously unseen in the world.

In 1966, the Electronic Data Processing Division spun off from Nomura Securities to become the Nomura Computing Center Co., Ltd.* The philosophy of its establishment was to take the varied expertise acquired through advanced system development as Nomura Securities and put it to use for management rationalization and other benefits of more companies. The philosophy indicates an attitude to be of service to society as well as create new value.



The commercial computer (UNIVAC-120) adopted by Nomura Securities

*Company name changed to Nomura Computer Systems Co., Ltd., in 1972.

Corporate Philosophy

Corporate Statement

Dream up the future.

The NRI Group's corporate philosophy consists of four pillars: mission, business domain, management goals and action guidelines.



The History and Mission of NRI

In a move that foresaw an ideal information services company, the former Nomura Research Institute, Ltd., and Nomura Computer Systems Co., Ltd., merged to become the new Nomura Research Institute, Ltd., (NRI) in 1988. The new NRI succeeded the spirit of the two companies from the time of their founding. It would do more than simply provide research, consulting and IT services. The company would create new social value, making its mission the resolution of challenges faced by society and clients.

Research consulting



IT solutions



Merger

Launch of new NRI

Jan. 1988

Dec. 2001

Listed on the First Section of the Tokyo Stock Exchange

Apr. 2015

Vision2022 long-term management vision and "Share the Next Values!" vision statement released

"When forecasting the advanced information society to come, there can be no think-tank without a systems function, and there can be no systems company without a think-tank function"

(From the press conference following the signing ceremony for the new NRI)

Foreseeing the arrival of a digital age in which business and information technology (IT) became one, the merger of the two companies was driven by the passion of the management team to create a company that was needed the most for Japan of the future to survive on the world stage.



In keeping with the “Dream up the future” corporate philosophy, NRI will co-create social value with clients and build a better tomorrow through the power of innovation.

The concept of creating shared value (CSV), in which companies create both social and economic value, is correlated to NRI’s founding spirit. This way of thinking is shared by each NRI employee through the “Dream up the future” corporate philosophy.

In the Long-term Management Vision, Vision2022, the determination to continue taking on new challenges toward the achievement of new value is expressed in the “Share the Next Values!” vision statement. It is being promoted as NRI Sustainability Management together with Solving social issues through value co-creation, and the efforts related to Materiality for sustainable growth that support them. It is in such ways that NRI will aim to achieve both its sustainable growth and building sustainable futures.

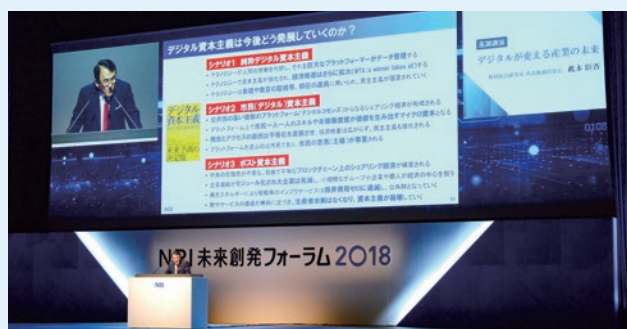
Examples of Activities to Co-create Social Value

Co-create a thriving future society
by driving new value.



Holding NRI Dream Up the Future Forums to Think About Future Society

Based on its “Dream up the future” corporate philosophy, NRI holds the NRI Dream Up the Future Forum every year. At this business forum, internal and external specialists and experts discuss the future vision of Japan and the world. The common theme of the forum for the three years beginning in 2017 is The Digital Near Future. Under examination are topics such as the desired state of Japan and the world, and the direction of corporate management. NRI hopes to create a thriving future society with many others through such recommendation activities.



President Konomoto’s keynote speech at the NRI Dream Up the Future Forum 2018

Co-Creation with a Client to Create New Value

Dokokani Mile is a mileage service launched by Japan Airlines Co., Ltd., (JAL) in December 2016. It enables users to go to one of four randomly proposed destinations for less miles than are usually required.

The service resulted from co-creation between JAL and NRI, which began at the planning phase. In addition to stimulating demand for domestic travel in Japan, it creates new value for the airline by promoting the use of otherwise empty seats. For localities, it offers value in the form of contributing to revitalization of the area.



The Dokokani Mile domestic flight award airline ticket service resulting from co-creation between JAL and NRI

NRI Sustainability Management

•The Long-term Management Vision

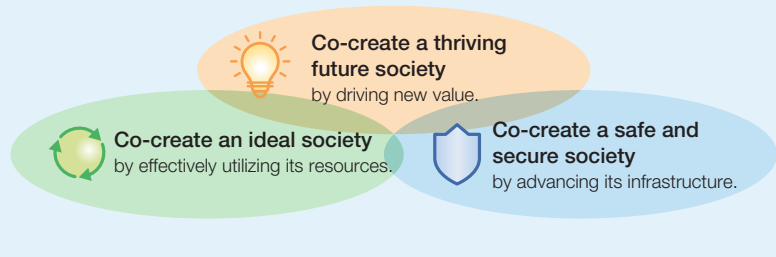
“Vision2022”
Vision statement

Share the Next Values!

Vision2022 financial targets

Operating profit	¥100 billion
Operating profit margin	14% or more
Overseas sales	¥100 billion
ROE	14%

•Solving social issues through value co-creation (CSV)



•Materiality for sustainable growth

Reduction of environmental impact for preserving global environment	Provision of opportunities for all kinds of professionals to take on challenge
Compliance with laws, regulations and risk management to increase trust from society	Management of the informationsystems that form social infrastructure

Co-create an ideal society

by effectively utilizing its resources.



Co-create a safe and secure society

by advancing its infrastructure.



Co-creation of an Ideal Society Through Shared Online Services Expansion

In the 1970s, decades before the word “cloud computing” came into existence, NRI launched a back-office system for securities firms, offering it as a shared online service.* NRI’s shared online services are also provided to a wide variety of industries and sectors to streamline and raise the productivity of clients’ operations and social systems. Having clients share online systems leads to drastically reduced environmental impact.



THE STAR, a back-office solution for retail brokerage firms, has been supporting the stability and growth of capital markets

Fulfilling Social Responsibility by Supporting the Infrastructure for Financial and Distribution Functionalities

As entities that help keep clients stay viable in their day-to-day operations as well as store classified, personal and other sensitive information and data, there is no room for error left at NRI data centers. To ensure optimal safety and security, we continue to carry out more than 3,000 inspections and drills each year. They include training our employees in the proper responses to take in the event of a problem, and inspections to ensure that warning signs of failures and information security incidents are caught. We support a safe and secure society in such ways through sophisticated operation of important social infrastructures.



Data center comprehensive interlocking inspection (President Konomoto on far left)

*On-demand software, or software as a service (SaaS), in which an application is offered and shared via internet

Contents / Editorial Policy

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Editorial Policy for the Integrated Report 2019

Since the fiscal year ended March 2014, NRI has published integrated reports which provide explanations while associating important financial and non-financial information. These reports aim to give an overall picture of our corporate value creation activities in a concise and clear manner.

Ever since its founding, NRI has been engaged in the resolution of social challenges through its business, contributing to the building of a sustainable future society. In addition to such undertakings, the Integrated Report 2019 clarifies, using feedback from our stakeholders as reference, NRI's competitive advantage in response to described changes in the external environment, with a focus on NRI Sustainability Management and the Medium-Term Management Plan (2019–2020) formulated in April 2019. Also introduced is the story of NRI's value creation for the achievement of an even better future society. This is done by creating new social value through business activities that are based on our medium- to long-term growth strategies, and resolving social issues.

As for details and other related information that cannot be included due to space, we have included the source of the relevant information (e.g., websites and the Annual Securities Report) within the pages of this Integrated Report for your use.

NRI works toward the medium- to long-term enhancement of its corporate value. We strive for even deeper communication with stakeholders to enable the determination of its value.

Guidelines Referenced for the Disclosure of Information

The International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)

Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation by the Ministry of Economy, the Trade and the Industry (METI)

GRI Standard by Global Reporting Initiative (GRI)

Categorization for NRI's Disclosure Information



Cautionary Note on Forward-Looking Statements:

- This Integrated Report is prepared for the purpose of providing information on our performance in the fiscal year ended March 31, 2019 and our strategy for the coming years, not for the purpose of attracting investment in stocks issued by Nomura Research Institute, Ltd. (NRI). In addition, this report contains absolutely no guarantees or pledges.
- The opinions and outlook contained herein reflect the views of management at the time of preparation. We do not offer any guarantees or pledges as to the accuracy or completeness of such information, which, moreover, is subject to alteration without advance notice.
- NRI holds all rights to each and every part of the integrated report, which may not be reproduced, transmitted or otherwise duplicated by any means, whether electronic or mechanical, whatever the purpose, without our express permission.
- For the purpose of convenience within this report "NRI" is used to refer to the Company and in certain places the entire NRI Group.

The History of NRI's Value Creation

Sales
(billions of yen)
800

Ever since its founding, NRI has been creating a multitude of new value in accordance with the changes in social issues, and continually achieved sustainable growth even amid the impact of various changes in economic trends and economic crises.

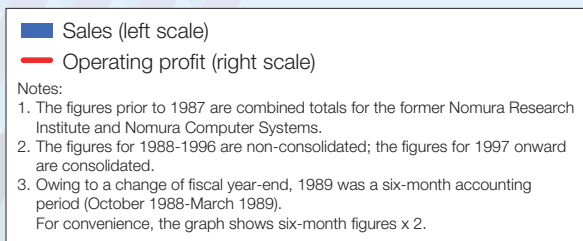
In the Long-term Management Vision "Vision2022" (from FY March 2016 to FY March 2023), and the Medium-Term Management Plan (2019–2022), which are currently being promoted, we are vigorously pushing toward enhancement of our medium- to long-term corporate value under the "Dream up the future" corporate philosophy.

600

400

200

0



65

77.9

82.9

87.9

89.3

92.3

97.3

NRI's History

1965

Former Nomura Research Institute, Ltd. founded as Japan's first private-sector think tank



Former Nomura Research Institute founded

1966

Nomura Computing Center Co., Ltd. founded (Name changed to Nomura Computer Systems Co., Ltd. in 1972)



Nomura Computing Center founded

1967

New York Office established

1972

London Office established

1976

Hong Kong Office established

1984

Singapore Office established

1988

Former Nomura Research Institute and Nomura Computer Systems merged

1994

NRI Pacific Inc. founded
Taipei Representative Office established

1995

Seoul Branch established

1997

Manila Branch established



Former Nomura Research Institute and Nomura Computer Systems merged

NRI's Evolution of Consulting and IT Solutions

Consulting-related events

1970

Forecasted the number of visitors to the Japan World Exposition held in Osaka (a pioneer in research & consulting business in Japan)

1984

System Clinic Service launched (a pioneer in system consulting business in Japan)

1988

Started recommendation activities of the world's five big think tanks including NRI (thereafter annually through 1995)

1989

Organized Pension Management Study Group (affected Japan 401K scheme later)

1994

Launched corporate website sixth in Japan

1995

Center for Cyber Communities Initiative (CCCI) established with Keio University
Cyber Life Club cybermall launched (a pioneer in online shopping business in Japan)

IT Solution-related events

1970

Launched Nomura Securities' "Integrated Online System"

1974

STAR, a shared online service for retail brokerage firms launched

1979

Launched a new ordering system for SEVEN-ELEVEN JAPAN CO., LTD.

1987

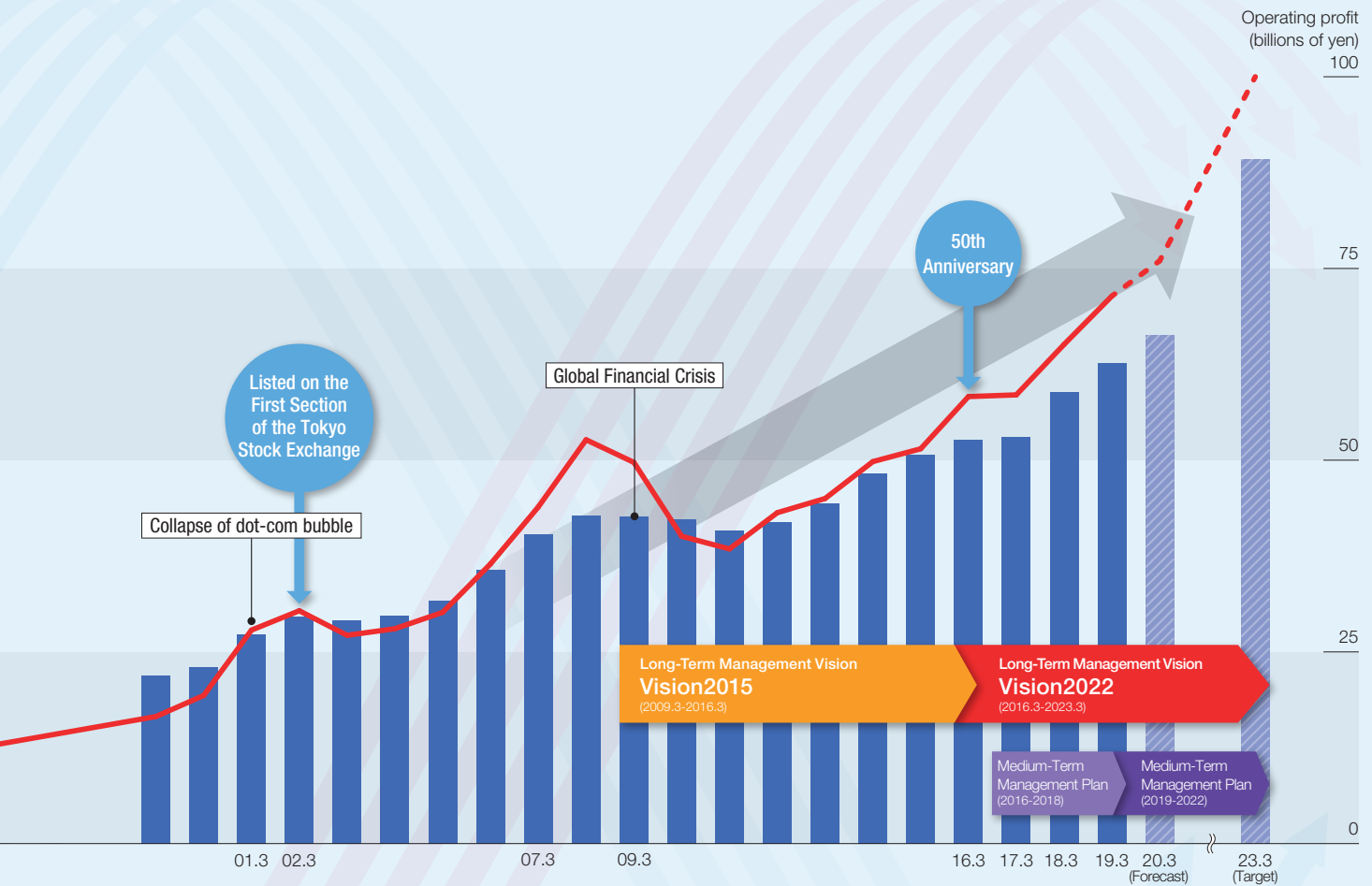
I-STAR, a shared online system for wholesale brokerage firms launched

1987

Famicom Trade System in Nomura Securities launched (a pioneer in contemporary home trading services)

1988

International VAN service between Japan and United States launched



2000
NRI Secure Technologies, Ltd. founded
2001
Listed on the First Section of the Tokyo Stock Exchange
NRI Data i Tech, Ltd. founded
NRI Cyber Patent, Ltd. founded
2002
Nomura Research Institute Shanghai Limited founded
Nomura Research Institute (Beijing), Ltd. founded
2007
NRI Social Information System Services, Ltd. founded
2008
Dallas Office established
Moscow Branch established

2009
NRI BPO Services, Ltd. founded (Name changed to NRI Process Innovation, Ltd. in 2010)
2010
Nomura Research Institute (Dalian), Ltd. founded
2011
Nomura Research Institute Consulting and Solutions India Private Limited founded
2012
Nomura Research Institute Financial Technologies India Pvt. Ltd. founded
NRI System Techno, Ltd. founded
2013
Nomura Research Institute Thailand founded

2014
DSB Co., Ltd. joined NRI Group
Nomura Research Institute Holdings America, Inc. founded
Nomura Research Institute IT Solutions America, Inc. founded
2015
Brierley+Partners, Inc. joined the NRI Group
Zhiming Software Beijing, Ltd. joined the NRI Group
Zhiming Software Japan, Ltd. joined the NRI Group
Nomura Research Institute Singapore Pte. Ltd. and NRI Mirai, Ltd. founded

2016
Cutter Associates, LLC joined the NRI Group
ASG Group Limited joined the NRI Group
NRI digital, Ltd. and NRI Retail Next, Ltd. founded
2017
Nomura Research Institute Australia Pty Ltd. founded
SMS Management & Technology Limited joined the NRI Group
2018
Nvantage India Private Limited founded

1997
Conducted the first Survey of 10,000 Consumers (thereafter conducted every three years)
2000
Advocated the concept of Ubiquitous Networking (a new information technology paradigm)

2003
Started sending CIO aides to government organizations, including Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries etc.

2007
Established Tsinghua-NRI Chinese Research Center
Insight Signal, advertising effectiveness measurement service launched
2011
Recommendation activities and others for Great East Japan Earthquake recovery efforts

2012
Provided comprehensive support, from designing the service to the system architecture, for Shiseido's integrated online beauty service "watashi+."
2014
Assisted the rollout of "NISA" system, from design to system construction

1993
T-STAR, a shared online system for asset management firms launched
1997
BESTWAY, an over-the-counter sales system for mutual funds launched
e-Cash experiment with Japanese commercial banks (Japan's first electronic money trial)

1999
Online trading system for an online brokerage firm launched
2000
Bizmart, an electronic commerce support system launched (Support for B2B transactions)

2001
TRUE TELLER, text-mining solution launched
Full-scale offshore development in China
2004
e-JIBAI, compulsory automobile liability insurance system launched

2012
Launched Value Direct (for online banking)
2016
TRAINA, AI solution launched

Top Message

Top Message



The new Medium-Term Management Plan has begun. As a strategic partner, NRI will create value with its clients and engage in the resolution of social issues.

NRI's three-year Medium-Term Management Plan (2016–2018), which covered the first half of the Long-term Management Vision "Vision2022," was completed at the end of March 2019. The expansion of existing businesses and the development of business bases for the global and DX businesses – which are areas of growth – progressed during the three years. As a result, we were able to achieve our targets. This would not have been possible without the support of our stakeholders, for which I would like to express my sincere appreciation.

In recent years, digitization and globalization of society has been progressing at a rapid pace, and social issues – such as the shortage of workers associated with population decline, and global warming – are escalating.

Under "Dream up the future," which has been its corporate philosophy since around the time of founding, NRI has resolved various social issues through its business, and created a better tomorrow through the power of innovation. We will continue to uphold this philosophy and gain insight into the new paradigms of society and these times of drastic changes. At the same time, we will increase business opportunities by leveraging our strengths to consistently provide services while running side by side with clients in businesses and solutions.

The Medium-Term Management Plan (2019–2022), which was recently formulated, is our growth strategy for a sustainable future.

NRI will aim for continuous improvement of corporate value by creating value with clients as their strategic partner and engaging in the resolution of social issues.

July 2019



Shingo Konomoto

Chairman and President & CEO,
Representative Director, Member of the Board

Looking Back on the Medium-Term Management Plan (2016–2018)

The Four Key Themes of the Long-term Management Vision “Vision2022” and the Previous Medium-Term Management Plan

In April 2015, NRI launched “Vision2022 (V2022)”, a long-term management vision set to conclude in the fiscal year ending March 2023. The strategy aims to further enhance NRI’s existing strengths in IP*1 and also represents NRI’s preparedness to take on new challenges in the dramatic expansion of globalization and the creation of new value in the digital domain. The two main themes of globalization and the DX*2 business form the core of V2022 and are essential for NRI’s long-term growth. However, it will take some time for the strategy to bear fruit. Therefore, during the first three years of V2022 in the Medium-Term Management Plan (2016-2018), we continued business expansion and productivity improvement based on the strengths of existing businesses. At the same time, we steadily drove our business forward while promoting the following four key themes in order to build a business base for the global and DX businesses, which are areas of growth.

*1 Intellectual Property particularly for advanced technologies and business models

*2 DX, or Digital Transformation, refers to the utilization of digital technology for the transformation of business processes and business models

Results of the Medium-Term Management Plan (2016–2018)

As a result of such efforts, we successfully achieved our originally planned targets of ¥500 billion in net sales and ¥70 billion in operating profit. Among the achievements was the further deepening of Con-Solution*3, which is a client support structure that combines consulting and IT solutions. It is indispensable for the promotion of DX business items. Furthermore, in regard to reform of the corporate climate into one that enables challenges to be tackled — an issue that was felt three years ago — we believe that the development of an organizational climate that instills a willingness in each employee to try for and achieve new opportunities has spread. It includes establishment of the Innovation Promotion Committee and the birth of projects for investments in and partnerships with various startups.

Meanwhile, a backdrop to such results is the favorable macro environment surrounding the IT services industry. We believe that it is of importance that the favorable environment does not make us complacent toward the ability to achieve goals, and that we carry out management with humility and self-reflection.

*3 Con-Solution is a business model in which consulting and IT solutions run side by side with clients from the planning and concept stages, creating business while repeating the process of hypothesis testing

Results of the Medium-Term Management Plan (2016-2018)

•Medium-Term Plan (2016-2018) 4 pillars of strategy

Major results of the 3 years

1	Improve productivity in specialty areas in Japan	<ul style="list-style-type: none"> •Hardly any unexpected large-scale unprofitable projects •Improved productivity by integrating business platform development systems and implementing aslead (development management integration tool)
2	Expand industry-standard business platforms and develop large-scale clients	<ul style="list-style-type: none"> •In Industrial IT, major progress has been achieved in the context of DX, and great progress has been made in development of large-scale clients •In Financial IT, worsening business conditions had impact but business platforms grew, and large-scale projects were also acquired
3	Build foundations for global business	<ul style="list-style-type: none"> •Business in Australia is progressing smoothly, mainly with ASG Group •Initiated more governance improvements in conjunction with global business expansion
4	Create business IT*4	<ul style="list-style-type: none"> •More projects involving D2C*5, digital marketing, and analytics •Greater proficiency in agile development for BiT, and profitability has improved •The achievement of co-creation models through the establishment of joint ventures with clients (KDDI, DMG MORI, DENSO and JAL)

•Financial results

	FY Mar. 2016 (Results)		FY Mar. 2019 (Results)
Sales	¥421.4 billion		¥501.2 billion +19% ↗
Overseas sales	¥14.6 billion		¥53.0 billion 3.6 times ↗
Operating profit	¥58.2 billion		¥71.4 billion +23% ↗
Operating profit margin	13.8%		14.3% +0.4pt ↗
ROE	10.6%		12.3% +1.6pt ↗

*4 BiT: IT directly contributes to the expansion of clients’ businesses

*5 D2C stands for Direct to Consumer, or direct sales through e-commerce, etc.



We believe it is important that the favorable macro environment surrounding the IT services industry does not make us complacent, and that we carry out management with humility and self-reflection.

Aimed for Vision of the Medium-Term Management Plan (2019-2022)

New Social Issues and NRI's Mission

As digitization progresses rapidly in recent years, the concerns of many Japanese companies in dealing with DX are becoming more serious. While understanding the need for DX, there are companies that are unable to embark on required efforts due to fears regarding the impact that they may have on existing businesses. There are also cases in which a sufficient structure for DX cannot be built because of a shortage of internal human resources well versed in information technology. Furthermore, as found in the concern over the 2025 Digital Cliff – described in the DX Report published by the Ministry of Economy, Trade and Industry (METI) – many companies are trapped in slow, outdated and black-boxed core systems (i.e., legacy systems). This makes the promotion of DX utilizing new digital technology even more difficult to implement. In the future, these issues may lead to a slowdown of the competitiveness of Japanese companies, depletion of human resources, and lost business opportunities. Amid such environmental changes, there is high expectation placed on NRI and its Con-Solution strengths. NRI will respond solidly to the

challenges faced by clients. At the same time, we would like to resolve social issues by creating new social value with our clients. Doing so is to raise and resolve social issues, or implementing exactly what is found in our corporate philosophy – “Discerning new social paradigms and assuming the role of implementing such paradigms.” This is a philosophy that NRI has valued and passed down to the next generation ever since its founding. Engaging in the resolution of social issues is NRI's mission, and we believe that it also leads to opportunities for growth.

The “Dream Up the Future” Corporate Philosophy, and CSV

The concept of CSV*, which has come into focus in recent years, is about turning attention to social issues, generating business opportunities through a company's main business activities, and achieving corporate growth and a sustainable future. To achieve sustainable growth, it is indispensable that a company creates both social and economic value, and carries out management from a long-term perspective. The “Dream up the future” corporate philosophy – advocated

Long-term Management Vision “Vision2022” Vision Statement



Share	The diverse variety of personnel within the NRI Group joins together to pool their collective effort, and share the achievements and joy of contributing to a vibrant future society together with our clients.
Next	With the mentality of being ahead of the times we pioneer globally, digitally, and into the realm of the future , to create new business models for the next generation.
Values	We refine our strengths and create value by providing various types of services to clients and to society , giving birth to new future-minded business models.

by NRI since around the time of founding – encapsulates the Company’s commitment to contributing to the resolution of social issues and creating a better tomorrow through the power of innovation. This commitment contains the concept of CSV. Each NRI Group employee shares the thinking that the continued enhancement of NRI’s corporate value can be found only through its resolution of social issues.

*Creating Shared Value

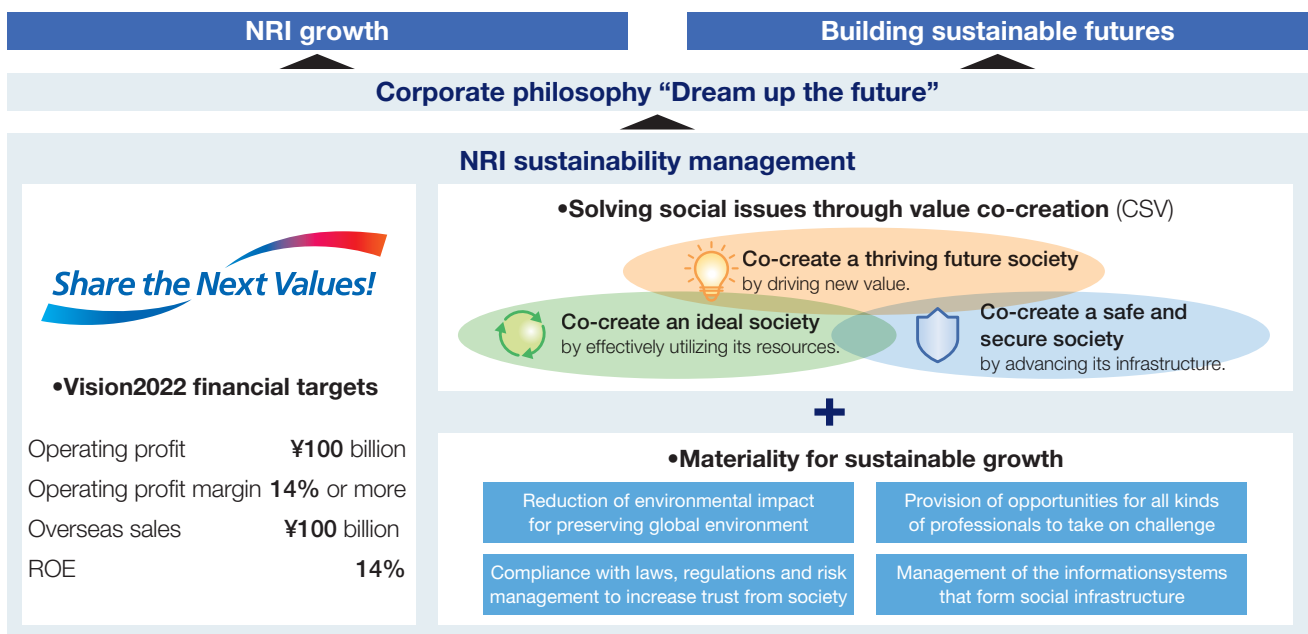
NRI Sustainability Management

Our will to “Dream up the future” is in our DNA and has been inherited by V2022, which was announced in April 2015. Our commitment – to contribute to creating a thriving future society with our clients, to pioneer globally, digitally, and into the realm of the future with the spirit of being

ahead of the times, and to solidly create value and provide them to society and clients – is declared in our V2022 Vision Statement, “Share the Next Values!”

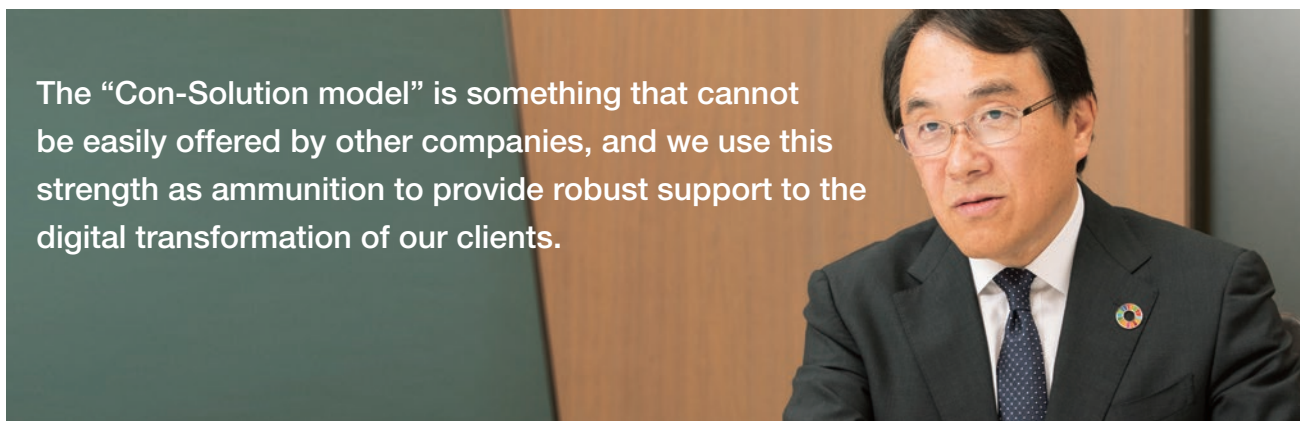
In addition to the financial targets of V2022 and the non-financial target, Materiality for sustainable growth, that is linked to NRI’s growth strategy, CSV initiatives have also been newly included in the recently formulated the Medium-Term Management Plan (2019–2022) as Solving social issues through value co-creation. Among them, social value created through all NRI businesses have been defined as the NRI Group’s 3 Social Values. They will be incorporated into the PDCA cycle of management, monitored, and promoted as NRI Sustainability Management that enables both the continued growth of NRI and building sustainable futures.

NRI Sustainability Management Policy



NRI’s 3 Social Values

	Key NRI Initiatives	Related SDGs
<p>Co-create a thriving future society by driving new value.</p>	<p>Business model transformation</p> <ul style="list-style-type: none"> - DX consulting & analytics - D2C, DX for financial services - Cross-sector cooperation, new market entry support <p>Policy proposals for society & systems, information & knowledge sharing to promote global discussion & action in all sectors</p>	<p>Economic development that inspires feelings of fulfillment</p>
<p>Co-create an ideal society by effectively utilizing its resources.</p>	<p>Business process transformation</p> <ul style="list-style-type: none"> - Strategy/Operations/System Consulting <p>Resource optimization with ASP</p> <ul style="list-style-type: none"> - “THE STAR”, “BESTWAY” and other proprietary business platform solutions 	<p>Sustainable production and consumption</p>
<p>Co-create a safe and secure society by advancing its infrastructure.</p>	<p>IT infrastructure transformation</p> <ul style="list-style-type: none"> - Cybersecurity business - Cloud & Data Center managed services <p>Stable service operation</p> <p>Disaster prevention & reduction policy recommendation & Disaster recovery support</p>	<p>Strong, flexible infrastructure to support social development</p>



Growth Strategy of the Medium-Term Management Plan (2019–2022)

The Three Growth Strategies

In April 2019, we launched a new Medium-Term Management Plan for the achievement of V2022, with the last fiscal year of the Plan as the finish line. Financial targets of the Plan include net sales of over ¥670 billion, an operating profit of ¥100 billion, and overseas sales of ¥100 billion. Strategies that lead to growth of the business by leveraging our strengths and resolving social issues have also been formulated and positioned as growth strategies toward achievement of the financial targets. The three strategies are (1) DX Strategy, (2) Global Strategy, and (3) Human Resources Strategy. They will be implemented as we aim to Co-create Social Value with our clients.

DX Strategy

As digitization accelerates changes in society and consumer behavior, there is a great need for DX partners who can leverage technologies and provide comprehensive support, from strategy formulation to solution implementation, for the transformation of business processes and models.






With one of Japan’s largest consulting divisions, NRI possesses expert consulting capabilities for various industries and operating processes. Under the Con-Solution model, consultants and system engineers work as a single team to support clients. The consultants provide the experience and expertise that they have accumulated through long-term business relationships with industries and clients. System engineers, meanwhile, provide capabilities in the latest technologies while keeping utility in mind. This is something that cannot be easily offered by other companies, and we use this strength as ammunition to provide robust support to the digital transformation of our clients.

In our Business Platform Strategy, with a focus on the financial sector, we will further expand shared online services that NRI has fostered over many years, such as THE STAR and BESTWAY, for the nonstrategic areas of our clients. For our clients who will be entering the financial services business from other industries to meet transformations in the industry structure, we will provide new business platforms as support for the swift creation of new businesses and advancements into new markets.

In our Cloud Strategy, we will boost the agility of our

Growth Strategy of Medium-Term Management Plan (2019-2022)

Main strategies

 DX	Use technology to transform customer business models and processes •Offer comprehensive support through DX from front-office to core systems to develop large-scale customers
 Business platform	Evolve business platforms (BPFs) in finance •Additional expansion of BPFs that cater to IT structure reform and new entry
 Cloud	Modernize legacy systems by using cloud •Comprehensive support from diversifying system platforms to application development
 Global	Achieve more global business growth, seeking sales of ¥100 billion •Expand business base, centered on external growth in Australia and North America
 Human resources	Strategic recruiting, talent development and collaboration with partners to bolster NRI’s competitiveness •Increase mid-career recruiting, offer diverse workstyles, etc.

clients' businesses and achieve the optimization of their IT costs by modernizing outdated and slow legacy systems*1, developing cloud-native applications, and other means.

*1 Modernizing legacy systems refers to optimizing and modernizing system platforms and applications.

Global Strategy

In addition to our existing bases in Asia, we will also make Australia and North America – where business bases were developed in the previous Medium-Term Management Plan – primary regions of focus. We will promote business expansion based on external growth, such as M&A.

Australia – with its population increase, a higher growth rate of the IT services market as compared with Japan, and active adoption of new technologies, such as cloud computing – is a very attractive market. The provision of consistent IT managed services*2 is now possible with the acquisition of SMS (and its strengths in consulting services) by the ASG Group (which has strengths in the IT infrastructure services). With the ASG Group at the center, we will aim to establish ourselves in the Australian market. Meanwhile, in North America, we will promote business expansion through the acquisition of high value-added IPs in the digital realm.

In regard to external growth through M&A and other means, which is required to expand our global business, there is no change in our policy – to aim to capture client bases and acquire competitive IPs, rather than simply pursue size expansion. We are assuming M&A investments of over ¥50 billion during the four years between the fiscal year ending March 2020 and the fiscal year ending March 2023. This is higher than those made during the previous Medium-Term Management Plan.

In April 2019, we launched the Global Headquarters setup as an organization that will support the acceleration

of the global business and ensure proper governance. Our administrative structure, such as human resources, legal affairs and risk management, that meets global standards will be strengthened along with the expansion of our business.

*2 IT managed services purchase clients' software assets and migrate them to a cloud environment, then provide IT services that also include system maintenance and repair.

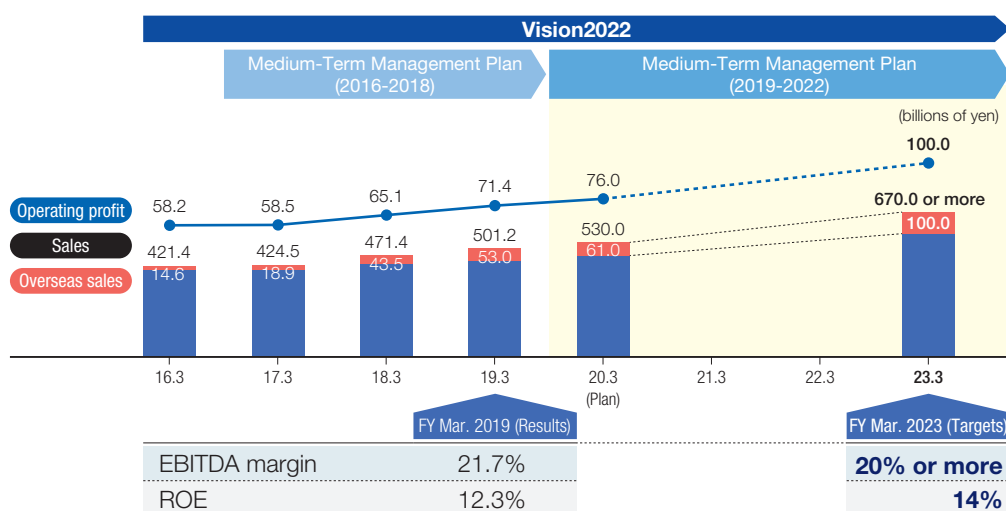
Human Resources Strategy

Hiring and cultivating human resources who are capable of supporting the digital era and achieving success are indispensable to promote the expansion of the DX business that will lead client businesses to success and resolve social issues. A DX business project team comprises a business designer (who develops the business model concept), a data scientist (who extracts from data, information involved in a business and carries out analysis), and application and platform engineers (who design applications and system platform architecture). Furthermore, a leader who not only understands business and IT but can hold a dialogue with the person responsible at the client is necessary to serve at the center of the team.

Human resources with such diverse skills will be secured not only by hiring specialists but also strategically cultivating them in-house. In April 2019, we created a program to cultivate DX human resources. The development of capabilities required to promote the DX business – such as analytics, blockchain, agile software development and cloud computing – is being carried out powerfully across the whole company. Furthermore, we will be increasing our collaboration with business partners who possess DX and other technologies.

As an environment where differing human resources with specialist knowledge and capabilities work, the approach taken at NRI is more than simply promoting employee

Medium-Term Management Plan (2019-2022) Financial Targets





The NRI Group will work as one and keep endeavoring to create, through its businesses, social value that is distinctive of NRI as well as continue to contribute to building sustainable futures.

diversity in areas like nationality and lifestyle. It is about creating an environment of inclusion where the unique, individual strengths of each employee come together to form group strengths. We will thereby promote work-style

reform, including greater participation by women and senior personnel, and creating an environment that is friendly to persons with disabilities.

Emphasis on Quality that Fulfills NRI's Corporate Social Responsibility

While we will, as mentioned, promote initiatives that boldly launch challenges and take risks, there are also areas where failure is simply not an option. The data centers operated by NRI support the business continuity of clients who provide financial or product distribution functions. The data centers store businesses' classified information as well as personal and other sensitive information, and all possible measures must be taken, around the clock and throughout the year, in their operation. Sophisticated information security management must be in place. To ensure the safety and security of our data centers, operational quality is enhanced on a daily basis. We execute training to prepare our employees on the proper responses to take in the event of any problems. More than 3,000 inspections and drills are carried out each year to make sure that any warning signs of failures and

information security incidents will all be caught.

Assuring at the system development phase that no large-scale unforeseen, loss-making events will occur is the basic condition when rolling out management measures for growth. The Quality Management Division, which is in charge of company-wide project management, will take the lead in deliberation at the proposal and quotation stage to ensure the adequateness of projects. It will also strengthen the management of knowledge related to project management. The Division will thoroughly implement project risk management based on the quality management system that has been cultivated by NRI over the years.

Kaizen (continuous improvement) is carried out every day in such ways so that NRI may fulfill its corporate social responsibility.

Continuous Enhancement of Corporate Value and Promotion of Dialogue with Stakeholders

To achieve the continuous growth of NRI, we will not only invest the profits and cash that have been generated toward medium- to long-term business growth but also return them to shareholders. We have been further increasing our capital efficiency, including completion in November 2018 of the acquisition of roughly ¥30 billion in treasury stock. In June 2019, we announced the acquisition of treasury stock worth ¥160 billion through tender offer. We will also continue to consider a dividend payout ratio that is suitable to NRI's growth stage.

NRI has also been promoting constructive dialogue with stakeholders, briefing them of our efforts toward the continued enhancement of NRI's corporate value in an easily understood manner. It includes presenting our medium- to

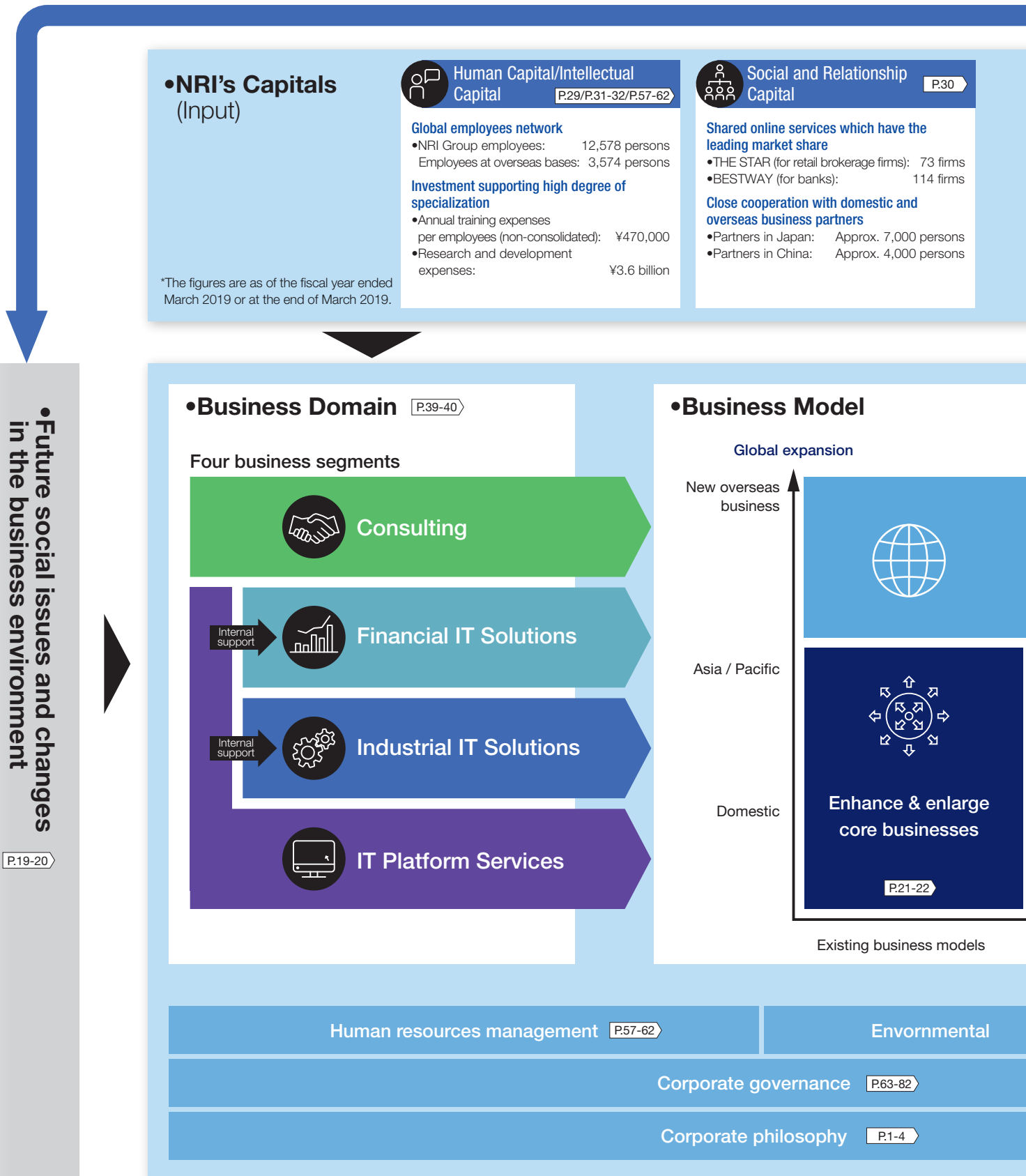
long-term strategies and financial targets through V2022 and medium-term management plans. As part of these efforts, we held our first ESG briefing in February 2019, describing how we implement our corporate philosophy as well as introducing our efforts related to sustainability management and environmental, social and corporate governance. We will continue to strengthen our dialogue with our stakeholders.

The fiscal year ending March 2020 is the first year of the Medium-Term Management Plan (2019–2022). The NRI Group will work as one and keep endeavoring to create, through its businesses, social value that is distinctive of NRI as well as continue to contribute to building sustainable futures.

We ask for your continued understanding and support.

Value Creation Process

NRI identifies future social issues and creates new value via efforts to solve them. We execute business models by defining optimal business domains (business segments) and business models while flexibly responding to changes in the business environment, and then injecting the various types of capital required.



•Future social issues and changes in the business environment

P.19-20

The resulting solutions and services provided to customers contribute to a thriving future society and help achieve the “Vision2022” Long-term Management Vision that NRI is aiming for. Repeating this series of processes builds robust competitive advantages for NRI and achieves continuous improvement of corporate value, which in turn further strengthens our capital and leads to attempts to solve new social issues.

Manufacturing Capital P.79-82

System development quality (NRI-QMS)

- The international standard ISO9001 certification acquired

Data center's operational quality

- The global certification M&O* approved (three data centers in Japan)

*Global standards for evaluating data centers by the Uptime Institute, a private U.S. entity.

Financial Capital P.33-36

Solid financial foundation

- Equity ratio: 67.1%
- Rating:
 - Rating and Investment Information (R&I): AA-
 - S&P Global Ratings Japan: A

Capital reserves for flexible investments

- Free cash flows: ¥39.5 billion

High capital efficiency to achieve both growth and returns

- ROE: 12.3%

Natural Capital P.53-56

Environmental management system

- EMS coverage rate (based on CO₂ emissions): 92.9%
- Data centers: ISO14001 certification acquired
- Offices: NRI-EMS introduced

Reducing greenhouse gas emissions

- FY March 2019 (Results): -38.2% (Compared with FY March 2014)

Accelerate globalization P.23

Create & expand DX business P.24

IoT Cloud AI

Greater customer numbers & business growth

New business models

management P.53-56

Long-term Management Vision “Vision2022”

Value provided to society P.41-48

Vision statement

Share the Next Values!

Medium-Term Management Plan (2019-2022) (FY Mar. 2020-FY Mar. 2023) P.25-28

Co-create a thriving future society by driving new value.

Strive to create a future of continuous new value generation that leads to an abundant and safe society where all benefit.

8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES 17 PARTNERSHIPS FOR DEVELOPMENT

Co-create an ideal society by effectively utilizing its resources.

Strive to build a more livable society for all people by efficiently utilizing society's main resources of manpower, goods, capital and intellectual property to develop dynamic, strong industry.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR DEVELOPMENT

Co-create a safe and secure society by advancing its infrastructure.

Strive to build a society safe and secure from accidents and disasters by strengthening cyber-security for information systems and other core social infrastructure.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION 17 PARTNERSHIPS FOR DEVELOPMENT

Changes to the Business Environment Surrounding NRI

Opportunities and Threats due to Changes in the Business Environment, and NRI's Business Model

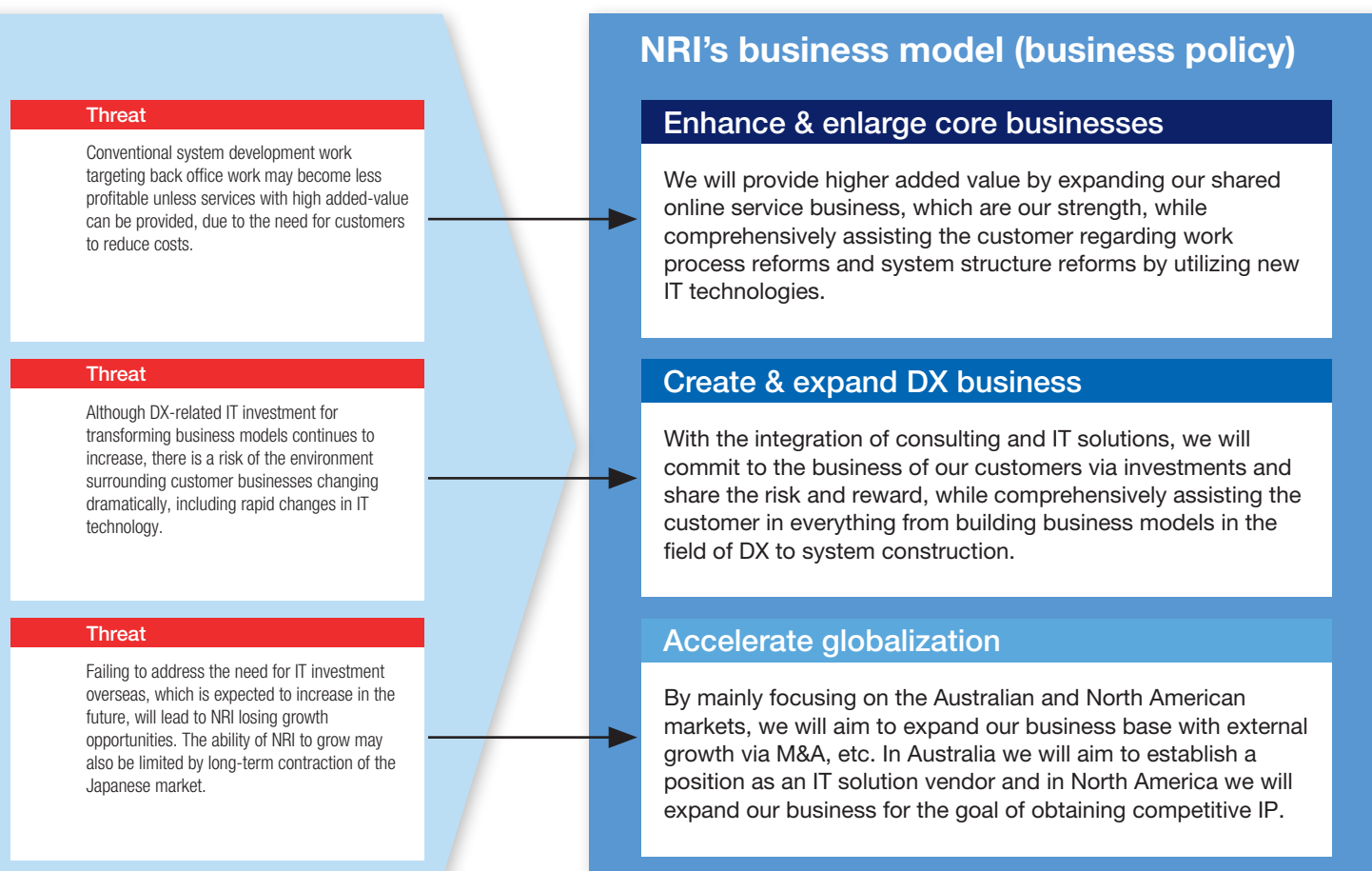


* "DX Report: Overcoming of '2025 Digital Cliff' Involving IT Systems and the Full-fledged Development of Efforts for DX" by the Ministry of Economy, Trade and Industry

Risks Receiving Many Questions from Investors and NRI's Response Measures

Risks	Response measures
Influence of varying demand for IT investment Possibility of income rapidly decreasing due to economic fluctuations and the update cycle of IT investment	<ul style="list-style-type: none"> • Expanding DX projects directly linked with management issues that are not affected by economic fluctuations <ul style="list-style-type: none"> ▶ Consulting and IT solutions segments work together to expand our business for high-priority themes such as business model transformation in the field of DX • Building a stable income structure via the expansion of shared online services <ul style="list-style-type: none"> ▶ Maintain a high level (more than 60%) of stable business with a high rate of retention, such as shared online services, operation outsourcing, and enhancement (maintenance/operation)
Bottlenecks in development human resources The possibility of bottlenecks to expanding revenue due to insufficient development resources caused by a sudden increase of orders	<ul style="list-style-type: none"> • Enhance both new graduate and mid-career recruiting to increase the number of employees (non-consolidated) by 1,000 or more in the four year period of the Medium-Term Management Plan (2019–2022) • Control the turnover rate by providing employees with opportunities for growth and establishing the human resources system and labor environment <ul style="list-style-type: none"> ▶ As a result, also ensure reserve resources to handle increased demand • Maintain good trading relationships with excellent cooperating companies in Japan and overseas, and enable production that overcomes the limitations of NRI's resources <ul style="list-style-type: none"> ▶ Conclude "e-partnership agreements" with highly specialized cooperating companies to continue improving quality and productivity together • Implement company-wide human resource management that transcends business segments, based on order trends

NRI flexibly corrects the value creation process according to environmental changes. We include business policies for continuing sustainable growth in medium to long-term management plans and fiscal year plans upon understanding changes in the social environment and customer company needs, as well as opportunities and threats for NRI.



Risks	Response measures
<p>Intensification of price competition and other aspects of the competitive environment</p> <p>The possibility of revenue being suppressed through the appearance of competing services or price competition in consulting and IT solutions business</p>	<ul style="list-style-type: none"> • Focus on providing services with high added-value instead of price competition <ul style="list-style-type: none"> ▶ Thoroughly understand the strategy/work/IT of a specific customer and provide assistance that fits the needs of that customer comprehensively and in the medium to long-term in order to achieve differentiation • Shared online services build superiority with the largest market share <ul style="list-style-type: none"> ▶ Provide complete and definite operation and cost reduction benefits while maintaining added-value such as swift handling of legal system changes
<p>Delays in responding to technical innovation</p> <p>The possibility that rapid evolution of digital technology, cloud technology, etc., will make NRI's software and data center services obsolete</p>	<ul style="list-style-type: none"> • Invest research and development expenses in a stable manner and continue investment in technology <ul style="list-style-type: none"> ▶ Identify trends in cutting-edge technology through industry-academia collaboration with MIT and Stanford University ▶ Be the first to gain knowledge in new technology through proof of concepts (PoC) testing with industry-leading clients • Enhance cultivation of human resources with a high degree of specialization that can understand and utilize new technologies <ul style="list-style-type: none"> ▶ Enrich training courses and internal certification systems in order to cultivate advanced human resources that can lead business in the field of DX

Enhance & Enlarge Core Businesses

NRI has developed the unique “Navigation × Solution” business model, where it provides an integrated service which starts from “Navigation,” which guides clients from problem discovery to solution strategies by consulting, to “Solution,” which implements a solution by system development and management, and other means. As necessary, the two work together in the “Navigation × Solution” business model. One of the culminations of the “Navigation × Solution” business model is NRI’s shared online services. Furthermore, in recent years we have been expanding our scope of services to include utility services that combine IT solutions such as shared online services and business process-outsourcing (BPO) services for peripheral work.

	Services Provided	Major Service Content
Navigation	Future forecasts/ social recommendations	<ul style="list-style-type: none"> •Future forecasts/suggestion activities related to the economy, society, industry, etc. •Communication of information through publishing activities, media coverage, symposia, etc.
	Management consulting	<ul style="list-style-type: none"> •Support for corporate management strategy/individual strategy formulation •Support for proposal of policies for national government and public offices (Examples) Medium to long-term plans, yearly plans, new business plans, M&A
	Operational Consulting	<ul style="list-style-type: none"> •Support for execution of corporate strategy •Support for implementation of the policies of national government and public offices (Examples) Project management, business process creation, execution support
	System consulting	<ul style="list-style-type: none"> •Formulation of IT system strategy for national government and public offices •Support for planning and execution of business reform utilizing IT •Establishment of IT governance at individual global sites
Solution	Systems consulting	<ul style="list-style-type: none"> •Planning, design, and development of information systems Planning, selection, and creation of necessary hardware (servers, network devices) and software (OS, middleware, software packages)
	System management outsourcing	<ul style="list-style-type: none"> •Safe operation and maintenance of developed systems System monitoring, troubleshooting just in case, renovation for stable operation of systems
	Shared online services	<ul style="list-style-type: none"> •Broad provision of systems developed by NRI to multiple clients as “shared online services”
	Utility services (IT solutions+ BPO services)	<ul style="list-style-type: none"> •Be entrusted with IT solution such as shared online service together with outsourcing for peripheral work (BPO) services (Examples) Data input, form output/sending, client account management work, etc.

Shared Online Services

NRI has served the needs of clients in the financial industry and provided innovative solutions for a long time. The product of this accumulated expertise is the shared online services.

Shared online services consist of creation of software incorporating the technology and expertise cultivated through building systems for individual clients, with the client's required work standardized, and providing it as SaaS*.

Shared online services allow for greater cost reductions when compared to constructing a system for each company. It also alleviates the burden of adapting to regulatory revisions. As an industry pioneer, NRI has provided these services since the 1970s, even before the term "cloud" existed, and has been far ahead of its competitors, supporting the "shift from ownership to use" of information systems for over 40 years.



*Software as a Service: a type of service in which software located on a private NRI cloud is provided via the Internet

Utility Services (IT solutions + BPO services)

Utility services are provided in combination with NRI's IT solutions such as shared online services and BPO services.

In recent years, some clients have consolidated management resources in sales department or planning departments, and have begun to outsource back-office departments themselves. NRI provides the entire business process with the personnel who handle related work, not just the system.

Major Shared Online Services

 <p>Launched in 1974</p> <p>THE STAR</p> <p>Back-office solution for retail brokerage firms</p> <p>73 firms</p>	 <p>Launched in 1997</p> <p>BESTWAY</p> <p>Back-office solution for mutual fund sales at banks</p> <p>114 firms*</p> <p><small>*Including life insurance firms, non-life insurance firms, and investment trust firms, etc.</small></p>
 <p>Launched in 1987</p> <p>I-STAR</p> <p>Back-office solution for wholesale brokerage firms</p> <p>28 firms</p>	 <p>Launched in 2012</p> <p>Value Direct</p> <p>Online banking system</p> <p>18 firms</p>
 <p>Launched in 1993</p> <p>T-STAR</p> <p>Back-office solution for asset management firms</p> <p>78 firms</p>	 <p>Launched in 2015</p> <p>e-BANGO</p> <p>My Number management services</p> <p>No. of My Number stored Approx. 16 million cases</p>

Note: As of March 31, 2019.

Major Utility Services

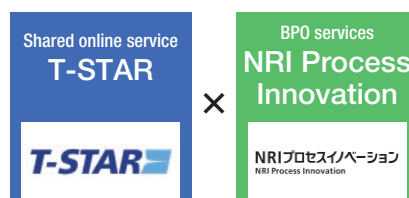
For retail brokerage firms

NRI provides the shared online service "THE STAR," and DSB Co., Ltd. provides comprehensive support services. They range from trade execution, clearing, settlement, account management, account transfer and other financial services carried out on behalf of securities companies, to securities back-office works, printing, envelope insertion and mailing services.



For asset management firms (investment trust and investment advisory firms)

NRI provides the shared online service "T-STAR," and NRI Process Innovation, Ltd. provides the overall middle/ back-office work, such as standard price calculation for asset management firms (investment trusts and investment advisory firms, etc.) and other investment trust accounting work and investment report creation work.



For financial institutions / operating companies

NRI provides "e-BANGO" as My Number storage/ management system with high management standards, based on our experience operating backbone systems for financial institutions. DSB Co., Ltd. provides services for the collection, registration, management, and use of individual numbers.



Accelerate Globalization

NRI implements global business on the premise of the solid competitive advantage of a client base and competitive IPs cultivated over many years of experience. Since NRI differentiates via high added value, we do not perform M&A that aims to simply expand the scale, and instead are expanding our business base via external growth in North America, Australia, and Asia.

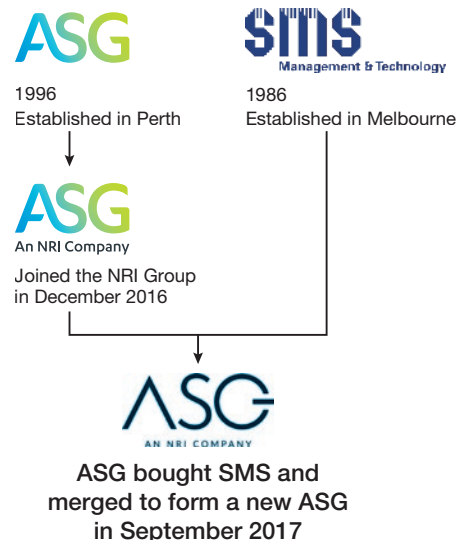
Business Base Expanding Globally

Region	Company name	Company overview
Australia		ASG Group (made a Group company in 2016) IP An IT managed service that lifts out on-premises customer software assets to cloud environments. In 2017, ASG Group acquired SMS, whose strength is consulting, and started unified management from 2018.
North America	brierley+partners	Brierley+Partners (made a Group company in 2015) IP The founder was the person who designed and operated the first mileage program at a U.S. airline. BRIERLEY LOYALTYWARE™, an integrated loyalty program solution, including all necessary functions, such as membership registration for clients, recording and tracking clients' action history, acquiring points and mileage as well as redeeming points, and other solutions.
		Cutter Associates (made a Group company in 2016) IP Cutter Associates has strength in research and consulting in the U.S. asset management industry and has the largest client base in the country, including over 200 firms such as asset management firms, insurance firms and pension funds.
Asia		NVANTAGE (established in 2018) IP Robustly assists and promotes operational reforms focused on the wholesale departments of global financial institutions, via the integration of the financial know-how of Nomura Holdings, Inc. and the provision of human resources, IT solutions, and BPO services by NRI.

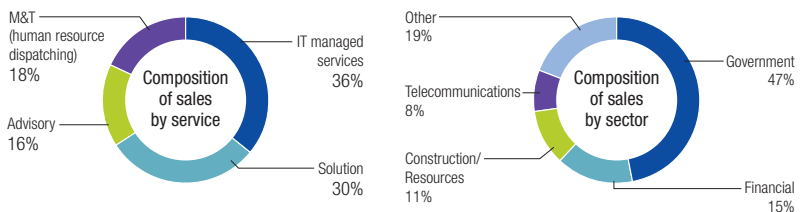
Expanding Our Business Base in Australia

As a key player that leads the IT market in Australia, the ASG Group (ASG) has expanded its business base by providing large-scale IT outsourcing over a long period, focusing on government and major private companies. It entered the NRI Group as the core of our global business in December 2016, and merged SMS in 2017 and has grown into a Tier 1 corporation with approximately 2,000 employees in Australia.

•History of ASG



•Business Profile of ASG (As of the end of June 2018)



•Strengths of ASG

Good client base	<ul style="list-style-type: none"> •Excellent client base in government, financial, telecommunications, and resource industries •Maintain long-term and stable relationships
Wide range of experience providing IT managed services	<ul style="list-style-type: none"> •Experience with large-scale IT managed services mainly for government •Quality, mobility, and additional proposals supported by customers (Rate of contract renewal: 95% or higher)
Flexible community-based business operation	<ul style="list-style-type: none"> •Sales reps are community-based and flexible •Operations made efficient across regions

Create & Expand DX Business






Achieving a DX business requires a strategic partner that provides swift implementation while transforming work processes and business models at the same time as transforming IT infrastructure and discussing things together.

NRI has the human resources and functions required for both consulting and IT solutions and provides “Con-Solution” for creating a DX business via repeated hypothesis testing side-by-side with the customer.

DX Strategy

DX2.0	Business model transformation	Build cross-industry platforms that seeks ecosystems <ul style="list-style-type: none"> Establishing services and providing functionality in particular fields
DX1.0	Process transformation	Digital front office <ul style="list-style-type: none"> Digitalize actions for end users <ul style="list-style-type: none"> Helping customers execute D2C strategies CRM, digital marketing, etc.
		Digital back office <ul style="list-style-type: none"> Digitalize actions within customer companies <ul style="list-style-type: none"> SCM reforms such as inventory optimization Operational efficiency improvements using AI, RPA, etc. Industry standard business platforms, etc.
	Infrastructure transformation	Enhance infrastructure such as cloud, security <ul style="list-style-type: none"> Supporting migration from on-premises to cloud Managed services for system platforms Security business mainly focused on NRI SecureTechnologies, Ltd. (NRI Secure), etc.

DX2.0 Business Model Transformation Expanding via Co-creation with Customers

Major initiatives	Business overview
 <p>Bit Realty, Inc. Established: June 26, 2017 Capital: ¥495 million (Kenedix: 80.1%; NRI: 19.9%)</p>	<ul style="list-style-type: none"> With Kenedix, Inc., established a joint venture for operating an investment-type crowdfunding platform related to real estate and infrastructure investment Created system for using the power of digitization to provide various investors with opportunities for investing in real estate, which was conventionally limited to institutional investors
 <p>KDDI Digital Design Inc. Established: December 15, 2017 Capital: ¥7 billion (KDDI: 51%; NRI: 49%)</p>	<ul style="list-style-type: none"> With KDDI CORPORATION, established a joint venture for assisting digital transformation at companies Assistance for everything from planning business strategies and validating their commercialization to building and operating the network infrastructure and developing the required systems
 <p>Technium CO., LTD. Established: January 9, 2018 Capital: ¥300 million (DMG MORI: 66.6%; NRI: 33.4%)</p>	<ul style="list-style-type: none"> With DMG MORI CO., LTD., established joint venture for assisting the high level utilization of production facilities in factories, etc. using digital technologies.
 <p>NDIAS, Ltd. Established: December 3, 2018 Capital: ¥100 million (DENSO: 50%; NRI Secure: 50%)</p>	<ul style="list-style-type: none"> DENSO CORPORATION and NRI Secure established a joint venture in the automobile cybersecurity business Provides security assessment and consulting services, etc., for vehicles and on-board electronic devices for the automobile industry in the age of connected cars and autonomous driving
 <p>JAL Digital Experience Co., Ltd. Established: February 4, 2019 Capital: ¥475 million (JAL: 51%; NRI Group: 49%)</p>	<ul style="list-style-type: none"> With Japan Airlines Co., Ltd. (JAL), established a joint venture for creating services for proposing lifestyle personalization and enrichment in customers' daily lives and at travel destinations, rather than simply while using aircraft

Medium-Term Management Plan (2019-2022)

Our Medium-Term Management Plan (2019-2022) is the last four-year plan toward the final goal of our “Vision2022” Long-term Management Vision, and is also the NRI growth strategy for creating a sustainable future society.

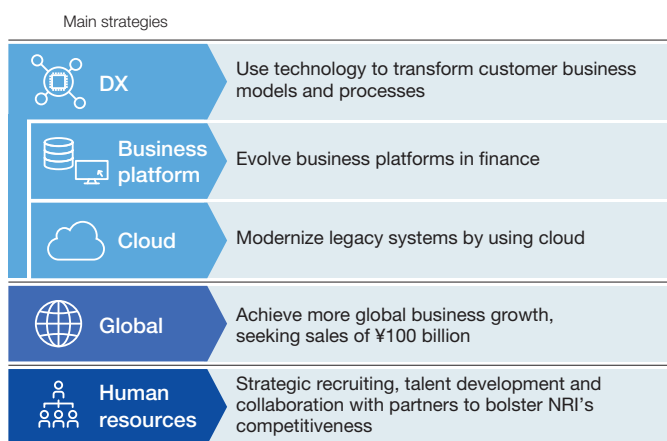
Three Growth Strategies

Although many Japanese companies recognize the effectiveness and necessity of DX*, there are many cases where they are unable to start working on it due to a lack of human resources in IT or a lack of reward due to a conflict of interests with existing business. Furthermore, as mentioned in the DX Report of the Ministry of Economy, Trade and Industry, outdated/black-boxed legacy systems are hindering the growth of companies across the entire industrial world, and this is raising concerns of a “2025 Digital Cliff” where competitiveness will be lost, IT human resources will dry up, and business opportunities will be lost.

In order to sincerely address these new challenges faced by our customers and society at large, NRI has defined the three growth strategies of (1) DX Strategy, (2) Global Strategies, and (3) Human Resources Strategies in the Medium-Term Management Plan (2019-2022) in order to solve these problems via the co-creation of new value with customers.

* Digital transformation: Work process transformation and business model transformation by utilizing digital technologies

Growth Strategy of Medium-Term Management Plan (2019-2022)



DX Strategy

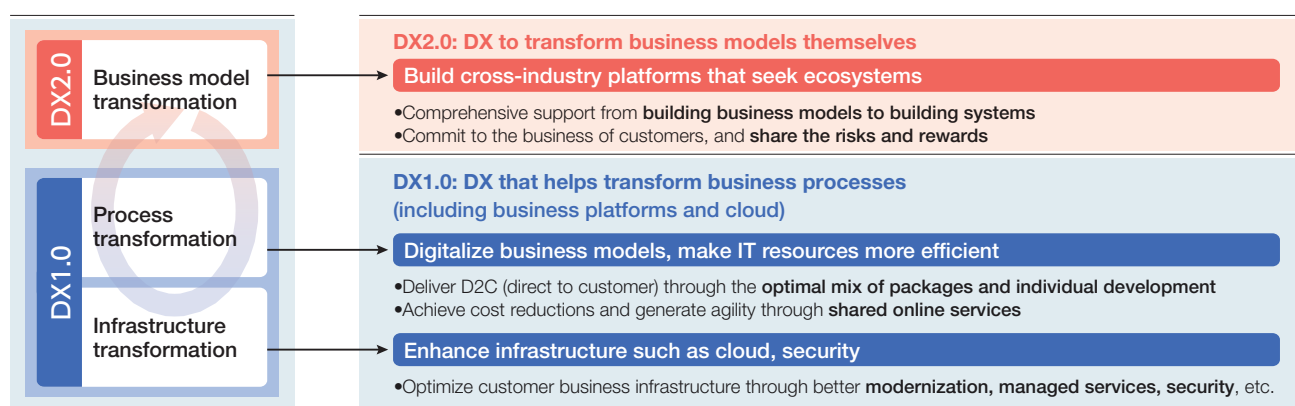
•Becoming a DX Partner for Continuous Business Expansion

Developments in technology have led to expanded initiatives for increased business by utilizing digital technologies. NRI is constructing competitive advantages by utilizing our strength of combining consulting and IT solutions. The DX business of NRI defines “DX1.0” as DX that contributes to work process transformations in existing businesses and “DX2.0” as DX that generates new business models themselves via digital technologies.

In the field of “DX1.0” we promote a large number of initiatives for advancing infrastructure such as cloud and security infrastructure, as well as making client work and IT assets more efficient by utilizing digital technologies. In the field of “DX2.0” we establish joint ventures with customers and companies that have advanced technologies and promote the creation of new businesses utilizing digital technologies via collaboration.

Around 2017, which was during the previous Medium-Term Management Plan, investment in DX started at a wide range of companies, with a sudden increase in IT investment for business model and work process transformation utilizing digital technologies, focused on customers in industries such as distribution, manufacturing, and services. This is expected to continue to expand across industries in the next four years, and NRI aims to become a DX partner for society and corporations in order to create social value and expand business via DX assistance.

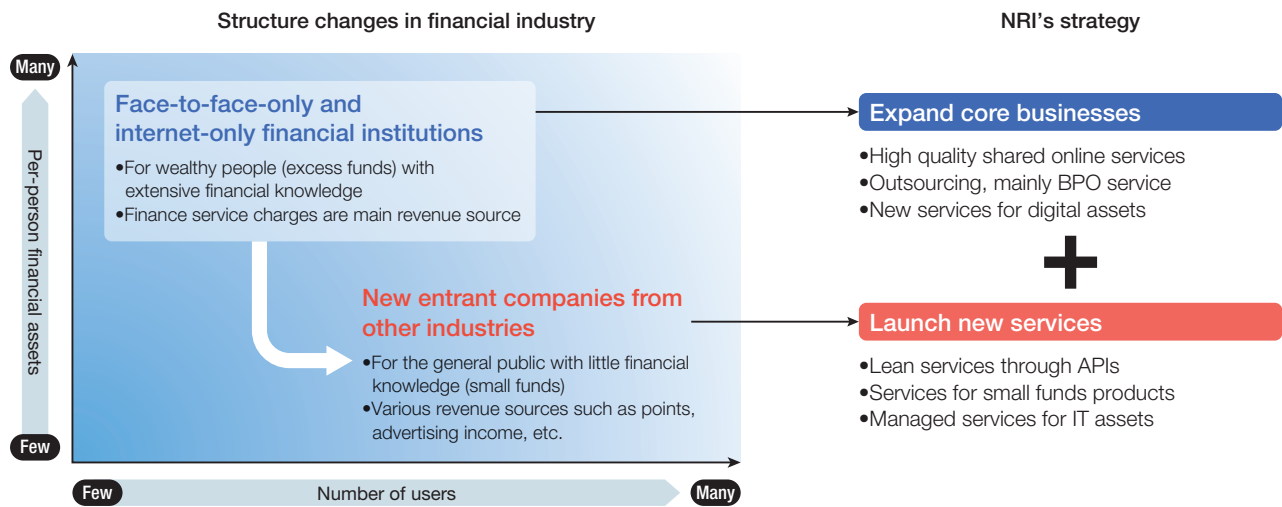
Business Expansion in DX Strategy



•Business Platform Strategy

NRI provides shared online services that enable multiple companies to use a single system that standardizes the information systems required for conducting work, based on the accumulation of financial industry know-how over a long period of time. We will aim to expand clients and services by providing new services such as those for handling the paperwork conducted at the back office by financial institutions while expanding the customers that use these services such as “THE STAR” back-office solution for retail brokerage firms. We will also provide new business platforms for customers that enter the financial industry from other industries due to changes in the industry structure, and promote assistance for creating new customer business and new services.

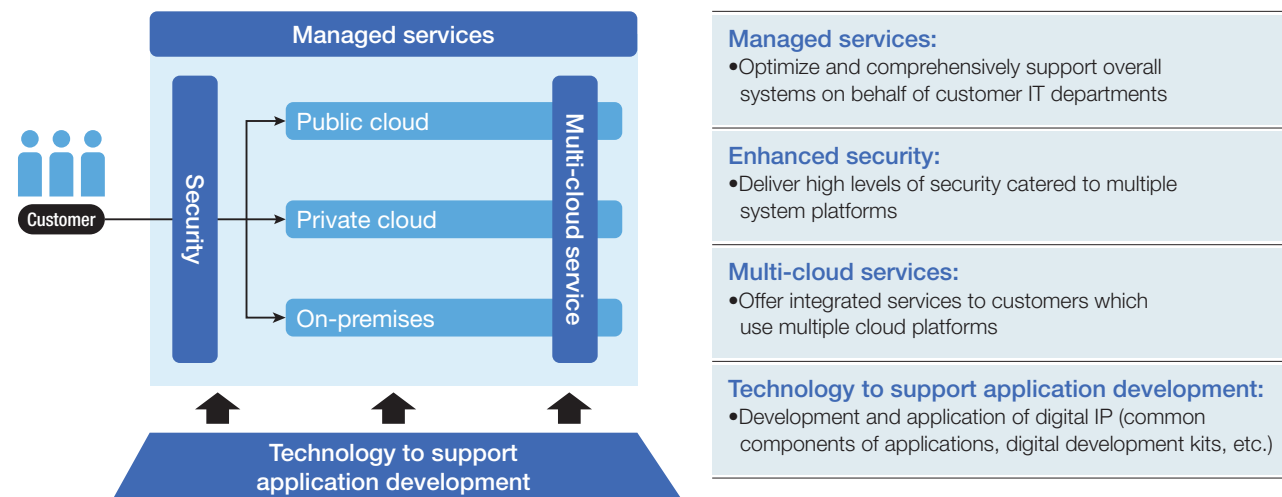
Business Platform Strategy



•Cloud Strategy

Demand for overall system optimization is increasing due to diversification and sophistication of customer system platforms, such as on-premise usage and utilization of multiple cloud platforms. In order to meet this demand, NRI provides multi-cloud services that enable the centralized management of multiple cloud platforms and managed services that comprehensively assist and optimize entire systems in lieu of customer IT departments. We will also improve our business agility and advanced security for supporting the business of our customers, and achieve cost optimization.

Cloud Strategy



Global Strategies

In order to achieve our target of ¥100 billion in overseas sales as indicated in V2022 and our Medium-Term Management Plan (2019-2022), we will execute growth strategies for the three regions of Australia, North America, and Asia/Europe, and accelerate the expansion of our global business base with external growth via M&A, etc. In April 2019, we also established a new Global Headquarters to support our expanding global business. We will link with local holding companies in the various regions to ensure the enhanced governance of overseas subsidiaries.

The scope of M&A investment for global business expansion was approximately ¥50 billion over the past three years, and we expect to invest ¥50 billion or more over the next four years.

Global strategy

Australia

- Seek to be a **top-10 Australian IT services company** by around FY March 2021
- Achieve additional external growth in fields where synergies can be anticipated

North America

- Acquire **high added value IP** of companies with advanced technologies and expertise

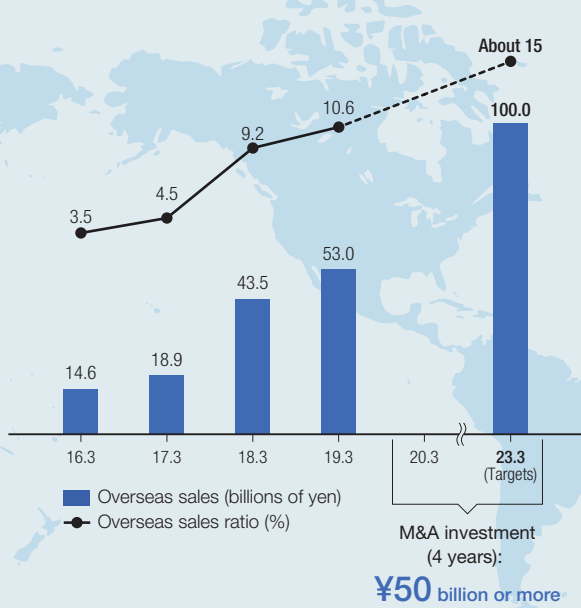
Asia, Europe

- Further expand consulting for Japanese and local companies in locations throughout Asia
- Expand **outsourcing business** geared toward financial institutions, with NVANTAGE at the core

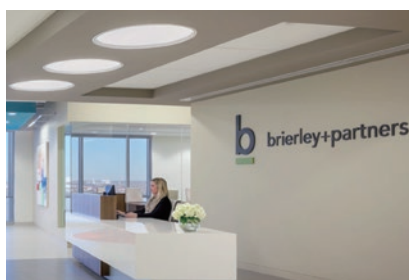
Functions of Global Headquarters

- Formulate global strategies and support their execution
- Work together with regional controlling companies such as NRI Australia, and strengthen governance of overseas subsidiaries

Overseas sales / Overseas sales ratio



ASG Group (Australia)



Brierley+Partners (North America)



NVANTAGE (India)

Human Resources Strategies

In order to execute these growth strategies toward building sustainable futures, it is essential to lead customer businesses to success and recruit and cultivate human resources that can create new value. In particular, we have an urgent need for securing human resources that can steadily promote our DX Strategy and areas of growth such as global business, and therefore work on enhancing our new graduate and mid-career recruiting, as well as employee training. We will also promote work-style reforms unique to NRI by promoting diversity and cultivating a corporate culture that enables our employees to flourish and take on challenges. Furthermore, we will strengthen our relationships with business partners that have expertise and are well-versed in digital technologies.

Human Resources Strategies

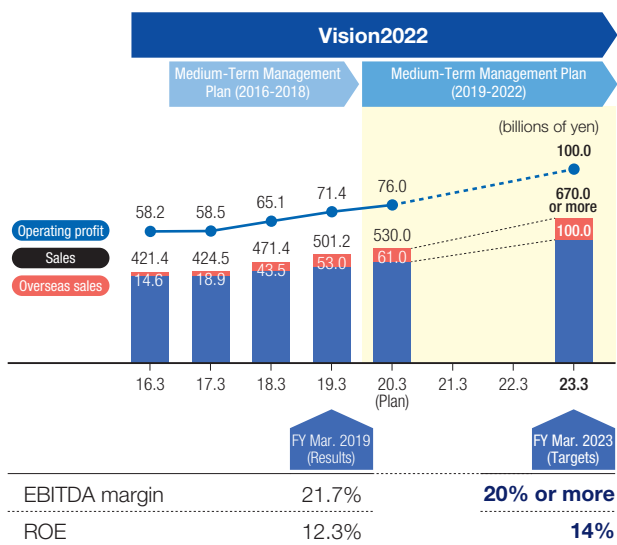
Bolster hiring	<ul style="list-style-type: none"> • Increase of 1,000 employees or more (non-consolidated) over four years • Bolster new graduate hiring: Bolster promotions, etc. • Bolster mid-career hiring: Further improve systems of working conditions for the hiring of more specialists, etc. <table border="1" style="margin-top: 10px;"> <thead> <tr> <th></th> <th style="background-color: #0056b3; color: white;">FY Mar. 2019</th> <th style="background-color: #0056b3; color: white;">FY Mar. 2023 (Plan)*</th> </tr> </thead> <tbody> <tr> <td>New graduate hires</td> <td>About 300 persons</td> <td>Stable expansion</td> </tr> <tr> <td>Mid-career hires</td> <td>About 100 persons</td> <td>Double</td> </tr> </tbody> </table> <p><small>*Non-consolidated</small></p>		FY Mar. 2019	FY Mar. 2023 (Plan)*	New graduate hires	About 300 persons	Stable expansion	Mid-career hires	About 100 persons	Double
	FY Mar. 2019	FY Mar. 2023 (Plan)*								
New graduate hires	About 300 persons	Stable expansion								
Mid-career hires	About 100 persons	Double								
Promote employee skills transfer and development	<ul style="list-style-type: none"> • Strategically develop business designers, data scientists, and other such personnel • Skills transfer and development for application/platform personnel to support DX strategy 									
Promote employee success	<ul style="list-style-type: none"> • Promote diverse workstyles (diversity, participation and advancement of women and senior personnel, etc.) 									
More development partners	<ul style="list-style-type: none"> • Get more development partners which have technologies and expertise in areas such as DX 									

Numerical Targets for Medium-Term Management Plan (2019-2022)

In the Medium-Term Management Plan (2019-2022), we have disclosed new numeric targets for DX-related sales in order to expand our DX business, in addition to existing financial targets such as net sales, operating profit, operating profit margin, and ROE. We aim to increase the ratio of net sales that DX-related sales account for from approximately 60% (FY March 2019) to approximately 75% (FY March 2023 target).

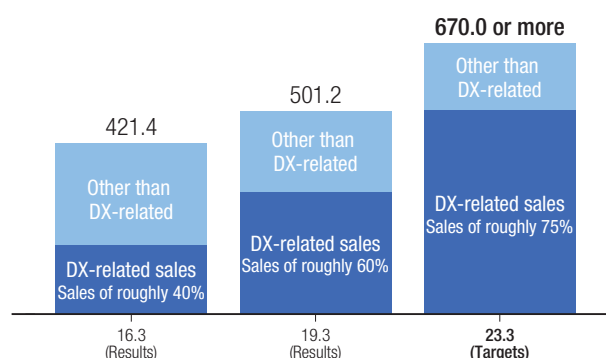
NRI will further enrich disclosure and promote dialog between all of our stakeholders.

Medium-Term Management Plan (2019-2022) Financial Targets



Numerical Targets for DX-related Sales

(billions of yen)




Definition of DX-related sales

DX-related	<ul style="list-style-type: none"> • Business platforms such as THE STAR, BESTWAY, T-STAR, etc. • DX consulting & analytics, D2C assistance, CRM, digital marketing • Improved work efficiency via RPA, AI, and SCM transformation • Cloud, security, managed services, etc.
Other than DX-related	<ul style="list-style-type: none"> • Conventional consulting other than DX • On-premises + scratch system development • BPO services, etc.

Capital for Creating Value (Competitive Advantages)

Competitive Advantages of Human Capital

NRI's human resources exceed other companies' levels in the industry both in terms of quality and quantity, and NRI is further improving its human resources by providing them with various opportunities to grow. As a result, NRI maintains high levels of profitability and productivity in the IT service industry.



Human Capital
Diverse Professionals

NRI provides services in cooperation with employees at its domestic and overseas bases. NRI also has an abundance of professionals with advanced information technology, skills, etc.

Number of NRI Group Employees and Employees at Overseas Bases

(persons)

As of March 31	14.3	15.3	16.3	17.3	18.3	19.3
Number of NRI Group employees	8,123	9,012	10,757	11,605	12,708	12,578
Number of employees at overseas bases	811	898	2,243	2,945	3,901	3,574

Number of Qualified Professionals

(persons)

(Non-consolidated data) As of March 31

	17.3	18.3	19.3
Information Technology Engineers Examination (Advanced)*1	6,398	6,608	6,726
IT Coordinator	187	197	207
Project Management Professional	255	292	299
ITIL Manager/Expert/Intermediate	70	70	70
Chartered Member of the Securities Analysts Association of Japan	242	245	245
Certified Public Accountant	9	9	16
SME Management Consultant	45	46	46
First-Class Registered Architect	11	10	10
Chief Telecommunications Engineer	110	107	107
Public cloud related certification*2	6	28	94

*1. The Information Technology Engineers Examination is a certification examination administered by the Information-technology Promotion Agency, an independent administrative institution, which is a testing institution designated by the Minister of Economy, Trade and Industry. The figures include the numbers of persons who have passed the "System Analyst Examination," "Senior Systems Administrator Examination," "Information Security Specialist Examination," and "Information Systems Security Administrator Examination," which were administered under the previous system.
*2. Total number of people with AWS certification, Google Cloud (GCP) certification, and Microsoft Certified (Technology Azure).

Outcomes

High Levels of Profitability and Productivity

NRI maintains top-level profitability (consolidated operating profit margins and EBITDA margin) as well as productivity (consolidated sales and operating profit per employee) compared with competitors both in Japan and overseas.

Industry-wide Comparison of Consolidated Sales and Operating Profit Margin

Industry-wide Comparison of Consolidated Sales and Operating Profit per Employee

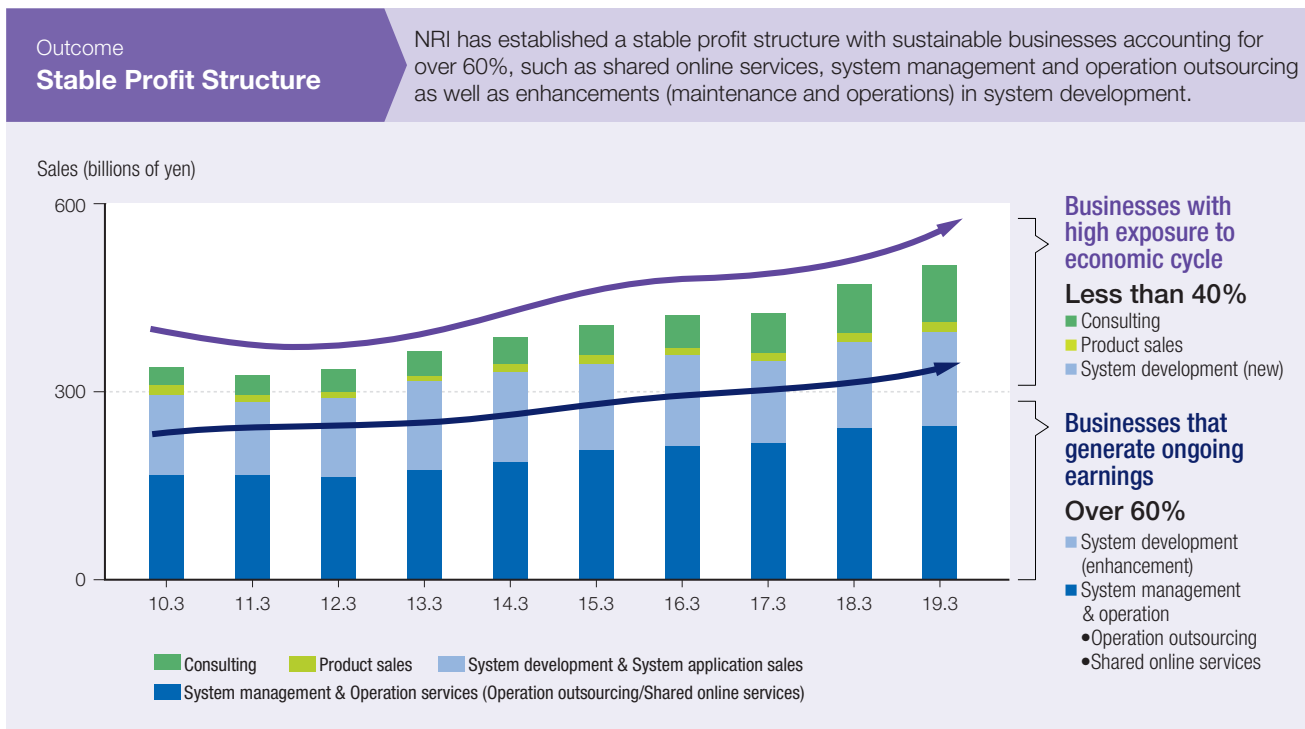
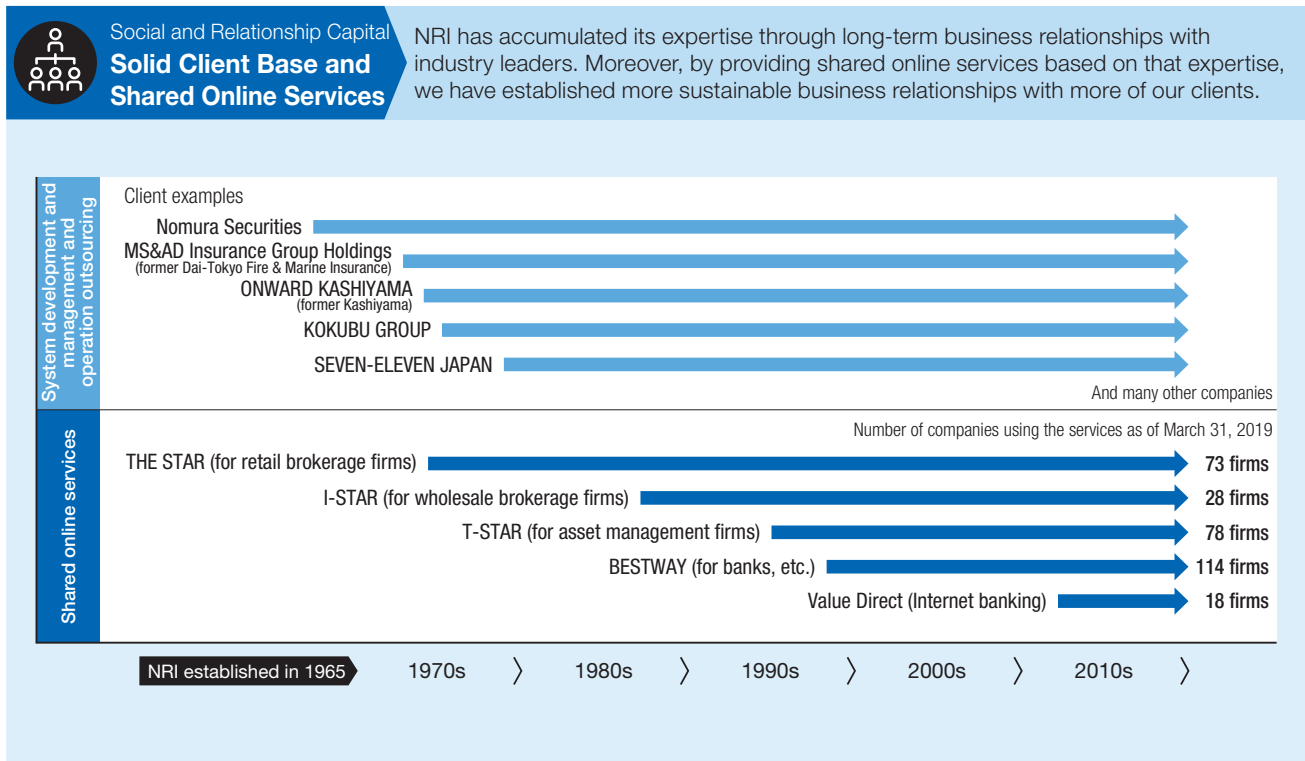
EBITDA Margin Comparison

(%)

(Source) Compiled by NRI from the above companies' financial statements.

Competitive Advantages of Social and Relationship Capital

NRI has accumulated its expertise through long-term business relationships with industry leaders. Moreover, by providing shared online services based on that expertise, we have established more sustainable business relationships with more of our clients.



Competitive Advantages of Intellectual Capital

We promote research and development (hereinafter, “R&D”) with high-quality investigation ability and systems in order to create value unique to NRI with innovations and building sustainable futures by solving social issues.

R&D Policy

NRI promotes three categories of R&D. The first is business development, via research and feasibility investigations, prototype development, and proof of concepts for new business and new product development according to our Medium-Term Management Plan and “Vision2022” Long-term Management Vision. The second is technological research, via research into cutting-edge technologies, fundamental technologies, and production/development technologies regarding information technology. The third is recommendations for society, via surveying and researching new social systems.

In the fiscal year ended March 2019 we placed particular emphasis on business development themes and accumulated commercialization know-how for businesses that will lead to new value creation.

R&D Themes and Initiative Policies

Theme	Initiative policy
Business development	<ul style="list-style-type: none"> •R&D regarding new business development in the medium to long-term (business discovery, incubation, etc.) •R&D for digital transformation activities positioned as important themes, such as artificial intelligence (AI), the Internet of Things (IoT), and FinTech.
Technological research	<ul style="list-style-type: none"> •Technology trend surveys to contribute to the vitalization of business development and strengthen the technical competitiveness of NRI •Technological research regarding future businesses and production innovations, and technologies related to priority themes
Recommendations for society	<ul style="list-style-type: none"> •Recommendations for society that contribute to the NRI business •Recommendations that contribute to government institutions and corporate management

R&D System

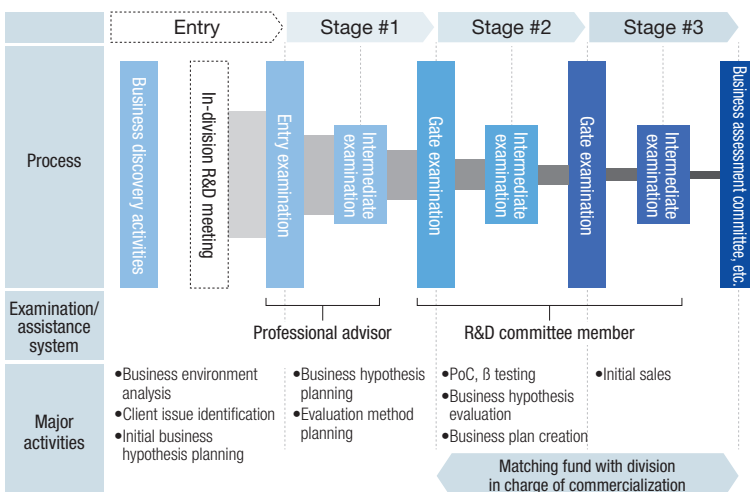
In order to promote R&D across the entire company, we have established the Research & Development Committee and promote research and development while cooperating with society and other parties outside the company.

Furthermore, we have adopted stage gate management in order to quickly respond to recent rapid changes in the external environment and cutting-edge technologies, as well as ensuring systems that enable us to take on various challenges. We also enhance the internal publishing of R&D results to enable business discovery that utilizes know-how and knowledge across the entire company.

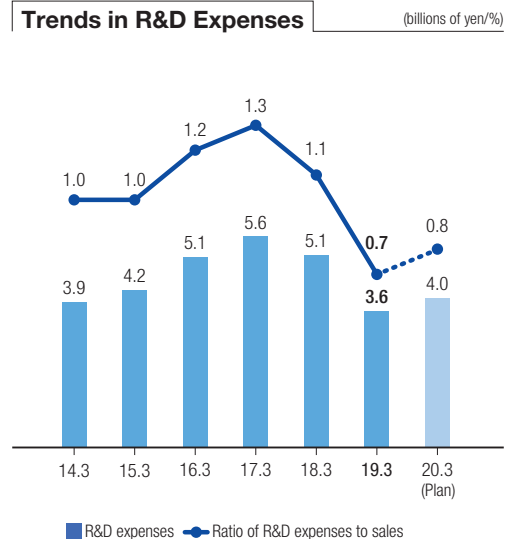
Organizations Promoting R&D

Research & Development Committee	Reviews individual R&D projects from a company-wide perspective, from planning to result utilization, while proposing and deliberating R&D strategies
Center for Strategic Management & Innovation	In charge of government policy recommendations and cutting-edge research functions, and conducts surveys and research regarding new systems for society
DX Systems Development Innovation Division	Conducts research into cutting-edge technologies and fundamental technologies in the field of information technology
Business divisions	In charge of medium to long-term business development and new service development, and conducts feasibility investigations, prototype development, and proof of concepts, etc.

Stage Gate Management



Trends in R&D Expenses



R&D Examples

2030 Innovator Project

We want to bring hope to the future of Japan, which is looking grim due to structural problems such as a rapidly aging society and domestic market maturity. The 2030 Innovator Project (former name: Japan Value Creation Project) was launched based on this idea. The “2030 Japanese Value Creation Department” was established in the Center for Strategic Management & Innovation in 2012, and has since continued to search for ways to create good quality jobs that the next generation of young people can be proud of in the Japan of 2030. Rather than future macro predictions that are inevitably pessimistic, we strive for regional revitalization business, such as “innovation dialog” for 100 innovators, which seeks models that may be able to change future scenarios from amongst the creative endeavors of challengers at the frontline, and also provide “innovation programs” in various regions over Japan that utilizes that network.

So far we have conducted business creation innovation programs in areas such as Hokkaido, Okinawa, and Niigata, and in August 2018 we started the SAN-IN Innovation Program to assist entrepreneurs in the Sanin region.



Joint press conference for the SAN-IN Innovation Program held at the head branch of the SAN-IN GODO BANK, LTD.

From left to right: Mr. Anjiki, Manager of Regional Promotion Department and President Ishimaru of the SAN-IN GODO BANK, President Konomoto of NRI, and General Manager Saito of the 2030 Japanese Value Creation Department

Arumon Young Startup Challenge

“I want to change the world with IT.” “I want to attempt new things.” Arumon is a young startup challenge that started in 2016, based on the idea of having young people attempt things that NRI has not yet done. They start from scratch to identify user needs, utilize design thinking and UX design, and repeat hypothesis testing in order to create new businesses and services. In March 2018, we held a commercialization process experience program called “StartBootCamp.” This program has members that belong to various companies and groups form teams and experience entrepreneurialism over a short three-day period in order to experience commercialization process, entrepreneurship, and teamwork, and thereby discover possibilities for new services. NRI will continue to collaborate with other companies and members inside and outside the company in order to promote open innovations.



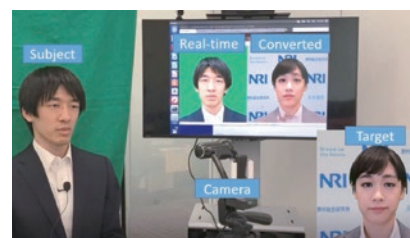
Group photo after the program



(Left) 60-second idea pitch
(Right) Working as a team on production at the venue

AI tech lab. Working on Assessing and Utilizing AI Technologies

AI tech lab. started in 2017 with the mission of developing solutions and acquiring technologies specializing in AI. In the field of AI and its significant technological progress, it is not a simple thing to apply AI technologies such as deep learning to enterprise solutions and convert them into value. Despite AI tech lab. having been launched only recently, it utilizes the deep knowledge that NRI has regarding the industry and work and strives to develop solutions that contribute to customer businesses. In the fiscal year ended March 2019, we developed and prototyped such products as the “Core.” internal material search engine specializing in improving the efficiency of white color work, as well as the “Real Avatar” video/audio conversion solution for video contact centers. Going forward, we will promote the development of solutions that target industries where labor shortages are becoming more severe, such as retail, and contribute to solving social issues via the creation of new value.



“Real Avatar” system for the real-time conversion of faces and voices into those of different people

Competitive Advantages of Financial Capital (CFO Message)



Kenji Yokoyama

Senior Corporate Managing Director
In charge of Supervising of Accounting and Finance

With a background of strong cash generation, we aim to quickly recover reduced treasury stock via large-scale treasury stock acquisition and thereby further improve our corporate value via both financial soundness and high capital efficiency.

Large-scale Acquisition of Treasury Stock

NRI manages its business focused on both growth and returns with a strong sense of financial regulations and emphasis on capital efficiency, such as including ROE targets in Vision2022 (hereinafter, "V2022").

In May 2019, we were contacted by our major shareholder Nomura Holdings, Inc. regarding their intent to sell some of our shares they hold, and we decided to acquire treasury stock amounting to ¥160 billion. This decision was based on adequate investigation into both financial regulations and improving capital efficiency, which we have been keenly away of from before. As a result, we believe that this will contribute to further improving the independence of our management, while also enabling us to improve ROE and EPS and strengthen shareholder return.

In regard to ROE targets, we will aim for a level higher than the average of Japanese companies by reflecting the creation of added value, which is at the core of our business model. We have announced that we aim to increase the level from approximately 10% when V2022 was started to 12% by the final fiscal year of the previous Medium-Term Management Plan, and 14% by the fiscal year ending March 2023, which is the final fiscal year of V2022. We also strove to improve shareholder value via improved capital efficiency during the three years of the previous Medium-Term Management Plan, such as by acquiring a total of approximately ¥90 billion in treasury stock.

We have already achieved a ROE of 12.3% in the fiscal year ended March 2019, and predict the early achievement of the target 14% for the fiscal year ending March 2023 via these return measures. The future ROE level will also be higher than the Western average.

The subsequent return measures during the period of the new Medium-Term Management Plan focus on dividends, and we will continue our policy of a consolidated dividend payout ratio of 35%, continuously increase the annual cash dividends per share according to income

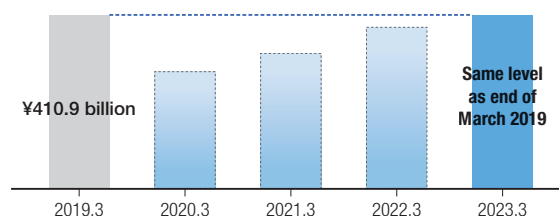
growth, and continue to maintain approximately 5% of the total issued shares as our treasury stock.

Maintaining a Healthy Balance Sheet Management and Financial Regulations

Although our equity ratio temporarily lowered to the 50% range due to utilizing debt from loans, etc., in our large-scale treasury stock acquisition conducted in August 2019, we will maintain a capital efficiency that greatly exceeds a ROE of 14%, which was the target in V2022, and predict that equity ratio in the fiscal year ending March 2023 will be at the same level as the fiscal year ended March 2019 (67.1%).

At NRI, we conduct management that emphasizes financial regulations so that we can maintain our services when unseen circumstances arise, due to the social responsibility born by our information systems that support financial markets and product distribution markets. From the perspective of maintaining liquidity, we have a policy of maintaining approximately two to three months' worth of sales as funds on hand (cash and cash equivalent).

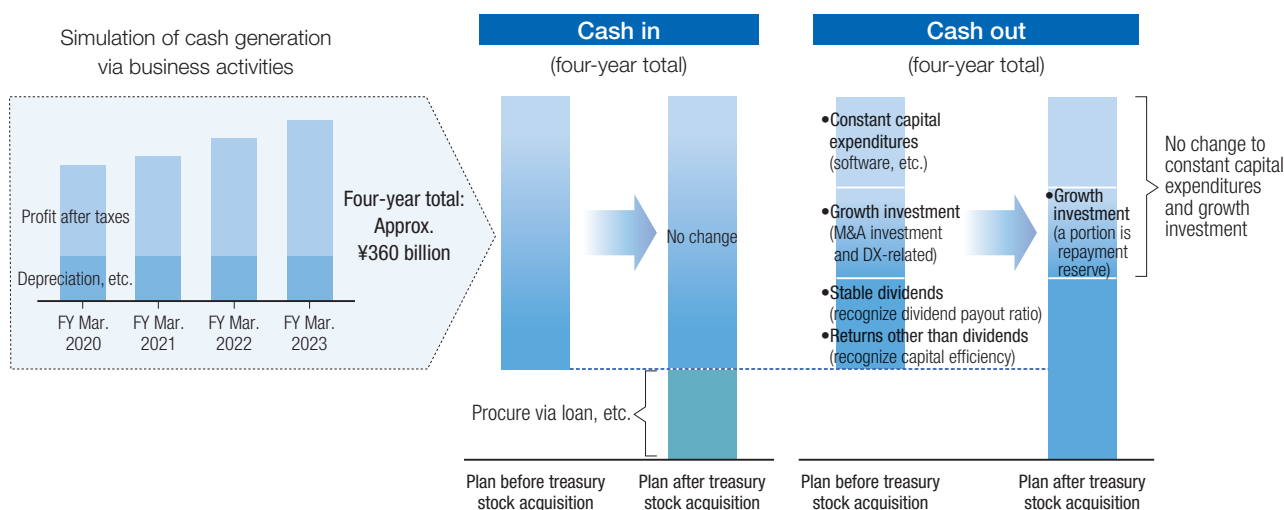
Transition of Equity* during the New Medium-Term Management Plan Period (simulation) (As of March 31)



*Equity=Net assets – Share subscription rights – Non-controlling interests

Cash in and Cash out during the New Medium-Term Management Plan Period (simulation)

(Plan comparison before/after the large-scale treasury stock acquisition)



In regard to procurement, we set an upper limit of 0.3 times for the net D/E ratio, while considering financial stability and diversification of capital procurement methods, while maintaining financial soundness by conducting management that also strongly recognizes that the net interest-bearing debt level is within the range of EBITDA.

With such balance sheet management in mind, we have continuously worked toward making business assets more efficient and non-business assets more liquid. With cross-hold shares in particular, we have decreased the 19 brands of listed stock at the time of formulating the NRI Corporate Governance Guidelines (at the end of March 2015) to 15 brands (at the end of March 2019) as well as decreasing the amount held by approximately 20%, and we will continue to verify the rationality of continuous holding and decrease them accordingly.

business management, such as software investment each fiscal year, shall be conducted within the scope of depreciation and amortization, and remaining cash flows shall be used for growth investment and the return of dividends, etc. The baselines for our medium to long-term growth investment in our new Medium-Term Management Plan are envisioned to be ¥50 billion for M&A and ¥10 billion for DX-related investment, and we will remain focused on growth investment after the current large-scale treasury stock acquisition, while also considering the utilization of debt where required.

When conducting investment business, we will set a hurdle rate (6% based on yen*) that exceeds capital costs, and make decisions upon evaluating indices such as IRR (internal rate of return) and rate of operating profit.

*Defined separately for foreign currency base in accordance with interest rates and country risks of each country

Become a Company that Achieves Stable Cash Generation and Growth with High Capital Efficiency

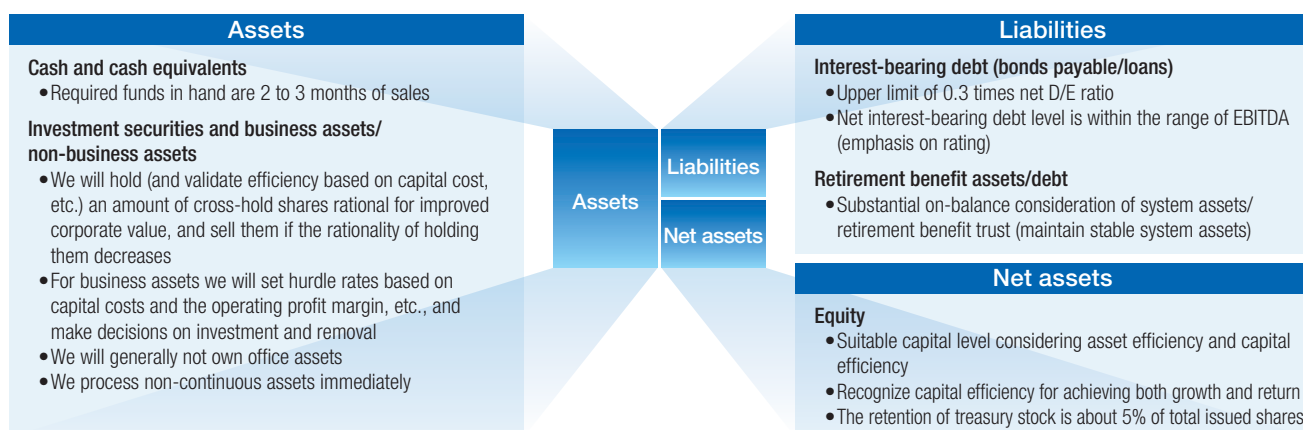
In regard to growth, we place emphasis on sales expansion and stable cash generation, and aim to maintain an EBITDA margin of 20% or higher. This is an important index for a listed company.

Of generated cash flows, regular investment capital required for

Improve Disclosures, with Consciousness of Global Standards

In the new Medium-Term Management Plan, we implement measures that recognize global standards while taking the same stance regarding the disclosure of information.

Financial Management Policy



Financial/Non-financial Highlights

Our preparations for adopting IFRS, which we started considering in earnest in the fiscal year ended March 2018, are proceeding smoothly and we aim to complete adoption during the new Medium-Term Management Plan. In the fiscal year ended March 2019, we received a rating from S&P Global Ratings Japan Inc. (S&P) for the purpose of improving our overseas presence. As the EBITDA margin that we emphasize as a financial index, we also announced our intention to continuously maintain a level of 20% or above as the new target value in our new Medium-Term Management Plan. The adoption of IFRS, acquisition of S&P rating, and EBITDA margin target are strongly recognized as necessary for the Company to flourish, in particular in comparison with other companies in the same industry overseas.

NRI states its corporate philosophy as "Dream up the future" and aims to achieve social value such as diversification of capital procurement methods and expansion of ESG investment, rather than simply achieving economic value for ourselves. Up until now, we were the first operating

company in Japan to issue green bonds*¹ in the fiscal year ended March 2017, and also issued "Kabuki bonds" (a domestic offering of foreign currency denominated bonds) in the year fiscal ended March 2018. In the fiscal year ended March 2019, we joined the global Science Based Targets (SBTs) initiative for environmental target values and announced our early approval of the TCFD*² task force for disclosing the impact of environmental changes on finance.

NRI strives to solve social issues via our business and places emphasis on the concept of CSV*³ that aims for both economic value and social value, and will continue to work toward enhancing dialog with our investors via disclosure of various financial and non-financial KPIs and holding of ESG briefings, etc.

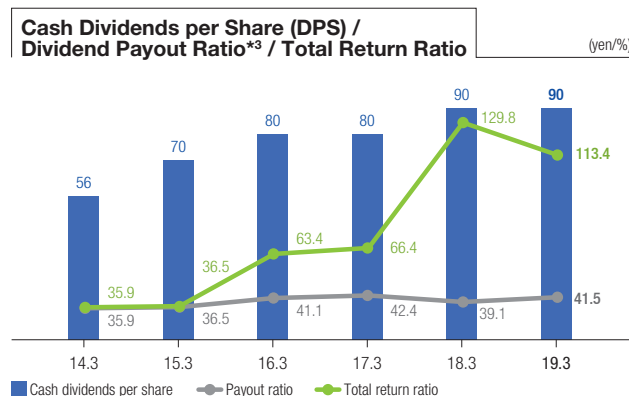
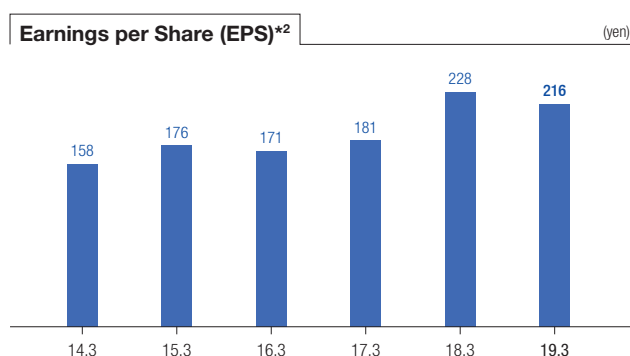
*¹ Bonds issued for procuring capital required for business that contributes to resolving environmental problems such as global warming

*² Task Force on Climate-related Financial Disclosures

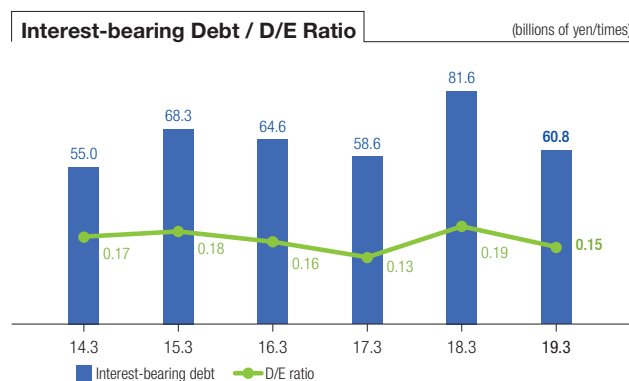
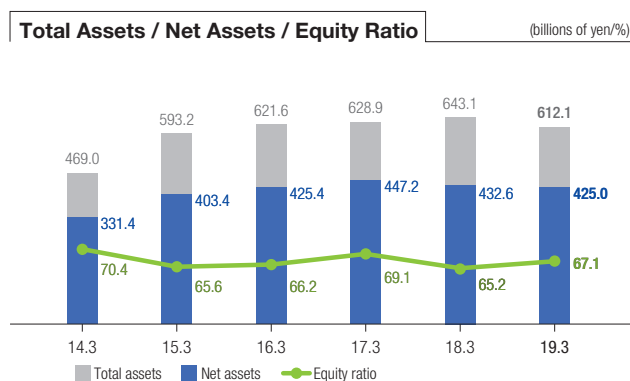
*³ Creating shared value

Financial Highlights

•Shareholder Value / Returns to Shareholders



•Financial Condition



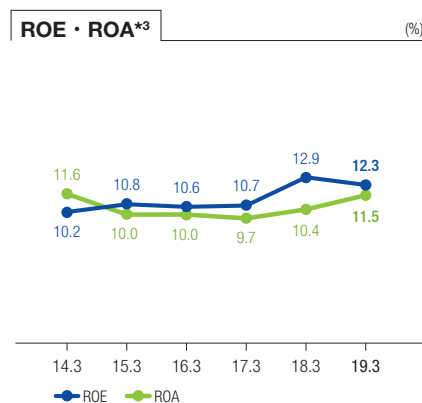
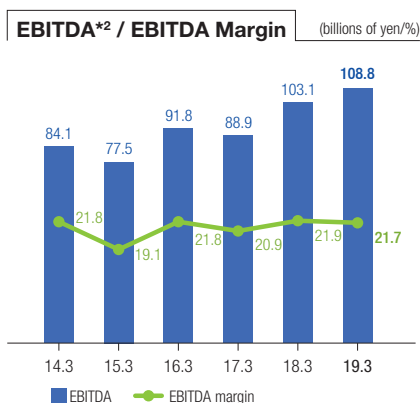
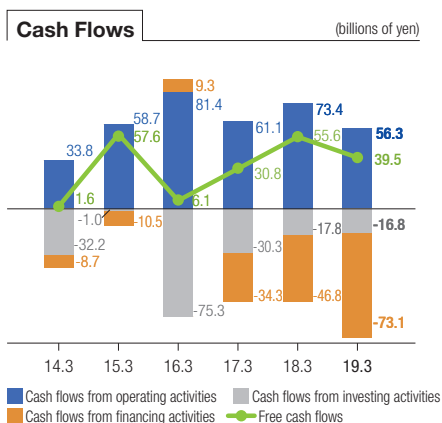
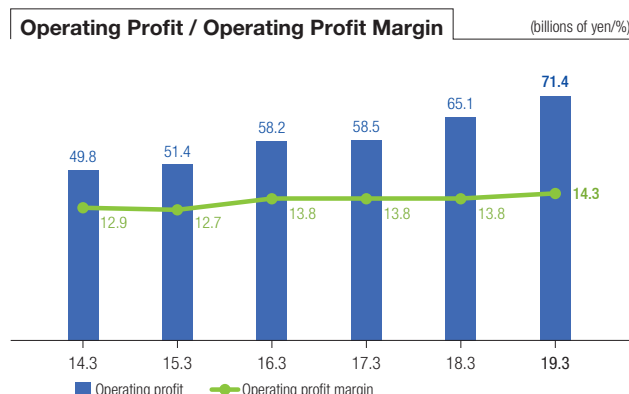
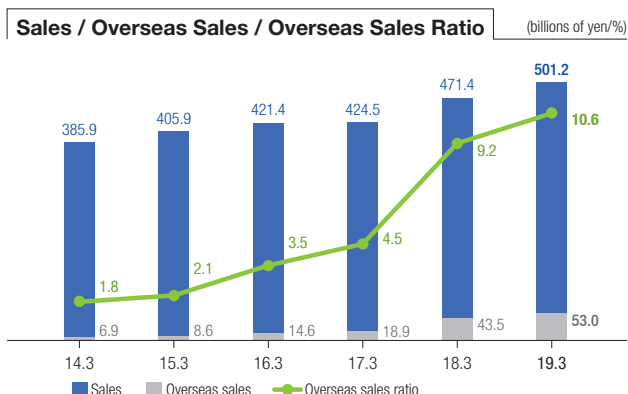
*¹ Amounts have been rounded down to the nearest unit specified. However, percentages have been rounded off to the nearest digit specified.

*² NRI implemented 1:1.1 common stock splits on October 1, 2015, and January 1, 2017. Earnings per share (EPS) is calculated by deeming stock splits to have occurred respectively at the beginning of the fiscal year ended March 2015, and the fiscal year ended March 2016.

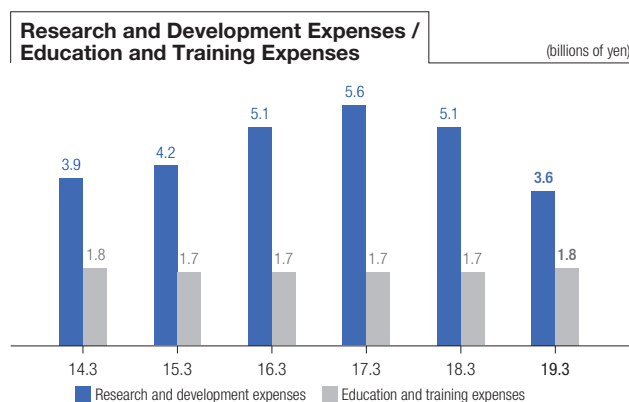
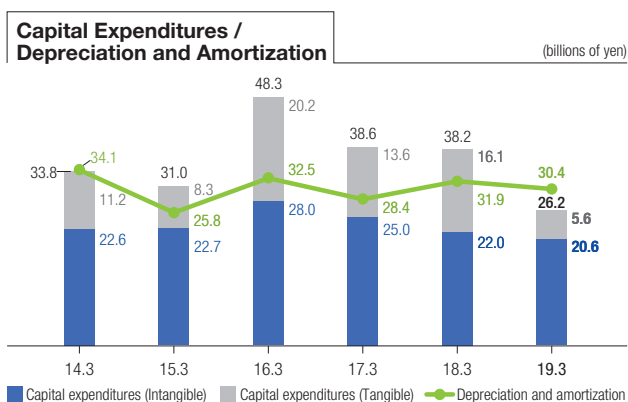
*³ The dividend payout ratio is calculated by dividing the total sum of dividends (including dividends to the NRI Group Employee Stock Ownership Group) by net income.

(Note) NRI implemented a 1:3 common stock split on July 1, 2019. Earnings per share (EPS) and annual dividend per share (DPS) shown have not been retroactively adjusted for said stock split.

•Financial Results and Cash Flow Situation



•Investment Situation



*1 The method for calculating overseas sales has been changed since the fiscal year ended March 2017.

*2 EBITDA is calculated as Operating profit + Depreciation and amortization + Goodwill amortization up to the fiscal year ended March 2017 and as Operating profit + Depreciation and amortization + Goodwill amortization + Loss on retirement of noncurrent assets from the fiscal year ended March 2018.

*3 ROE was calculated as Profit attributable to owners of parent / Beginning and ending balance average net assets.

ROA was calculated as Ordinary profit / Beginning and ending balance average total assets

Non-Financial Highlights

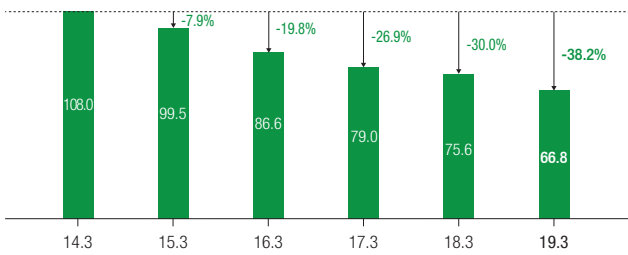
See P.87-88 for more details

•E: Environment-related Data

Greenhouse Gas Emissions (1,000t-CO₂) (NRI Group data)

The NRI Group reduced its greenhouse gas emissions significantly by migrating to new, environmental friendly data centers and other means.

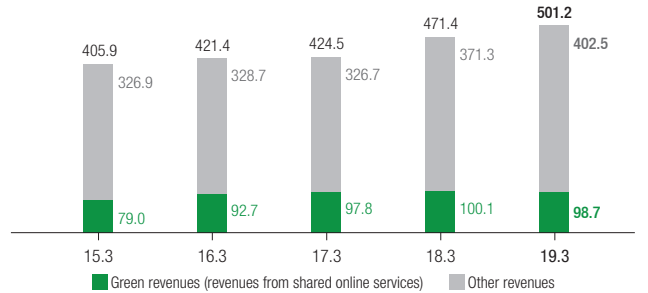
•FY March 2019: Reduced greenhouse gas emissions by **38.2%** compared to FY March 2014.



Green Revenues (Revenues from Shared Online Services) (billions of yen) (NRI Group data)

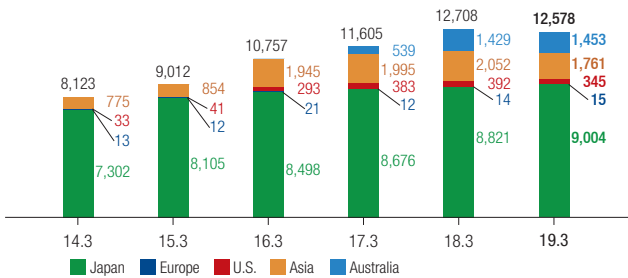
Amid concerns over rising power usage by the IT services industry as a whole, NRI has formulated a business plan intended to reduce power usage by the IT activities of the entire value chain, including client companies. Specifically, growing NRI's shared online service revenues will likely serve to curb the carbon dioxide emissions of society as a whole.

Data indicates that using NRI's shared online service can allow our clients to cut their CO₂ emissions by around 70%, compared to if they build and operate their own systems independently.

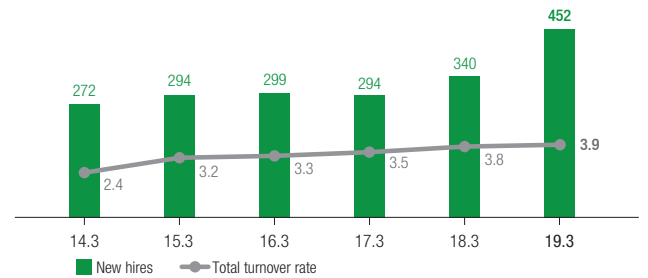


•S: Social-related Data

Number of Employees (persons) (NRI Group data)

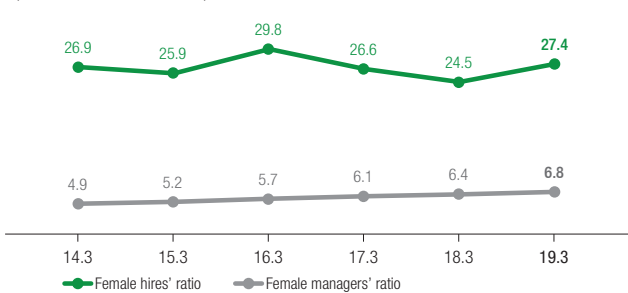


Number of Hires / Turnover Rate (persons/%) (Non-consolidated data)



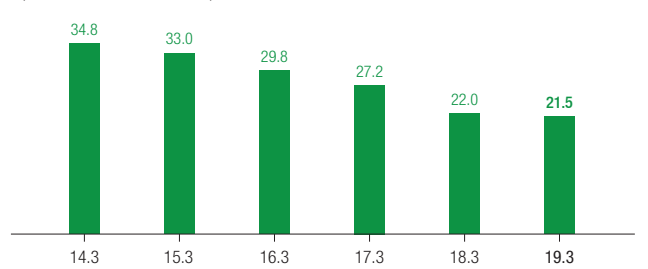
(Note) The total turnover rate is the ratio of retiring employees to the number of employees at the end of the fiscal year.

Female Hires' Ratio and Female Managers' Ratio (%) (Non-consolidated data)

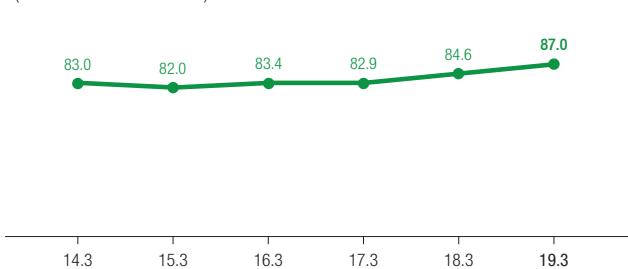


(Note) Female managers' ratio is the value at the beginning of the term

Monthly Average Overtime Hours per Employee (hours) (Non-consolidated data)



Client Satisfaction (%) (Non-consolidated data)

























(Note) Number of questionnaire response by project unit that NRI received an order for. Percentage that responded "Satisfied" or "Moderately satisfied" (total for top two items on five-grade scale)

Employee Satisfaction (%) (Non-consolidated data)



(Note) Survey of NRI employees working in Japan (as of October 1, 2017). No. of valid respondents: 5,545; collection rate: 85%. The ratio of employees thought to be satisfied is the ratio of "Satisfied" and "Moderately satisfied" on a four-level scale.

Initiatives in the fiscal year ended March 2019 and their results are described below.

	Category	Topic
2018 April	 Industrial IT Solutions	The Australian ASG Group entered a contract to provide a secure cloud environment for supporting digital transformation with Airservices Australia (an aviation authority).
	 Management	Adopted the Restricted Stock Option Compensation Plan for members of the Board* in order to promote further sharing of value with shareholders. <small>*Members of the Board (excluding outside directors) and senior managing directors, etc.</small>
May	 IT Platform Services  Financial IT Solutions	NRI's adoption of solutions using artificial intelligence (AI) was well received and we were awarded the Best Artificial Intelligence (A.I.) Initiative at the FTF News Technology Innovation Awards 2018.
June	 Industrial IT Solutions	Established the Technium CO., LTD. joint venture that promotes digitization of manufacturing together with DMG MORI CO., LTD., and started service provision
	 Consulting	Suggested that additional childcare capacity for 279,000 pre-school children be made available in order to achieve the female employment rate target of the government
July	 ESG	Selected as a constituent brand of the FTSE4Good Developed Index global ESG investment index developed by FTSE Russell for the 13th consecutive year
August	 Financial IT Solutions	With Nomura Holdings, Inc., establishing the NVANTAGE joint venture in India for providing BPO services and IT solutions for the financial industry
September	 Management	Acquired new "A" rating from S&P Global Ratings Japan Inc. for expanding our global presence
	 ESG	Selected as one of the brands for the World Index of the Dow Jones Sustainability Indices (DJSI) global ESG investment indices.
	 IT Platform Services	DENSO CORPORATION and NRI SecureTechnologies, Ltd. established the NDIAS, Ltd. joint venture in the automobile cybersecurity business
October	 Management	Awarded as a company with excellent disclosure (Computer Software Sector) for the second consecutive year
November	 IT Platform Services	NRI SecureTechnologies, Ltd. started a security monitoring service for information systems using blockchain technology
	 Management	Completed acquisition of approximately ¥30 billion in treasury stock during the period between May 16 to November 15, 2018
	 Financial IT Solutions	United States subsidiary Cutter Associates bought business assets of a Swiss research company specializing in financial services for the wealthy
December	 Consulting	Estimated that wealthy households in Japan number 1.27 million with net financial assets of ¥299 trillion in 2017
	 ESG	Winners of the NRI Student Essay Contest 2018 decided
2019 January	 ESG	Joined the World Business Council for Sustainable Development (WBCSD)
February	 Industrial IT Solutions	Established the JAL Digital Experience Co., Ltd. joint venture to provide revolutionary services utilizing digital technologies together with Japan Airlines Co., Ltd.
	 ESG	Certified as a Health and Productivity Management 500 Organization (White 500) for three consecutive years
	 IT Platform Services	NRI's AI solution TRAINA was adopted at Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
March	 ESG	Selected as a Nadeshiko Brand for three consecutive years as a listed company with outstanding promotion of female performance and advancement

NRI's Four Business Segments

NRI's business consists of mainly the four following business segments.

- **Consulting:** Consulting services
- **Financial IT Solutions:** IT solutions for the securities, insurance, banking, asset management, and other financial sectors
- **Industrial IT Solutions:** IT solutions for industrial clients in distribution, manufacturing, and service sectors
- **IT Platform Services:** Construction of IT platforms and networks which support NRI's IT solutions business and data center operations, in addition to system management solutions and security services for external clients



Consulting P.41-42

This segment provides management consulting, operational consulting, and system consulting for enterprises and government agencies. This segment is also engaged in research, future projections, and recommendations related to society, economics, business, technology, etc.

Major affiliated company ASG Group



Financial IT Solutions P.43-44

This segment provides system consulting, system development and system management solutions, and shared online services for financial institutions mainly in the securities, insurance, banking, asset management, and other financial sectors.

Major affiliated company NRI Process Innovation, DSB, Cutter Associates

Internal support



Industrial IT Solutions P.45-46

This segment provides system consulting, system development and system management solutions, and shared online services mainly for the distribution, manufacturing, service, and public sectors.

Major affiliated company NRI Netcom, NRI System Techno, Brierley+Partners, ASG Group

Internal support



IT Platform Services P.47-48

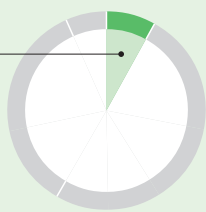
This segment provides data center operations and construction of IT platforms and networks are provided to the Financial IT and Industrial IT solutions segments within the Group. This segment also provides IT platform solutions and information security services to external clients. Furthermore, NRI conducts research related to advanced information technology, etc.

Major affiliated company NRI SecureTechnologies, NRI Data i Tech, NRI digital

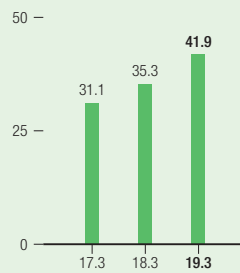
Clients

Sales by segments for FY March 2019
(year-on-year changes)

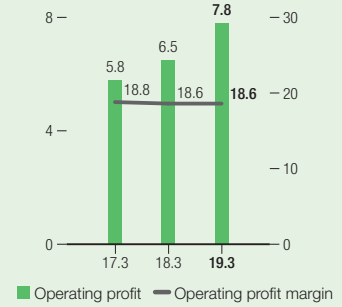
¥41.3 billion (+19.5%)



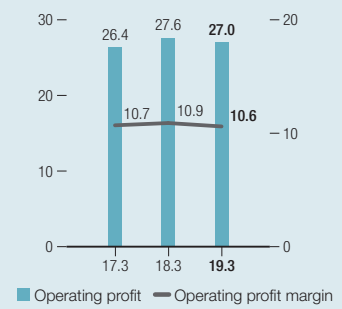
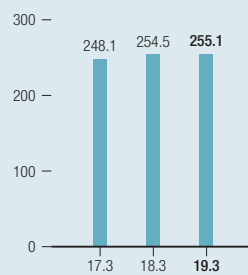
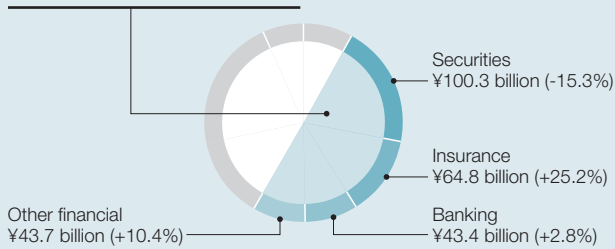
Sales including inter-segment sales
(billions of yen)



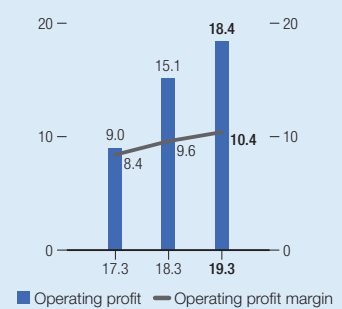
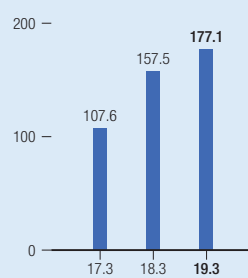
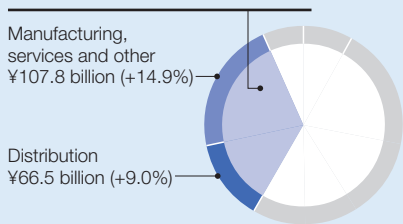
Operating profit/ Operating profit margin
(billions of yen/%)



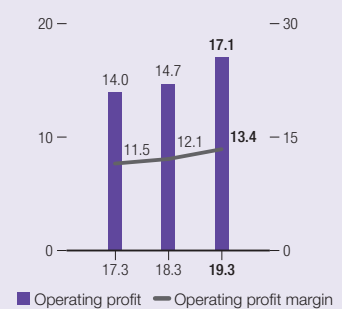
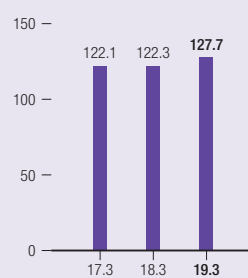
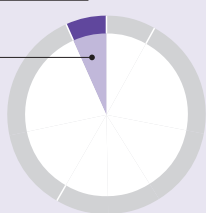
¥252.3 billion (+0.1%)



¥174.4 billion (+12.6%)



¥33.1 billion (+11.0%)



Notes: 1. Amounts have been rounded down to the nearest unit specified. However, percentages have been rounded off to the nearest digit specified.
2. There was a partial revision to segment categorization for the fiscal year ended March 2019. Figures for the fiscal year ended March 2018 reflect this change in categorization. Also, year-on-year comparisons use previous year figures which reflect this change in categorization.



Consulting Segment

Consulting segment provides consulting services for policy planning for government agencies and strategy planning, business operation reforms and all phases of IT management for companies.

We also have a strong track record in overseas markets including Asia-Pacific, Europe, and the United States, where we have been tapped for numerous consulting projects by Japanese companies as well as local companies and governments.

Service Examples

- Support in medium to long-term business planning, strategy planning, and overseas business strategy planning for companies
- Support in digital business development for companies
- Support in business process reform for the manufacturing industry, financial industry, etc.
- Support in IT governance standardized on a group or global basis
- Support in policy planning and execution support for government agencies

Segment Strengths

- One of Asia's largest consulting firms that has over 1,000 consultants in Japan and overseas
- Broad lineup of experts that cover an extensive range of industries and themes
- Consultants that understand strategy, operations, and IT
- Data analytics expertise developed through many years of experience in statistical analysis, marketing research, etc.



(Left) IT Navigator 2019 Edition
(Right) Practical Data Science and Machine Learning Studied Using R and Python

Business Environment

- **Acceleration in corporate reform due to digital technologies**
 - Tendency towards business models that use digital technology
 - Vitalization of cross-sector corporation cooperation based on information and data
 - Advancement of differentiation due to high-level utilization of digital technology
- **Accelerated globalization of management**
 - Expansion of the global IT market; in particular, China is further strengthening its presence
 - Necessity for standardized IT governance that differs for each country and business
- **Severe impact of declining population**
 - Lack of human resources for middle management
 - Increase in IT departments/IT subsidiaries not able to keep up with digital technology

Strategies and Countermeasures

- **Domestic business**
 - Account management aimed at forming medium-term partnerships
 - “Con-Solutions” through integrated consulting and IT engineering proposals
 - Operations consulting and comprehensive support to aid in execution
 - Expansion of consulting services that use digital technology such as artificial intelligence (AI)
- **Global business**
 - Global practice activities
 - Strengthening of client base through partnerships with local partners
 - Development of local accounts by local NRI offices

Value Provided to Society

 **Co-create a thriving future society by driving new value.**

Estimated amount of childcare capacity requiring additional facilities

In recent years, solving the issue of children on waiting lists for childcare is an important policy issue. In order to review the form of development for childcare capacity, NRI believes that we must quantitatively visualize the amount of childcare facilities requiring establishment in conjunction with the effect of expected policy decisions. Therefore, NRI is conducting survey analysis and policy recommendations. Specifically, in order to achieve the target female employment rate set by the national government (80% by 2022), we estimated the required amount of future development from the perspective of the extent of necessary childcare capacity. According to our latest estimates, in addition to capacity for 320,000 children via the Kosodate Anshin Plan (Child-Rearing Peace of Mind Plan) established in June 2017, further childcare capacity for 279,000 children is required.

NRI has also implemented questionnaires for parents of pre-school children in order to investigate how sufficient childcare impacts areas such as employment and childbirth. The results of these questionnaire suggests that developing childcare capacity would simultaneously make it possible to secure labor and increase the birth rate.

 **Co-create an ideal society by effectively utilizing its resources.**

ASEAN nations technical assistance for development of the bond market

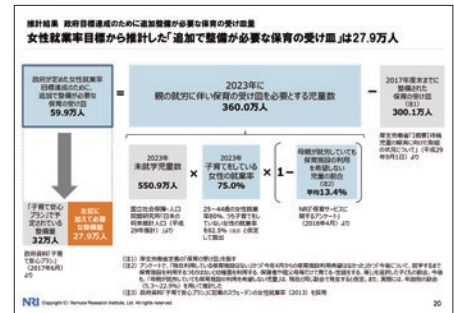
As part of growth strategy for the financial capital market in Asia, the Asian Bonds Market Initiative (ABMI) is being promoted by ASEAN nations, as well as by the financial ministries and central banks of Japan, China, and South Korea. NRI continually provides technological assistance to the ASEAN Secretariat and ASEAN nations based on the Japan-ASEAN Financial Technical Assistance Fund (JAFTA). In the fiscal year ended March 31, 2019, we implemented technical assistance projects in four countries: Cambodia, Indonesia, Laos, and Vietnam.

Currently, Cambodia does not issue national bonds. NRI analyzed and evaluated the possibility of issuing Cambodian national bonds in the future. We announced the results of our analysis at a seminar on national bond market growth held by the Ministry of Economy and Finance of Cambodia in Phnom Penh. In addition to the Ministry, the seminar was attended by numerous organizations including the National Bank of Cambodia, the Securities and Exchange Commission of Cambodia, the Cambodia Securities Exchange, and various financial institutions. The seminar featured a lively Q&A session on topic including specific methods for issuing national bonds.

 **Co-create a safe and secure society by advancing its infrastructure.**

Aizuwakamatsu City, Fukushima Prefecture Demonstration Project for Making Japanese Sake Utilizing 5G and IoT Technology

Through a consortium with KDDI CORPORATION and Aizu Activate Association Co., LTD., NRI has contracted and executed a project from the Ministry of Internal Affairs and Communications for surveying and reviewing technical conditions for next-generation mobile systems which support high-speed data transmission to suburbs, IoT services, and other technology. In this project, through cooperation with Aizuwakamatsu City and other related parties, we are implementing IT solutions utilizing 5G and IoT in processes (rice cultivation, brewing, distribution, and sale) for making Japanese sake. We are also demonstrating technology for increased sophistication and efficiency. For example, the burden on farmers during rice cultivation can be reduced by using drones to take aerial photographs of the entire farmland. This makes it possible to adjust the amount of fertilizer and decide on harvest timing without having to actual go the farmland. Real-time transmission of aerial images from the drones makes it possible to monitor farmland from breweries or homes. NRI will continue to use new technology such as 5G to achieve innovation in local industries and regional revitalization.



Amount of required childcare capacity estimated using unique logic based on required amount of labor



Presenting results of technical assistance at a seminar held by the Cambodian government



Using drones for aerial photograph as part of making Japanese sake



Financial IT Solutions Segment

This segment provides system consulting, system development and system management solutions, and shared online services for financial institutions mainly in the securities, insurance, banking, asset management, and other financial sectors. The number of users has steadily grown for shared online services as IT services that quickly respond to the customer's business environment and regulatory changes based on the know-how that NRI has developed in the financial industry over many years.

Service Examples

- Core business systems and information systems of Nomura Securities Co., Ltd.
- ATM network systems and accounting systems of Seven Bank, Ltd.
- Shared online services that have become the de facto standard: THE STAR, I-STAR, T-STAR, and BESTWAY

Segment Strengths

- Strong client base based on business with top-class financial institutions in the industry and other clients over many years
- Shared online services which have the leading market share in the financial industry
- Utility services provided jointly with Group companies (IT solutions + BPO services)
- Close communication with financial authorities, industry organizations, etc. (supports, etc. for policy planning for the My Number system, NISA system, etc.)
- Think tank activities that discuss and communicate on financial policy and financial intermediary function issues
(Financial Markets Panel, Research Forum for Revitalization of Financial Intermediation in Domestic Economy, Japan- China Financial Roundtable)



Ranked 9th in the global ranking of financial IT service companies released by IDC Financial Insights

Business Environment

- **Response to accelerated aging of society and asset transfer to the next generation**
 - Securities sector: Strengthen support for the ultra-wealthy and elderly with a focus on major securities; focus on incorporating the next generation
 - Banking sector: Implement measures for strengthening the wealth field and front-office operations with a focus on mega banks
 - Insurance sector: Increase the size of agent offices in the non-life insurance sector; strengthen multi-channel approach in the life insurance sector
 - Asset management sector: Diversification of sales channels through direct sales, etc.
- **Amidst decreasing profitability due to low interest rates, etc., diversify merchandise and expand investment aimed at cost reduction**
 - Utilize BPO services in addition to IT solutions
- **Search for partnerships and response in conjunction with new entry into the financial business by venture corporations and corporations from other industries**
 - Securities sector: Partnerships with corporations from other industries and major securities companies
 - Banking sector: Partnerships with venture corporations and development of new applications/services
 - Insurance sector: Diversification of merchantability in response to advancements such as autonomous driving technology
- **Expansion of overseas business by leading financial institutions, etc., through M&As**

Strategies and Countermeasures

- **Creation of new business and expansion of service lineup**
 - Create new business opportunities through policy recommendations for asset transfer from the elderly and increased investment among the young generation
 - Expansion of digital solutions for capturing the young generation
- **Accurate response to the needs of clients centered around shared online services**
 - Steadily responding to new need, expansion of IT solutions × BPO services
- **Continued client support and creation of new businesses aimed at providing digital financial services**
 - Response to new entry by corporations from other industries through function modularization and API release
 - Inter-industry business creation that exceeds the conventional financial industry framework and expansion of service lineup
- **Expansion of global business**
 - Expansion of support for worldwide offices of Japanese financial institutions
 - Established NVANTAGE in India to provide IT solutions and BPO services for the financial industry
 - Purchase of business assets in the wealth management business by our United States subsidiary Cutter Associates

Value Provided to Society



Co-create a thriving future society by driving new value.

Held the NRI Financial IT Forum 2018 on the theme of accelerating the financial digital transformation

In November 2018, NRI held the NRI Financial IT Forum 2018. The philosophy of the forum is to work for revitalization of the financial industry with customers by utilizing NRI's position as a partner capable of integrated actions from formulating and implementing strategy to constructing and operating systems. The forum is planned and held every year as an opportunity for advertising the comprehensive capability of NRI in the financial industry. The NRI Financial IT Forum 2018 was the seventh time that the forum was held. Based on the theme of accelerating the financial digital transformation, the forum featured lectures by invited external instructors. Also, NRI economists, researchers, consultants, and engineers gave lectures on NRI's unique research and initiatives made possible by expertise in the financial industry. By utilizing the comprehensive capability of each division under our Financial IT Solutions Segment, NRI is cooperating with clients to co-create a thriving future society for the financial industry.



(Above)
Venue of the NRI Financial IT Forum 2018
(Left)
President Konomoto gives a greeting at the forum



Co-create an ideal society by effectively utilizing its resources.

Cooperating with Refinitiv (U.S.; formerly Thomson Reuters) to start provision of the I-STAR/GX back-office solution for handling foreign securities

In May 2019, U.S. securities firms who are clients of the U.S. corporation Refinitiv (formerly Thomson Reuters) started full-scale usage of I-STAR/GX, a back-office solution provided by NRI for handling of foreign securities.

Refinitiv provides back-office solution BETA systems for handling domestic securities. These systems are positioned as an industry platform for U.S. securities. Conversely, NRI developed the I-STAR/GX service by utilizing our knowledge of foreign security business processes, including SWIFT connection with overseas custodians such as Euroclear.

Refinitiv and NRI have formed a strategic partnership, and have combined BETA systems and I-STAR/GX. This has enabled us to systemize a series of business processes from foreign securities settlement, deposit management, and corporate action to management of client/brand attributes. We have also achieved integration and Straight-Through Processing (STP)* of postings for foreign securities and domestic securities. NRI will continue to co-create an ideal society by responding to issues faced by financial institutions on a global scale, by increasing the efficiency of processes, and by heightening the corporate value of our clients.

*Straight Through Processing: Transaction data that has been read is processed automatically in the system without any manual work



Officials from Refinitiv and NRI celebrate go live of I-STAR/GX



Co-create a safe and secure society by advancing its infrastructure.

Construction of Sony Life Insurance's customer center system on Microsoft Azure

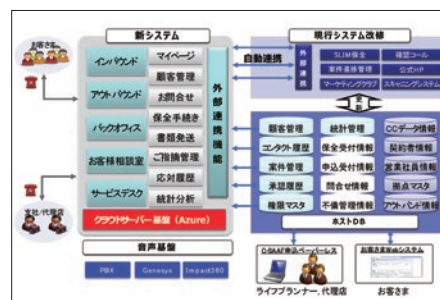
In May 2018, Sony Life Insurance Co., Ltd., used Microsoft Azure*1 to renew their client center system used by operators for tasks such as responding to telephone calls from clients.

NRI has supported past projects by Sony Life Insurance such as construction of contract management systems and other core systems, as well as merchandise response. NRI was involved in the installation of the Azure infrastructure from design and development of the system to preparation of the operating environment.

Installation of a client center system on the cloud has made it possible to reduce operation load and cut operation costs for the system. Also, we applied NRI's cloud risk management service for financial institutions to use in continuous risk evaluation of the cloud. NRI serves as an agent to perform evaluation based on the safety measure standards defined by the FISC*2. This has enabled safe and continuous management of client information. In addition to supporting further expansion of client business, NRI will contribute to the co-creation of a safe and secure society.

*1 Microsoft Azure is a registered trademark of Microsoft Corporation (United States)

*2 Financial Information System Center



Construction of Sony Life Insurance Co., Ltd.'s customer center system on Microsoft Azure
*Life Planner is a registered trademark of Sony Life Insurance Co., Ltd.

See the Sony Life Insurance Co., Ltd. website for details.
https://www.sonylife.co.jp/company/news/30/files/180830_cc.pdf



Industrial IT Solutions Segment

Operations in this segment comprise integrated consulting, system development, and system management solutions for the distribution retail/wholesale, manufacturing, communications, service, and public sectors.

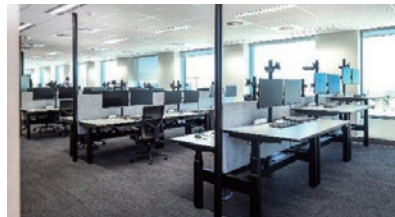
We are strengthening our relationship as a long-term business partner with industry-leading corporations such as Seven & i Holdings Co., Ltd., KDDI CORPORATION, Ajinomoto Co., Inc., Japan Airlines Co., Ltd. (with whom we established a joint venture in February 2019), and Marubeni Corporation (with whom we are in a capital and business partnership). Through these relationships, we seek to create new value.

Service Examples

- Order and supply system and POS information system for Seven & i Holdings Co., Ltd.
- watashi+ (comprehensive beauty web service) and Optune (IoT skincare system) by Shiseido Company, Limited.
- “Dokonani Mile,” the new mileage service by Japan Airlines Co., Ltd.

Segment Strengths

- Transformation of the DX2.0 business model through collaboration and partnership with clients
- Cutting-edge digital marketing platform (DMP) solutions
- Extensive experience in global SCM solutions
- Compelling proposals fusing package solutions and cloud services
- Loyalty marketing solutions (Brierley+Partners)
- IT managed services (ASG Group)



The ASG Group, a leader in IT managed services, opened a new National Operation Center in Adelaide. The center satisfies the high security level required from government organizations.

Business Environment

- **Aggressive IT investments, mostly among large, high-performing enterprises**
 - Expanding investments in DX 2.0-related areas, aiming to transform business models
 - Increasingly sophisticated front office-related systems and SCM systems, stemming from EC business growth
 - In response to insufficient human resources and work-style reform, lively efforts to save labor and automate business processes through RPA and other approaches
- **The need for innovation in core systems**
 - Increasing prevalence of package solutions and cloud services
- **Global business expansion**
 - Growing importance of global IT governance

Strategies and Countermeasures

- **Enhance & enlarge core businesses**
 - Working with Consulting to expand support offerings from the uppermost processes down
 - Expanding support offerings from the digital areas to core systems and global systems
- **Expanding global business**
 - ASG Group: Expanding business with a focus on government clients
 - Aiming for a top-10 position in the Australian market
 - Brierley+Partners: Continuing to expand business in both the North America and Japan
- **Expanding digital business**
 - Strengthening development of digital IP
 - Expanding real estate tech business
 - Expanding KDDI Digital Design Inc. business
 - Establishing JAL Digital Experience Co., Ltd. and expanding business
- **Strengthening management that supports strategic action**
 - Cultivate human resources who promote digital business and package solutions

Value Provided to Society



Co-create a thriving future society by driving new value.

Cooperating with JAL to establish a joint venture that uses data analytics and AI to propose experiences for a richer lifestyle

The NRI Group made a 49% investment in JAL Digital Experience Co., Ltd., a subsidiary of Japan Airlines Co., Ltd. (hereinafter, "JAL"), in February 2019. JAL Digital Experience combines the client base and high-quality services of JAL with the data analytics, artificial intelligence (AI), and other digital know-how of the NRI Group to achieve deeper understanding of individual client needs. This makes it possible to create services for personalized proposal of rich experiences and new lifestyles. As the first phase, JAL Digital Experience will create a new membership organization in autumn of 2019. Through partnerships with various corporations, JAL Digital Experience plans to expand services which match the daily lives of its clients. Furthermore, the company will co-create a thriving future society through initiatives such as developing new services in the JAL Group.

JAL DIGITAL EXPERIENCE

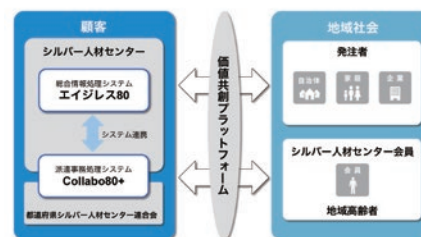
Trade name	JAL Digital Experience Co., Ltd.	
Established	February 4, 2019	
Capital	¥475 million	
Representative Director	Motoki Misu (Japan Airlines Co., Ltd.) Hiroyuki Nakamura (Nomura Research Institute, Ltd.)	
Shareholder composition	Japan Airlines Co., Ltd.: 51%	NRI Group: 49%
	(Nomura Research Institute, Ltd.: 44%, Brierley+Partners Japan, Inc.: 5%)	
Business lines	Plan to use data analytics, AI, and other technology to provide services for enriching the lifestyle of users	



Co-create an ideal society by effectively utilizing its resources.

Providing IT solutions to support work by the elderly

In 2007, NRI Social Information System Services, Ltd. was founded after splitting off from NRI. It was founded as an IT services company targeting senior human resources centers, and it seeks to promote senior employment for a meaningful life and to revitalize the local community. Currently, NRI Social Information System Services provides one-stop IT infrastructure services and core business systems such as Ageless 80 and Collabo80+. The company currently serves more than 800 senior human resources centers in all prefectures throughout Japan, as well as prefectural senior human resources center federations. Moreover, while gaining insight on working style for the generation with a 100-year life, the company will continue to increase the added value of our services. For examples, it will develop new mechanisms for co-creating social value with society, and engage in information transmission and social recommendations for a declining birthrate and aging society. NRI and NRI Social Information System Services are working together with our client to co-create an ideal society.



Ageless 80 and Collabo80+ hold a top share in the industry

See the NRI Social Information System Services, Ltd. website for details.
<https://www.nri-social.co.jp/>



Co-create a safe and secure society by advancing its infrastructure.

Entered into a basic contract to achieve an innovative data management environment with the Australian Bureau of Statistics

The NRI subsidiary ASG Group (hereinafter, "ASG") is an expert in digital transformation for supporting clients in the Australian IT market through, consulting, management analysis, data analytics, IT systems construction, and other fields.

With a history of more than 100 years, the Australian Bureau of Statistics (hereinafter, "ABS") is one of the world's top statistic bureaus. However, the ABS was experiencing increased operations cost due to factor such as separation of data processing caused by systems which have deteriorated and grown bloated over many years of accumulation. The ABS selected ASG as its partner in achieving innovate enterprise data management (EDM) with an eye on increasing the efficiency on its series of administrative processes. The integrated system environment features new EDM to ensure the compatibility of data. In addition to significantly increasing the efficiency of administrative processes at ABS, the environment enables advanced analysis utilizing big data. In addition to supporting further sophistication of IT infrastructure at customers, NRI will contribute to the co-creation of a safe and secure society.





IT Platform Services Segment

The segment provides services such as the management and operation of data centers and IT platform/network development to Financial and Industrial IT Solutions segments. This business also provides IT platform solutions and information security services to client in various industries. We also carry out research toward development of new businesses and new Solutions, and research in cutting-edge information technology.

Service Examples

- Operates three data centers in the Tokyo area and two in the Osaka area
- NRI SecureTechnologies, Ltd. provides one-stop information security services, from sophisticated security operations and surveillance and consulting, to various types of software and services
- NRI digital, Ltd. supports digital business with “Con-Solutions” and open innovation

Segment Strengths

- Data centers with facilities and operational management capabilities that conform to the highest standards
- Management operation centers in five locations in Japan and network hubs around the world
- Security business which supports companies' global development
- Specialty company (NRI digital, Ltd.) that supports digital business creation
- Information technology trend projections over many years (publication of the IT Road Map, etc.)
- Investigation and research on AI (artificial intelligence), deep learning, voice recognition, image recognition, character recognition, etc.



JQA-IM1553



JQA-IC0020

The IT solutions infrastructure* NRI Cloud provided by NRI has acquired ISO/IEC27001 and ISO/IEC27017 certification from the Japan Quality Assurance Organization (JQA) (as of October 19, 2018).

*General name of NRI solutions for IT infrastructure to achieve stable operation of customer systems
<https://www.nri.com/en/service/ips/managed>

Business Environment

- **IT platforms business and IT operations outsourcing business**
 - Increasing burden for supporting upgrades of own data centers
 - Growing utilization of public cloud services
 - Need for global IT operations structure associated with the expansion of overseas business
- **Security business**
 - Need for advanced security measures in response to increasingly sophisticated cyber-attacks
 - Expansion of areas for security countermeasures accompanying the use of digital technologies such as IoT in business
- **Digital business**
 - Use of digital technologies to make existing businesses more efficient and sophisticated
 - Trying to establish new business models using digital technology
- **DX production innovation**
 - Accelerating use of IT due to a shrinking workforce and work-style reforms

Strategies and Countermeasures

- **IT platforms business and IT operations outsourcing business**
 - Operation of safe and secure data centers
 - Sophistication of system management solutions for cloud data centers
 - Establishing/expanding multi-cloud services
 - Providing support through a global operations system (operation centers in five locations in Japan and network hubs around the world)
- **Security business**
 - Expansion of global security business
 - Provision of security countermeasures services for new areas such as IoT and the block chain
- **Digital business overall**
 - R&D activities, industry-academia collaboration and open innovation related to advanced technologies
 - Expansion of digital business support by NRI digital, Ltd.
 - Establishing NDIAS, Ltd. and expanding business
 - Expanding business of Technium CO., LTD.
- **DX production innovation**
 - Expanding Digital Workplace Business
 - Reforming agile development and other system development

Value Provided to Society

 **Co-create a thriving future society by driving new value.**

Installation of NRI's AI solution TRAINA series started at the contact center of Mitsui Sumitomo Aioi Life Insurance

Installation of three products (VOICE Digest, FAQ Knowledge, and Text Mining) from NRI's AI solution TRAINA series has started at Mitsui Sumitomo Aioi Life Insurance Co., Ltd. Installation is scheduled to be completed in 2019. In recent years, it has been difficult to hire human resources in the contact center industry. There is the need for fundamental reforms in which AI is used to increase the efficiency of operator duties and to improve the quality of response. Installing the TRAINA series makes it possible to convert customer inquiries and responses into text data. The data can then be summarized and analyzed. Furthermore, the FAQ Knowledge Search function displays candidate responses for the operator depending on the content of telephone conversation with the customer. This function is effective at improving the quality of response. NRI will contribute to the co-creation of future society by utilizing AI, cloud, and other advanced technology to reform the business processes of our clients.



TRAINA, language-friendly AI solution provided by NRI

 See the TRAINA website for details.
<https://www.traina.ai/>

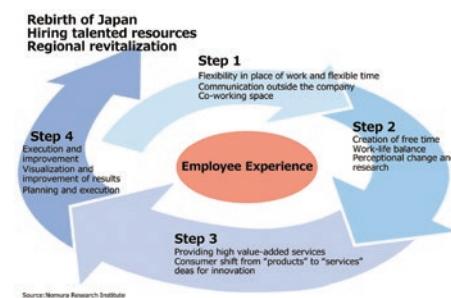
 **Co-create an ideal society by effectively utilizing its resources.**

Digital Workplace Business—Solution for improving the experience value of employees and achieving true work-style reform


Issues such as a shrinking population, declining birth rate, aging society, women's social advancement, and performance of senior human resources have created the need for work-style reform that enables a variety of different work styles. Conversely, conventional work-style reform is often discussed from a corporate perspective, with focus placed on initiatives such as shortening working hours and improving labor productivity. In many cases, corporations sacrifice employment motivation, fulfillment, and other EX* that can be obtained through working.

NRI's Digital Workplace Business achieves true work-style reform by combining three elements of the physical environment (corporate culture, information technology (IT), office space, etc.) and setting improved EX as the final target. Utilizing new digital technology such as collaboration cloud, Internet of Things (IoT), and video conferencing increases the freedom of choosing where and when to work. This makes working time more flexible and improves work-life balance. Furthermore, it gives birth to a cycle in which outstanding human resources gather together, innovation such as new services is created, and contributions are made toward the creation of a future society. Through consulting, NRI provides clients with support throughout the entire process from consulting to construction of offices and installation of IT. In this way, we achieve a smarter work style for each employee and co-create an ideal society with happy lifestyles.

*Employee Experience: Value of employee experiences



Innovation cycle of Digital Workplace

 See the Digital Workplace Business website for details.
<https://www.nri.com/jp/service/solution/ips/dwp>


 **Co-create a safe and secure society by advancing its infrastructure.**

Together with DENSO, established a joint venture for conducting the Automobile Cybersecurity business

In December 2018, NRI's subsidiary NRI SecureTechnologies, Ltd. (hereinafter, "NRI Secure") and DENSO CORPORATION established the joint venture NDIAS, Ltd. The new company will conduct a cybersecurity business focusing on security diagnosis for on-board electronic finished goods. We are on the verge of an era of autonomous driving and connected cars. In this new area, a variety of devices will be connected with automobiles. This creates the new threats of external hacking, etc. Consideration is also being given to international standards for related cybersecurity requirements, as well as to obligatory enforcement and legal systems for related measures. In response, we are providing integrated security evaluation of on-board electronic devices and consulting services by utilizing DENSO's accumulated know-how in cybersecurity technical development suitable for on-board technologies, as well as NRI Secure's accumulated know-how in security diagnosis and consulting in fields such as financial systems. Our evaluation and consulting will cover all phases from automobile development to after the start of mass production. NRI SecureTechnologies and DENSO are co-creating a safe and secure mobility society.



Trade name	NDIAS, Ltd. (commonly referred to as NDIAS)	
Established	December 3, 2018	
Capital	¥100 million	
Representative Director and President	Yukinori Hashimoto	
Shareholder composition	NRI SecureTechnologies, Ltd.:	50%
	DENSO CORPORATION:	50%
Business lines	<ul style="list-style-type: none"> Security evaluation for automotive on-board electronic devices and vehicles Security consultation, security education, etc., for the automotive industry 	

 See the NDIAS, Ltd. website for details.
<https://ndias.jp/>

Message from the Director in Charge of Supervising of Corporate Administration



Yasuo Fukami

Representative Director, Member of the Board,
Senior Executive Managing Director
in charge of Supervising of Corporate Administration

Corporate Philosophy and CSV

Corporate management taking ESG into account is an essential condition for sustainable growth and business continuity. Since our founding, through our main business activities of consulting and IT Solutions, NRI has acted based on our Corporate Philosophy of “Dream up the future.” to support the resolution of social issues and contribute to building sustainable futures. We consider this to be our mission and these values are shared by our management and employees. Some easy-to-understand examples include serving as a think tank to make social proposals and future forecasts regarding the ideal future, as well as providing shared online services which continually support financial markets via system infrastructure. In this way, the concept of CSV*¹ for increasing our economic value through the resolution of social issues through business is included in NRI Sustainability Management as “solving social issues through value co-creation.”

Materiality for Sustainable Growth

Based on the UN Global Compact, international standards, guidelines, etc., NRI has designated priority themes for materiality for sustainable growth which must be addressed to promote CSV.

In particular, as NRI expands our business globally, it is important that we develop an environment in which a diverse variety of professionals can perform, regardless of race, nationality, gender, and other differences. Another important concept is inclusion which transforms the strengths and unique characteristics of each employee into organizational strengths. NRI has actively appointed professionals who became members of the NRI Group through M&A. Additionally, we are moving ahead of other companies in Japan by implementing work-style reforms. Specifically, we produced tangible results through actions to reduce working hours and promote health and productivity management. In February 2019, we formulated the NRI Group Policy on Human Rights. This policy clearly states how we respect basic labor rights and human

rights, as well as how we fulfill our responsibility for respecting human rights.

Evolution of Corporate Governance

In order to show our active attitude toward creating a sustainable future society, we participated in new initiatives in the fiscal year ended March 31, 2019. For example, we joined the WBCSD*² and endorsed the TCFD*³. Furthermore, our previous initiatives have been highly recognized from a variety of perspectives. We have been designated as a Nadeshiko Brand and certified as a Health and Productivity Management 500 Organization (White 500).

NRI recognizes the role of corporate governance in supporting contributions to business, the environment, and society. We also recognize how corporate governance creates the ability to respond to changes in business environment. Based on this understanding, we have positioned the Board of Directors as the cornerstone of governance. We have appointed directors with diverse expertise while emphasizing a balance among executive directors, non-executive directors, and outside directors. In the fiscal year ended March 31, 2019, NRI revised our Corporate Governance Guidelines. We implemented a restricted stock compensation plan in order to promote further value co-creation among members of the Board and our shareholders. We also took measures such as full-scale review of successor plans for president and other positions, and revision of our policy for cross-held shares. Also, in April 2019, we established the Global Headquarters as an organization for governance of expanding global businesses.

While evolving our mechanisms for corporate governance, NRI will continue our efforts to achieve sustainable growth and increase corporate value in the medium to long-term. Also, we will make further contributions to building sustainable futures.

*1 Creating Shared Value

*2 World Business Council for Sustainable Development

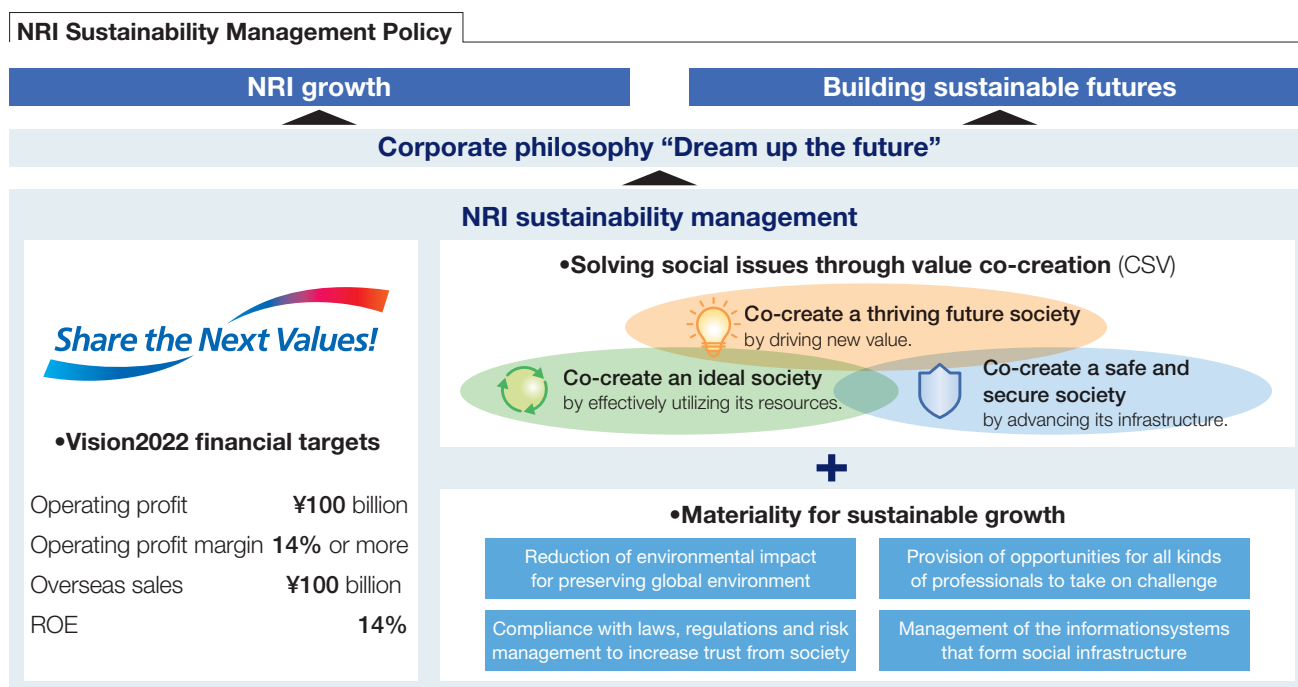
*3 Task Force on Climate-related Financial Disclosures

•NRI Sustainability Policy

Through our main business activities of consulting and IT solutions, NRI will act based on our Corporate Philosophy of “Dream up the future.” to contribute to the creation of a sustainable society. Creating Shared Value (CSV), a concept attracting attention in recent years: This concept has already been incorporated into our Corporate Philosophy. NRI has engaged in corporate management for creating value that can be shared with society.

In May 2017, NRI declared our participation in the UN Global Compact and has taken action in order to achieve Sustainable Development Goals (SDGs). Furthermore, from the perspectives of management and external stakeholders, we have identified four priority issues for materiality for sustainable growth. We identified these themes based on international standards and guidelines such as GRI standards, ISO 26000, the Dow Jones Sustainability Indices (DJSI), and the United States Sustainability Accounting Standards Board (SASB), as well as on the opinions of external experts.

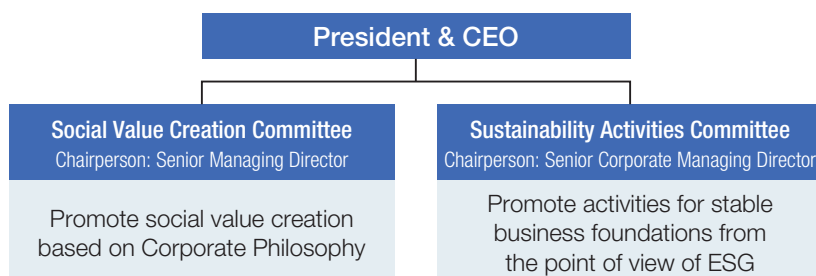
NRI is proposing and implementing action plans for the resolution of issues. Furthermore, we are periodically evaluating the progress of these action plans and then revising the action plans and the issue itself.



Mechanisms for Supporting Value Creation




Sustainability Management Structure

NRI established the Social Value Creation Committee and the Sustainability Activities Committee as a special appointment at the direction of the President & CEO to promote overall sustainability management. Both committees make proposals to Senior Management Committee and others.



Results of Main Sustainability Activities

Our Sustainability Policy is composed of CSV initiatives for solving social issues through value co-creation, and materiality for sustainable growth that supports the aforementioned CSV initiatives. Based on this Sustainability Policy, NRI is implementing a variety of activities aimed at building a sustainable future. The following is an introduction of initiatives for materiality for sustainable growth for supporting value creation at NRI.

Materiality for sustainable growth	Main policies/Related SDGs	Examples of main sustainability activities	Page No.
 <p>Reduction of environmental impact for preserving global environment</p>	<ul style="list-style-type: none"> •Response on climate change •Responsibility and conservation to the environment •Sustainable energy consumption •Environment-conscious supply chain 	<ul style="list-style-type: none"> •Set a New Environmental Target (reduce greenhouse gas emissions by 55% by FY March 2031 (compared to FY March 2014)) •Implemented and expanded the scope of NRI-EMS, a unique environmental management system for offices at NRI •Relocated to office buildings with superior environmental performance; used renewable energy •Promoted NRI Green Style Activities through e-learning courses, forest maintenance activities, etc. •Acquired SBT Initiative certification for greenhouse gas reduction targets formulated by NRI •Joined RE100, an initiative by corporations seeking to transition to 100% renewable energy for power used in business activities •Declared participation in the Taskforce on Climate-related Financial Disclosures (TCFD) •Declared participation in the Japan Climate Initiative (JCI) 	<p>P.53</p> <p>P.53</p> <p>P.54</p> <p>—</p> <p>P.53</p> <p>P.53</p> <p>P.55</p> <p>P.52</p>
 <p>Provision of opportunities for all kinds of professionals to take on challenge</p>	<ul style="list-style-type: none"> •Human resource diversity •Healthy employment and labor-management relationship •Respect on human rights 	<ul style="list-style-type: none"> •Developed solutions and cultivate human resources through cooperation with educational/research organizations both inside and outside of Japan •Held the NRI Student Essay Contest (held continually since the fiscal year ended March 2007) •Expanded actions to support the balance of work and child-rearing by male employees •In June 2017, opened the in-office nursery Yumeminato Hoikuen •Based on the "Act on Employment Promotion etc. of Persons with Disabilities," promoted the hiring of person with disabilities by our special subsidiary NRI Mirai •Developed a new office environment which promotes work-style reform and internal/external interactions •In February 2019, we formulated the NRI Group Policy on Human Rights. This policy clearly states how we respect basic labor rights and human rights, as well as our responsibility for respecting human rights. 	<p>P.58</p> <p>P.38</p> <p>P.61</p> <p>P.61</p> <p>P.61</p> <p>P.62</p> <p>P.61</p>
 <p>Compliance with laws, regulations and risk management to increase trust from society</p>	<ul style="list-style-type: none"> •Enhancement of corporate governance •Risk management •Action against corrupt practices abroad •Appropriate information disclosure to the customers 	<ul style="list-style-type: none"> •Established the Nomination Committee, which is mainly composed of independent directors •Changed the main members composing the Compensation Committee from external experts to independent Members of the Board •Implemented the restricted stock compensation plan as a medium- to long-term incentive compensation plan for Members of the Board •Held the Sustainability Dialogue in order to discuss CSR with business partners •Held the Business Information Session for institutional investors and analysts (continued from FY March 2011) •Held the ESG briefing in February 2019 •Established NRI Australia in order to strengthen governance in the Australia region •In April 2019, we established the Global Headquarters for global governance. 	<p>P.65</p> <p>P.65</p> <p>P.67</p> <p>P.77</p> <p>P.78</p> <p>P.78</p> <p>P.70</p> <p>P.27</p>
 <p>Management of the information systems that form social infrastructure</p>	<ul style="list-style-type: none"> •Management of information security and system •Access to information society 	<ul style="list-style-type: none"> •Enhanced project monitoring functions and held other activities to improve the quality of information systems •Held the Production Innovation Forum and took other activities to improve company-wide quality and productivity •Held the Safety and Security Forum and acquired certification/guarantees from third-party organizations •Increased the level of information security measures both inside and outside Japan •Increased the sophistication of our Computer Security Incident Response Team (CSIRT) in order to respond to cyber attacks 	<p>P.79</p> <p>P.80</p> <p>P.80</p> <p>P.81</p> <p>P.82</p>



NRI's sustainability initiatives also contribute to achievement of the SDGs (Sustainable Development Goals) for 2030 which were adopted by the United Nations in September 2015.



Participation in Initiatives


WE SUPPORT




May 2017
United Nations Global Compact (UNGC)

NRI is active both in Japan and on a global scale. To continue to gain trust from society and meet expectations, NRI endorsed the United Nations Global Compact (UNGC) and announced its participation in May 2017.


June 2018
Japan Climate Initiative




July 2018
Task Force on Climate-related Financial Disclosures



September 2018
Science Based Targets initiative



January 2019
World Business Council for Sustainable Development (WBCSD)



February 2019
Renewable Electricity 100%



Status of Inclusion at Equities in ESG Stock Indices

The worldwide ESG investment amount in 2018 reached approximately ¥3,400 trillion. NRI is included in the equities used for the main ESG stock indexes.

Dow Jones Sustainability World Index
First-ever inclusion in 2018

Dow Jones Sustainability Asia Pacific Index
Included for three consecutive years from 2016

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

MSCI ESG Leaders Indexes*
Name of indexes changed from MSCI Global Sustainability Indexes
Included for three consecutive years from 2016

MSCI | 2018 Constituent
MSCI ESG Leaders Indexes

FTSE4Good Developed Index
Included for thirteen consecutive years from 2006



FTSE4Good

NRI is included in all four ESG stock indices selected by the GPIF.

MSCI Japan ESG Select Leaders Index*

MSCI | 2018 Constituent
MSCI Japan ESG Select Leaders Index

MSCI Japan Empowering Women Index*


MSCI | 2018 Constituent
MSCI Japan Empowering Women Index (WIN)

FTSE Blossom Japan Index



FTSE Blossom Japan

S&P/JPX Carbon Efficient Index



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E (Environmental Management)

Creation of a Future, Low Environmental Impact Society

All NRI directors and employees will strive to reduce environmental impact, preserving a global environment where humans and nature exist in harmony and with the goal of achieving a future that is both sustainable and prosperous. NRI consumes a large amount of energy during use of our five data centers. Therefore, from among ESG elements, we place particular focus on initiatives to stop climate change.

Environmental Target

•Targets related to energy usage

On February 18, 2019, NRI joined RE100*, an international initiative by corporations seeking to transition to 100% renewable energy for power used in business activities. By the fiscal year ending March 31, 2051, we seek to procure renewable energy for all electric power used in business activities. Electric power accounts for more than 90% of energy used in NRI's business activities. Therefore, we are also working to reduce greenhouse gas emissions from our business activities to zero by the fiscal year ending March 31, 2051. NRI is the 165th company to join RE100 globally, and the 17th in Japan.

*An international initiative operated through a partnership between the CDP and The Climate Group (an international NGO) Member corporations have publicly declared that they will transition to 100% renewable energy for electric power consumed in business activities by 2050. <http://there100.org/>

•Targets related to energy usage

In September 2018, NRI's target for reducing greenhouse gas emissions was certified by the Science Based Targets (SBT) Initiative*, an international environmental initiative, as a science-based reduction target for keeping the increase in global mean temperature below 2°C from pre-industrial revolution levels. NRI is the 132nd company to receive certification globally, and the 29th in Japan.

*An initiative to promote the setting of science-based targets for reducing greenhouse gas emissions by companies in order to control the increase in global temperature below 2°C from pre-industrial revolution levels. The initiative was established by four organizations: CDP, which is federation of institutional investors promoting disclosure on climate-change countermeasures, the UN Global Compact (UNGC), the World Resources Institute (WRI), and the World Wildlife Fund (WWF). <https://sciencebasedtargets.org/>

Implementation of Environmental Management System

NRI has acquired ISO14001 certification, an international standard on environmental management systems, for its data centers which are the main source of CO₂ emissions.

As for NRI offices, we began to introduce NRI-EMS, an environmental management system unique to NRI, starting from the fiscal year ended March 2016. In the fiscal year ended March 2019, we implemented NRI-EMS at some overseas offices in China. In the fiscal year ending March 2020, we plan to implement NRI-EMS at English-speaking overseas bases.

Environmental Target



SCIENCE
BASED
TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

RE 100

	Target for FY Mar. 2031	Target for FY Mar. 2051
Scope 1+2	Reduce greenhouse gas emissions at the NRI Group by 55% (compared to FY March 2014)	Reduce greenhouse gas emissions at the NRI Group to zero
	Achieve a renewable energy usage rate of 36% at data centers	Achieve a renewable energy usage rate of 100% at the NRI Group
Scope 3	70% or more of NRI group suppliers and vendors will set science-based target for reducing greenhouse gas emissions (by the fiscal year ending March 2024)	

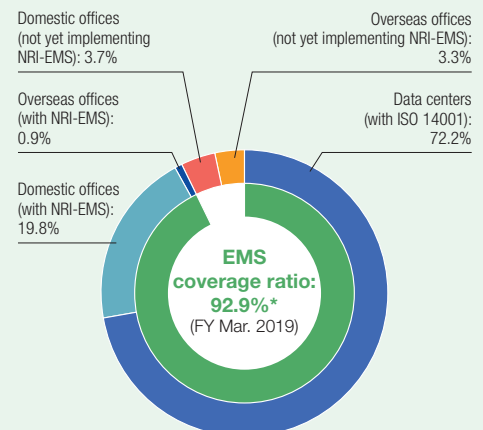
Scope: Target scope of calculation/reporting for greenhouse gas emissions by corporations

Scope 1: Direct emissions through combustion of fuel, etc.
Scope 2: Indirect emissions through use of electricity, heat, steam, etc.

Scope 3: Indirect greenhouse gas emissions other than Scopes 1 and 2 Manufacturing in the supply chain, commuting by employees, business travel, etc.

Target Scope for Environmental Management System

(based on CO₂ emissions)

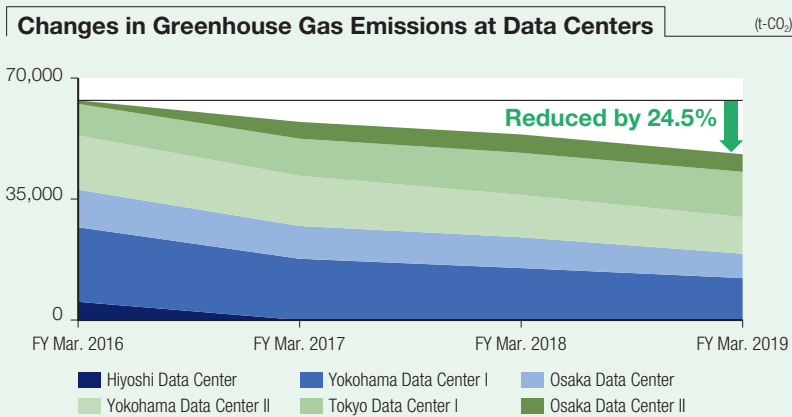


*The figure shown for the EMS coverage ratio is the final value based on data assurance work carried out between April and June 2019 by an independent third party. For this reason, it differs slightly from the EMS coverage ratio of 92.4% that was published in Sustainability Book 2019, which was issued in June 2019.

Migration to New Data Centers

We are performing system migration to Tokyo Data Center I, Yokohama Data Center II, and Osaka Data Center II, all of which have outstanding environmental performance. Tokyo Data Center I was opened in November 2012 and is equipped with a variety of energy-saving facilities. For example, it has a double-deck system that achieves highly efficient and flexible air conditioning installing server equipment and facilities-related equipment such as air conditioning on separate floors. It also features a cold water vertical thermal storage tank achieving efficient air conditioning by storing cold water.

Through system migration to new data centers, we have already reduced greenhouse gas emissions by 24.5% compared with the fiscal year ended March 2016.



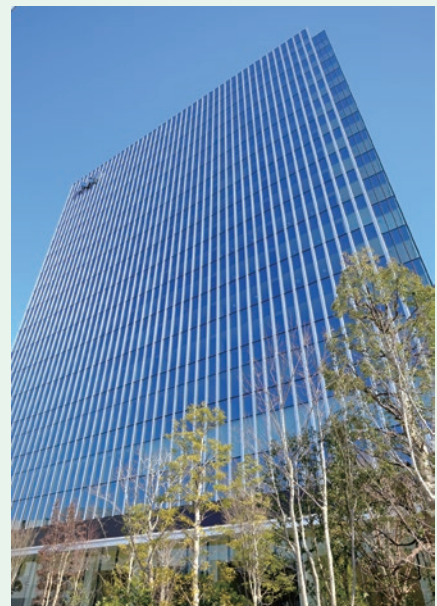
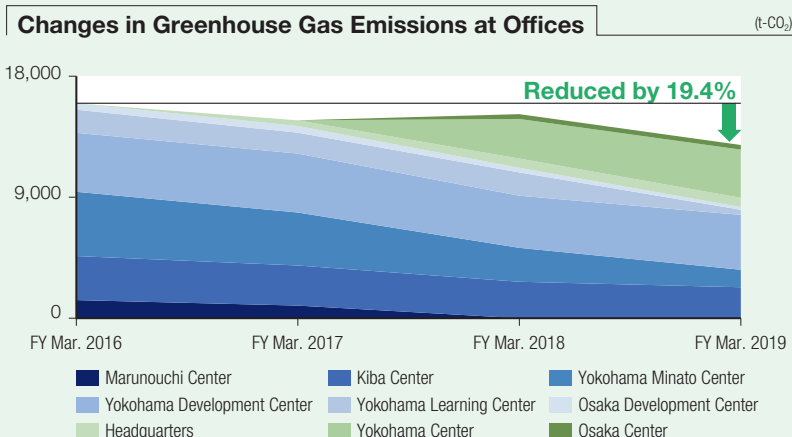
Cold water vertical thermal storage tank at Tokyo Data Center I

Migration to New Offices

From the fiscal year ended March 31, 2016, we are relocating to new offices at our Headquarters, Yokohama Center, and Osaka Center, all of which feature outstanding environmental performance.

We started moving into the Yokohama Center (Yokohama Nomura Building) in April 2017. Due to the outstanding environmental performance of the center, we are issuing green bonds and applying the proceeds to equity acquisition and capital expenditures.

Greenhouse gas emissions per employee in the new office are half of emissions per employee in the old office.



The Yokohama Center (Yokohama Nomura Building) features outstanding environmental performance

Initiatives at NRI for TCFD Final Recommendations

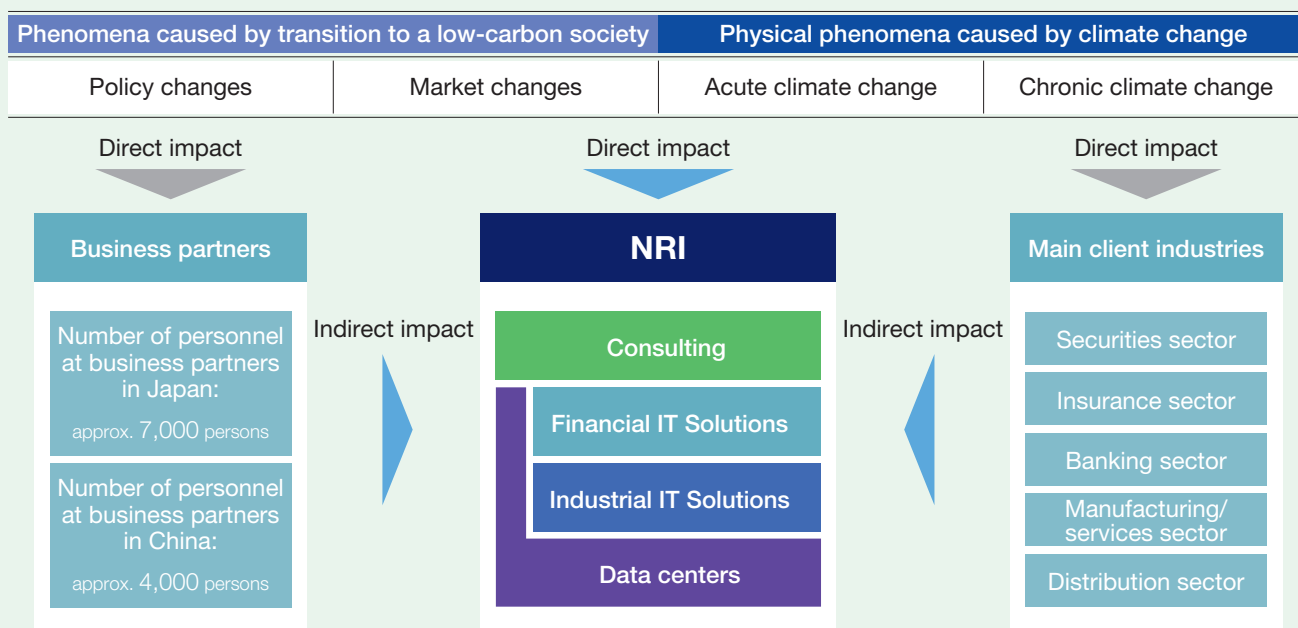
NRI established the Sustainability Activities Committee for promoting activities as the management infrastructure to support co-creating social value of sustainability management, and is implementing initiatives for sustainability management.

NRI mainly consumes a large amount of energy during use of our data centers. Therefore, we place particular focus on initiatives to stop climate change. Moreover, since we possess numerous clients in the financial industry, we declared our support for the TCFD*1 Final Recommendations (hereinafter, "TCFD") in July 2018, making us one of the first non-financial business firms to do so. A total of nine meetings regarding response to TCFD were held by experts from the Consulting Division and the Sustainability Activities Committee. We announced our progress status at the ESG Briefing*2 held in February 2019.

Process of Reviewing Risks and Opportunities

In the fiscal year ended March 31, 2019, we defined the scope of review, defined and identified scenarios*3, and then reviewed the estimated impact on each of our businesses. When setting the scope of review, we targeted the entire value chain including the direct impact on businesses in each of NRI's four business fields, as well the indirect impact from clients and partners. When defining and identifying scenarios, we first set a medium to long-term period from after 2030. For that period, we set a 2°C Scenario for limiting temperature increases to less than 2°C per the Paris Agreement, and a 4°C Scenario in which no additional countermeasures are taken other than the currently envisioned countermeasures. Based on these scenarios, we identified the impact (opportunities and risk) envisioned for each business field.

Scope of Review



Definition/Identification of Scenarios

World View in 2°C Scenario	World View in 4°C Scenario
The 2°C Scenario is based on the assumption that a carbon tax and strengthened emissions regulations will be enforced in an effort to reduce greenhouse gas emissions. It also assumes that the expansion of renewable energy and the promotion of energy-saving measures will be possible in society.	The 4°C Scenario is based on the assumption that a carbon tax and strengthened emissions regulations will be enforced in an effort to reduce greenhouse gas emissions. It also assumes that the expansion of renewable energy and the promotion of energy-saving measures will be possible in society.

Envisioned Impact on Business

+ Opportunity - Risk

Business Field	World View in 2°C Scenario	World View in 4°C Scenario
Consulting	<p>+</p> <p>The demand for client corporations to make changes leading to decarbonization will increase demand for NRI's knowledge and solutions related to sustainability.</p>	<p>-</p> <p>There is the risk that intensified natural disasters envisioned in the 4°C Scenario will cause stagnation of the macro economy, hurt the profitability of clients, and impact business sales.</p>
Financial IT Solutions	<p>+</p> <p>Compared to independent system development by individual corporations, NRI's shared online services will enable significant reductions in power consumption, CO₂ emissions, and cost. Furthermore, demand can be increased by raising the renewable energy usage rate aimed at achieving RE100.</p>	<p>-</p> <p>If the profitability of financial institutions decreases due to climate change becoming a factor in asset damage and long-term stagnation of the macro economy, there is the risk of impact on demand for provided services.</p>
Industrial IT Solutions	<p>+</p> <p>Support for increasing the efficiency of the supply chain and distribution processes will contribute to low carbonization. The advancement of related initiatives in the future will create opportunities for increasing demand.</p>	<p>+</p> <p>Providing cloud systems will make it possible to minimize damage in the event of a natural disaster, thus reducing the risk to clients.</p>
Data centers	<p>+</p> <p>By the fiscal year ending March 31, 2051, we seek to establish carbon-free data centers which use renewable energy for all electric power. We believe that these data centers will create increased demand in conjunction with increased environmental awareness among our customers.</p>	<p>+</p> <p>The risk of business stoppage is reduced by considering natural disasters when selecting locations, as well as by implementing a mutual backup system using multiple data centers. This creates opportunities for increasing demand.</p> <p>-</p> <p>There is the risk of increased expenses such as equipment maintenance/renewal expenses and cooling expenses due to power malfunctions caused by natural disasters, and due to an increase in days on which the temperature exceeds 30°C.</p>

Mechanisms for Supporting Value Creation

*1 TCFD: Task Force on Climate-related Financial Disclosures. Established by the Financial Stability Board (FSB), which is composed of financial ministries, financial regulatory bureaus, and governors of central banks from 25 main countries throughout the world. The TCFD makes recommendations for disclosure of climate-related financial information in annual reports, etc., with the goal of enabling appropriate investment decisions by investors in corporations. The TCFD recommends disclosure in four items including governance, strategy, and risk management related to risks faced by corporations due to climate change.

*2 ESG briefings are held in order create understanding among shareholders, analysts, and members of the media regarding NRI's Sustainability Management and specific ESG initiatives. For details, please refer to page 78 and our website (<https://www.nri.com/en/sustainability/management/esg/2018>).

*3 Refers to scenario analysis (analysis for possible future impact of climate change on the company) as defined by TCFD. For our 2°C Scenario, NRI uses the Sustainable Development Scenario listed in the World Energy Outlook 2018 published by the International Energy Agency (IEA). For our 4°C Scenario, we use the RCP (Representative Concentration Pathways) 8.5 (high level reference scenario) published by the Intergovernmental Panel on Climate Change (IPCC).



S (Human Resources Management)

NRI's Human Resources Strategy

The strength of NRI is our human resources; in other words, professional employees who possess a high level of expertise, who take the initiative to work on independently-set goals, and who are fearless innovators. To develop these human assets, NRI has been strengthening a system and an environment to develop the hidden talents of highly motivated people and to allow them to produce results on the job.

Three Pillars of Our Human Resources System

NRI's human resources system is designed based on the three pillars of "assessments based on performance, outcomes, and ability," discretionary labor scheme," and "a program of employee appraisals linked to human resource development." The program of employee appraisals linked to human resource development encourages employees to diversify and pursue specialized fields, thus supporting autonomous and systematic skill development by employees.

As an outline for pursuing specialized fields, NRI has defined 22 career fields (Figure 1) and encourage employees to refine their skills in multiple specialized fields. We develop human resources capable of collaborating across multiple departments by using a broad perspective to flexibly respond to changes in the business environment. NRI grants internal certification (Figure 2) to employees who possess a particularly high level of expertise in career fields. This promotes development of core human resources and provides employees with a role model of a professional.

Furthermore, each employee shares his or her target career field and level with his/her manager. Through interviews with managers held every six months, we implement a Challenge & Act (C&A) System for confirming the target set by employees and the corresponding level of achievement.

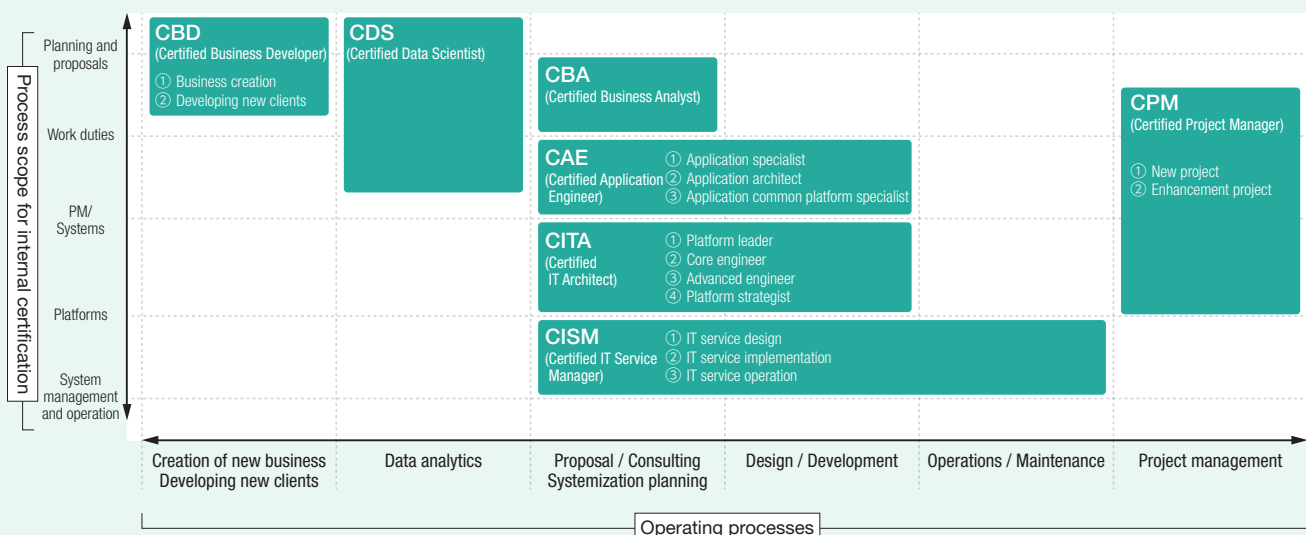
In addition to compensation for short-term performance, we have implemented incentives for medium- and long-term contribution; specifically, for the achievement of sustainable improvements in corporate value. Examples of incentives include retirement allowances, a defined contribution pension plan, employee stock ownership, and an E-Ship^{®*}.

*Employee Share Holding Incentive Plan: Uses share holding by employees to create the incentive of subsequent increases in share prices.

Career Fields (Figure 1)

1	Corporate strategy consultant
2	Business consultant
3	Systems consultant
4	Business strategist
5	Sales representative / Marketing manager
6	Project manager (Development)
7	Project manager (Enhancement)
8	Application architect
9	IT infrastructure architect
10	Application specialist
11	Common application infrastructure specialist
12	IT platform specialist
13	IT services manager
14	Security specialist
15	Researcher
16	Data scientist
17	Project management specialist
18	Quality management specialist
19	Business administration staff
20	Corporate management / Headquarters staff
21	Systems engineer
22	Consultant

Internal Certification Program (Figure 2)



Human Resource Investment that is Top-class among Japanese Companies

Human resources development at NRI is an organic fusion of three methods: training programs, self-improvement, and on-the-job training (OJT). NRI believes that providing OJT training through work experience is the optimal development method. Training programs are a method for organizing knowledge acquired through OJT and deepening understanding. It is also positioned as a method for obtaining knowledge and skills which cannot be acquired through OJT. Training programs at NRI (Figure 3) can be divided into two main types: training according to seniority and training according to career field. In addition to curriculums depending on seniority and title, programs according to seniority include managerial talent development of selected individuals, curriculums depending on job type, courses that support women's participation and advancement in the workplace, and courses for veteran career development. Programs according to career field provide a variety of training programs that fulfill the diverse needs of employees. They are directed to the development of individual capabilities that are in line with career fields (Figure 1), career development that aims for acquisition of internal certifications and other objectives. NRI has also established a system to support self-development for employees to become qualified in and improve their foreign language skills.

Global Human Resources Development Programs

NRI implements many overseas programs to develop global business leaders who can promote the Global Strategy, which is one of the growth strategies contained in the Medium-Term Management Plan (2019–2022). We are especially focusing on an overseas training system where employees can experience global business for about one year through an internship at the overseas office of a globally active client firm. Over the past eight years, 180 trainees have so far been sent to 16 countries overseas.

The overseas studies program is a system through which employees obtain wide-ranging knowledge and expertise as well as advanced technical capabilities. In addition to MBAs from overseas business schools, the acquisition of degrees in other fields, such as computer sciences (MSE/MCS) and law (LLM), is also actively pursued. Training is also implemented in China and India to learn project management and data sciences.

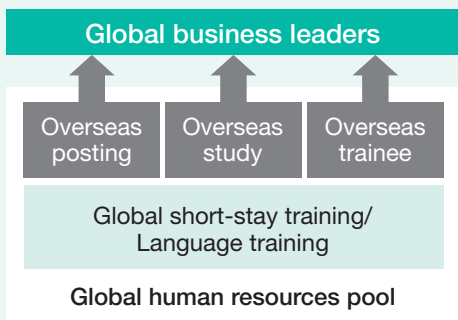
Average Annual Training Budget per Employee at NRI

(non-consolidated)



According to the results of a questionnaire survey titled “The Latest Rankings from a Survey of Companies that Make the Most of People” (implemented between June and July 2015) that was published on the Nikkei Career Woman website, NRI was ranked second in regard to the amount of training expenses spent per employee from among the 454 companies that provided valid responses to the survey.

NRI's Global Human Resources Development Program



Training Program System (Figure 3)

Compulsory Recommended Open recruitment

Classification	Junior employees	Mid-career employees	Manager / GM / Department head
Program according to seniority	New employee training Specialist training	Deputy supervisor training Supervisor training Veteran career planning workshop Female leader development training	Manager training GM training Department head training Female manager training Inclusion seminar for management-level employees
Managerial talent		Training for selected Mid-career employees (management knowledge, leadership, cross-industry exchange meeting, etc.)	Training for selected managers Training for selected GMs Training for selected department heads
Program according to career field	Consulting training IT skills training Other skills training	Basic career training (common to all fields; elective) Hands-on career training (by career field)	Advanced career training (by career field)
Priority fields		DX human resources development program Global human resources development program	
Other		Self-improvement support program Development programs according to division (Division / Group company / Global)	Selective programs according to division



S (Human Resources Management)

Development of DX Human Resources

NRI implements a program to develop human resources who can accelerate the DX Strategy, which is a pillar of the growth strategies contained in the Long-term Management Vision “Vision2022” and the Medium-Term Management Plan (2019–2022). Education to re-skill and increase the capabilities of consultants and systems engineers, who already possess conventional abilities, is being carried out. This enables them to utilize their existing skills while expanding their area of activity to include the field of digital transformation (DX). By doing so, we are promoting the strategic shift of NRI’s human resources portfolio to one that we are aiming for in the DX age.

DX Human Resources Development Program

With the aim of strengthening capabilities – such as those in artificial intelligence (AI), analytics, blockchain, UX design, agile software development and microservice architecture – that are required in the DX age, NRI offers training for the acquisition of DX skills. The training is available across different lengths of service in addition to the traditional skills cultivation that takes place according to how long a person has been with the company (Figure 1). There is a wide array of curriculums available. They include not only those for the acquisition of basic knowledge and IT skills but also courses that share implementation know-how, the latest business-use cases as well as deep insights, distinctive of NRI, and edgy business acumen.

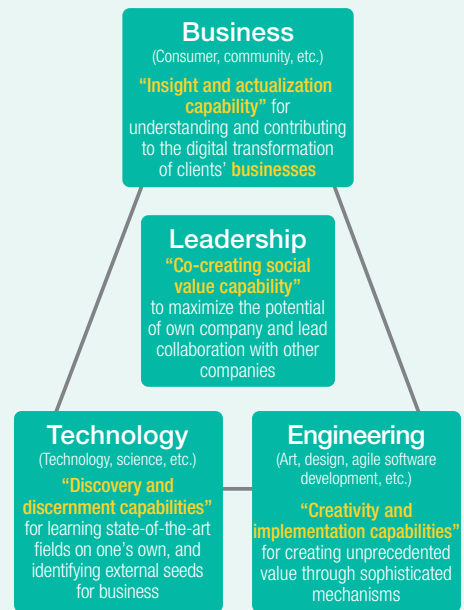
Furthermore, proactive collaboration is carried out with research bodies (graduate schools, etc.) in Japan and abroad, external organizations, such as data scientist (DS) associations, and companies. A multitude of academic knowledge and progressive cases are incorporated to establish places of learning of a higher level as well as support employees in their development of human networks and stages for achieving success. Going forward, curriculums will be planned and designed around creating opportunities for learning, opportunities for development, opportunities for becoming connected, and opportunities for playing an active role. They will be adapted to providing chances for acquiring high skills of greater efficiency (Figure 2).

We are focusing on cultivating data scientists, such as by establishing “data scientist” as a career field in 2012, and institutionalizing “certified data scientist” in 2017.

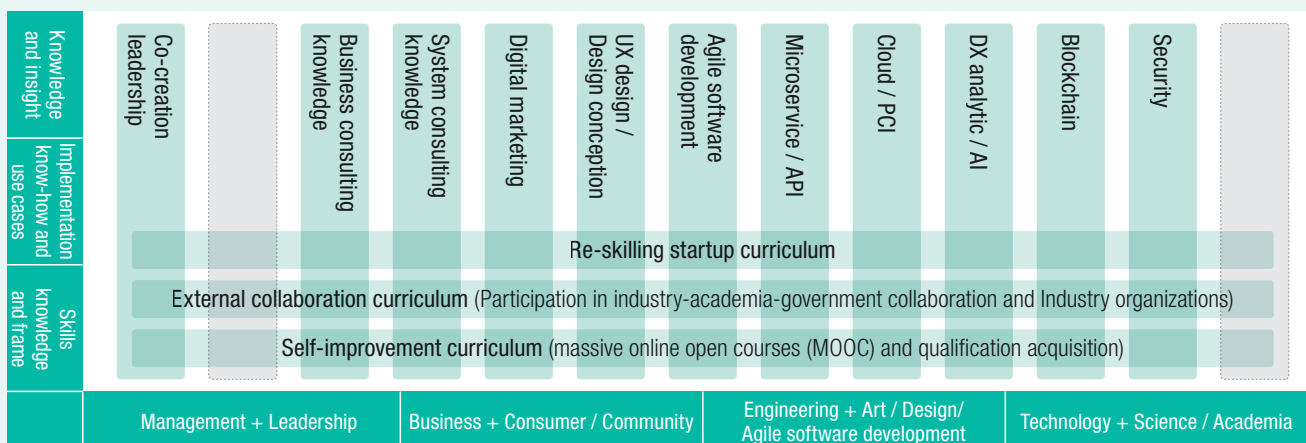
Ranks have been established in accordance with skill levels for each capability to develop the human resources required for execution of the DX Strategy. Programs are planned and operated after establishing numerical targets in regard to the number of people to be cultivated.

DX Human Resources Development Policy (Aimed-for Ideal)

Each employee will add on the following essences for surviving the DX age while leveraging the skills they have already nurtured through their careers, and they will aim to become human resources who will lead the DX age.



DX Human Resources Development Program (Figure 1)



The Four Places of Learning (Figure 2)

<p>1 Opportunities for learning</p> <p>Each individual obtains opportunities to learn for making challenges into new fields</p> <ul style="list-style-type: none"> • Training to share advanced knowledge distinctive of NRI and learn original insight, in addition to simple skills and case studies • Establishment of courses in which each individual can learn in accordance with their personal circumstances at their own pace as well as courses in which persons at any level, whether a beginner or veteran, can learn the basics • Self-improvement through Coursera, university lectures, qualification acquisition, etc. 	<p>2 Opportunities for development</p> <p>Individuals learn while contributing to the development of the next generation as an expert</p> <ul style="list-style-type: none"> • Plan internal training and development measures at DX Expert Panel meetings, and lead measures that promote the advanced integration of on-the-job and off-the-job training • Opportunities to develop the next generation by serving as lecturers of internal and external training sessions, and as university professors in industry-academia partnerships, taking the podium at events, and providing guidance to interns • Lead opportunities to teach others to even deeper learning through systematization and introspection
<p>3 Opportunities for becoming connected</p> <p>The enhancement of individual strengths by forming internal networks</p> <ul style="list-style-type: none"> • Participate in DX Expert Panel meetings and, based on human resources information and project information, lead measures for interaction between internal advanced human resources, sharing of insights and the reinforcement of organizational strengths • Reinforce the functions of internal DX-related CoE organizations, strengthen collaboration between consulting and solutions, invigorate job assignment through the discovery of candidates for advanced human resources, and promote the spread and popularization of advanced knowledge • Promote the integration of internal resources and information through these measures, and strengthen the display of capabilities by individuals 	<p>4 Opportunities for playing an active role</p> <p>Increase NRI's presence while also linking it to self-growth</p> <ul style="list-style-type: none"> • Make strategic assignment of human resources for information communication, such as through external lectures and newspaper and web-based articles, and to external collaborations, such as by dispatching individuals to industry organizations or having persons serve as executive board members of such organizations • Trigger self growth through opportunities to strengthen NRI's branding

Hosting of the DX Forum

We held the NRI DX Forum in September 2018 in Yokohama. The objective was to mutually share in-house knowledge related to DX – accumulated by NRI through projects – and business insights distinctive of NRI.

This time, the theme of the Forum was analytics. Lectures, exhibits and events, such as a dialogue session, were held to share outlooks and cases concerning DX. More than 500 employees participated in the Forum, including those at six bases in Japan and abroad who viewed the Forum through video streaming and other means.

The title of the dialogue event was “How Should We Change the Future Through Digitization?” The latest trends and research related to digitization were introduced. A heated discussion took place – between those on stage and 28 participants who work on site in digitization – on the direction that should be taken in the medium- to long-term amid the transformation brought about by digitization.



President Konomoto's lecture, and scenes from the venue and dialogue event

Minato Mirai Training Square Opened

The Minato Mirai Training Square, which is a new training facility, opened in July 2018 at the NRI Yokohama Center. In addition to being a training location for the development of human resources who will transform NRI, the Center is also serving as a new base for the human resources strategy as a place where employees can gather easily and communicate with each other.



Training scene



Opening ceremony



S (Human Resources Management)

Diversity Management

NRI works to create a workplace environment that provides each one of our employees with diverse values, growth opportunities, the chance to work vibrantly, and prospects for embracing challenges regardless of their race, nationality, gender, age, disability and sexual orientation.

Human Rights Policy

In the fiscal year ended March 2015, the NRI Group drew up a human rights policy that states that we respect the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We are working to strengthen our efforts related to the respect of human rights, such as by revising our human rights policy in February 2019 and committing to the ongoing exercise of human rights due diligence based on the UN Guiding Principles on Business and Human Rights.

Promotion of Women's Participation and Advancement in the Workplace

In 2008, NRI established the NRI Women's Network (NWN) as a project under the direct supervision of our president. NWN conducts activities based on the three pillars of "helping female employees develop their careers," "supporting training for balancing work and parenting," and "fostering a better corporate culture."

Today, it is commonplace for the ratio of female employees to increase and for women to continue working even after marriage or childbirth. In response, NRI is prioritizing continued active participation by women as professionals. We are implementing the Leader Development Program and other measures to support their career development. In 2018, we launched the Female Leader Development Juku program where female managers serve as lecturers. A seminar for management-level employees was also held in February 2019.

Childbirth, Parenting and Nursing Care Support

NRI is working to create a workplace that facilitates a balance between work and parenting for both men and women. In addition to systems such as maternity/paternity leave, we established the "partner childbirth leave" system in January 2017 as part of measures aimed at supporting a work-life for male employees. In June 2017, we opened the Yokohama Center and established the Yumeminato Hoikuen as an in-office nursery. These facilities support employees in resuming their career at the desired time and building a career plan.

Furthermore, NRI helps our employee balance work and nursing care for the elderly by enhancing systems such as nursing care leave and shorter working hours for nursing care.

Promoting Workplace Participation by Persons with Disabilities

NRI Mirai, Ltd., a special subsidiary* of NRI, contributes to work style reform by providing employees with various disabilities work opportunities such as setting of meeting rooms and libraries, supporting training, collecting/delivering internal mail, managing of miscellaneous goods, and even providing massage services for employees.

Moreover, NRI is working to expand hiring opportunities for people with disabilities by holding fixed-point surveys and presentations related to management issues and trends in the hiring of people with disabilities and operations at special subsidiaries. As of June 2019, 166 disabled persons are employed at NRI and its group companies (an employment ratio of 2.45%).

*It refers to a subsidiary that gives special consideration to promote the employment of persons with disabilities, and in doing so meets certain requirements. Obtaining certification from the central government allows persons with disabilities employed by this type of subsidiary to be deemed as being employed by the parent company.

NRI Group Policy on Human Rights
<https://www.nri.com/en/sustainability/social/policies>

Action plans under the Act on Promotion of Women's Participation and Advancement in the Workplace

Term	From April 2019 to March 2023
Goals	<ol style="list-style-type: none"> 1. Raise the ratio of female managers to at least 8.5% by the fiscal year ending March 2023 (Newly promote more than 100 women to management-level positions) 2. Raise NRI's female employee hiring rate to at least 30% of its total hires 3. Carry out, toward management-level employees, further awareness-raising activities related to diversity management
Initiatives	<ol style="list-style-type: none"> 1. Continue the Female Leader Development Program with the goal of developing female employees into managers 2. Continue measures to increase the number of female students recruited as employees 3. Implement awareness-raising measures related to management and development responsibilities of managers toward employees with diverse individualities and values 4. Carry out system reforms aimed at allowing employees to select diverse work-style choices



Scene from a diversity and inclusion seminar for management-level employees



In-office nursery Yumeminato Hoikuen



NRI Mirai employees working at the magazines and books corner



S (Human Resources Management)

Work-style Reform Issues and Health and Productivity Management

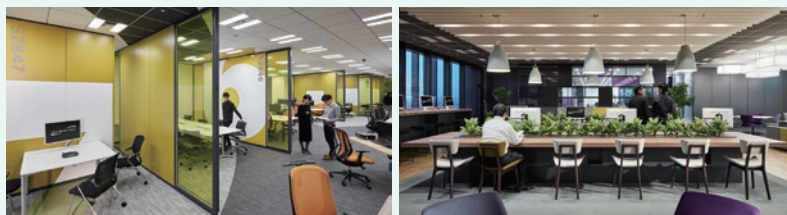
By enacting work-style reform, NRI works to promote work-life balance by reducing long working hours. We seek to achieve an environment where employees can fully exhibit their abilities while valuing their personal health and family life.

Initiatives for Work-style Reform

In 1994, NRI implemented a discretionary labor scheme which was a pioneering initiative in Japan at that time. Through this scheme, we have promoted a work style that is free from time constraints.

From 2016 to 2017, we relocated our Tokyo, Yokohama, and Osaka offices to new buildings. Based on the concept of “creating new value by connecting people, goods, events, information, and objectives,” we developed office spaces which achieve a working style that is uninhibited by location. The use of telecommuting and satellite offices is also increasing. Led by the Work-style Reform Committee which we started in the fiscal year ended March 2018, we are supporting the achievement of flexible working styles with even higher productivity. A total of about 6,000 NRI employees participated in Telework Days held in July 2018.

In addition to this work infrastructure, NRI is also fostering a corporate culture that facilitates co-creation among diverse human resources. For example, one specific initiative is work-style reform which matches the content and characteristics of work at each division.



New office which achieves an innovative working style

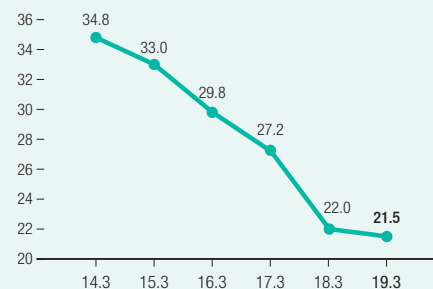
Health and Productivity Management

NRI aims to achieve health and productivity management* that helps improve employees' quality of life (QOL). We have appointed the Chief Health Officer (CHO), and currently are developing various systems and engaging in the relevant initiatives toward invigorating NRI and achieving increased productivity under the four goals.

*It refers to a business policy which generates benefits for a company by providing its employees with health-related assistance. This term is a registered trademark of the Workshop for the Management of Health on Company and Employee.

Change in average monthly overtime hours per employee

(hours)



NRI Health Declaration 2022

Basic policy: Based on correct knowledge and recognition for their own health by each employee, the NRI Group supports active initiatives for improving long-term quality of life (QOL).

1	Reduce lifestyle-related diseases <ul style="list-style-type: none"> •Manage employees' reservations and receipts for medical check-ups and health examinations, and encourage them to take these examinations •Put in place health management rooms at our principal offices and build a framework for industrial doctors to handle cases
2	Lower stress <ul style="list-style-type: none"> •Stress prevention for individual employees and teams •Develop a system to enable employees to return to work earlier
3	Lower smoking rate <ul style="list-style-type: none"> •Introduce support to help stop smoking •Remove smoking spaces inside the office
4	Promote work-life balance <ul style="list-style-type: none"> •Reduce overtime and holiday work hours •Encourage employees to take paid leave •Implement the frontline-driven Smart Work-Style Campaign (SWC) including: streamlining operations and meetings, as well as promoting early morning work

External Evaluation of NRI

- In 2017, received the highest level (Level 3) of Eruboshi Certification (certification by the Minister of Health, Labour and Welfare based on the Act on Promotion of Women's Participation and Advancement in the Workplace)
- Selected as a Nadeshiko Brand for three consecutive years in 2017, 2018 and 2019 (corporations selected by the Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry for outstanding promotion of female performance and advancement)
- Certified as “Kurumin” for five consecutive terms from 2007 and as “Platinum Kurumin” in 2018 (certification of corporations that support child rearing based on the Act on Advancement of Measures to Support Raising Next-Generation Children)
- Certified as a Health and Productivity Management 500 Organization (White 500; Large Enterprise Category) for three consecutive years in 2017, 2018 and 2019





G (Governance)

NRI's Corporate Governance

The strength of NRI is our human resources; in other words, professional employees who possess a high level of expertise, who take the initiative to work on independently-set goals, and who are fearless innovators. To develop these human assets, NRI has been strengthening a system and an environment to develop the hidden talents of highly motivated people and to allow them to produce results on the job.



NRI Corporate Governance Guidelines
<https://www.nri.com/en/company/governance>

The Basic Approach to Corporate Governance

(1) Cooperation with stakeholders

NRI respects the interests of stakeholders and cooperates with them in an appropriate manner. In particular, with regard to shareholders, NRI takes the proper measures so that rights are substantially secured, in addition to ensuring substantial equality.

(2) Information disclosure and communication

NRI discloses information as stipulated by laws and by the regulations of the Tokyo Stock Exchange, and information that assists its stakeholders in understanding NRI and its operations properly, in a timely, accurate, and fair manner, to secure transparency as well as to engage in constructive dialogue with its shareholders.

(3) Corporate governance system

NRI is strengthening its management monitoring functions based on the Audit & Supervisory Board System through the appointment of Independent Directors and Independent Audit & Supervisory Board Members, as well as the establishment of bodies that are mainly composed of Independent Directors appointed to advise the Board of Directors.

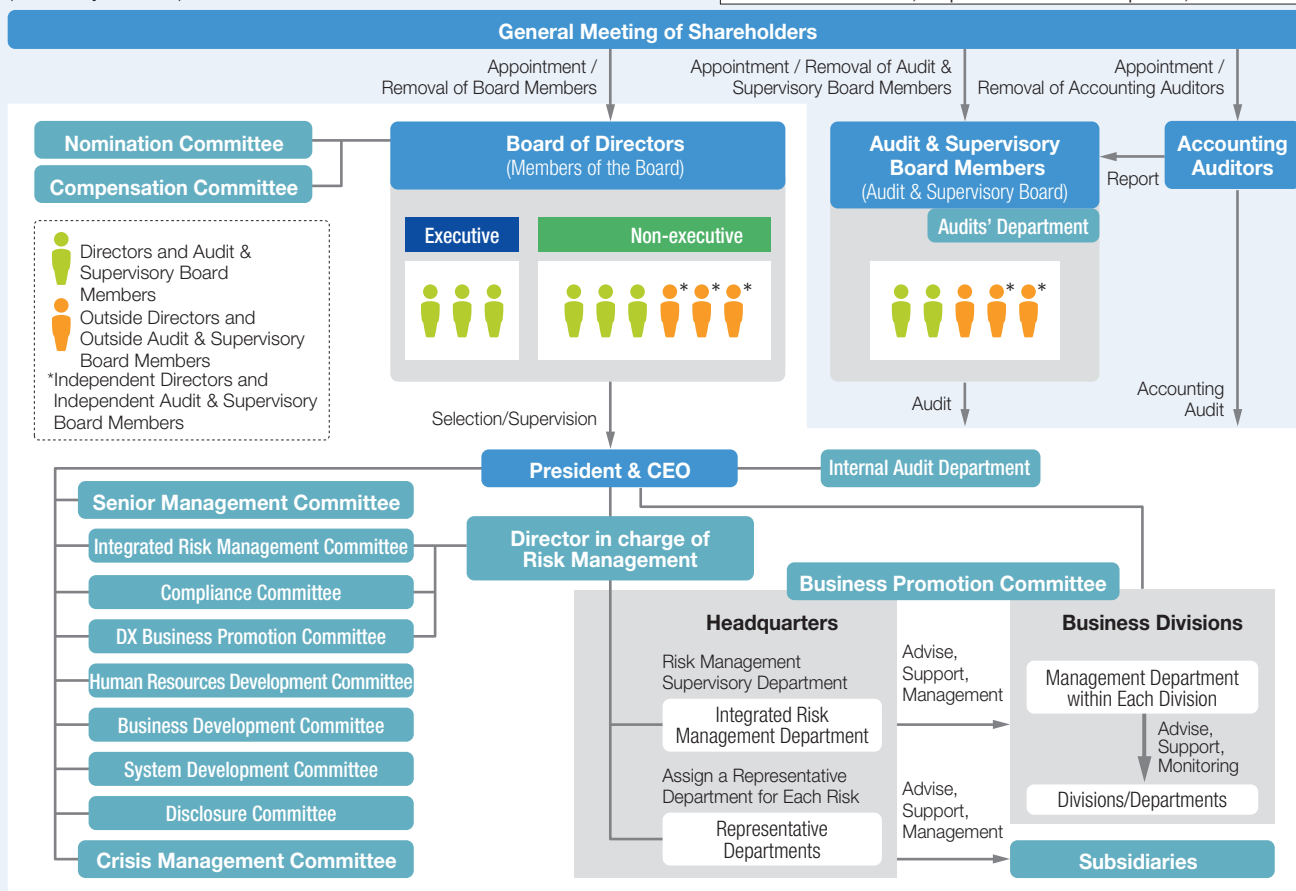
Main corporate governance efforts since 2001

2001	<ul style="list-style-type: none"> Formulated the NRI Group's corporate philosophy Listed on the Tokyo Stock Exchange (Section 1)
2002	<ul style="list-style-type: none"> Introduced an executive officer system to assist in separating management and execution functions Reduced the number of members of the Board of Directors to within 20 and also appointed Independent Outside Directors Increased the number of Outside Audit & Supervisory Board Members to strengthen their auditing functions
2003	<ul style="list-style-type: none"> Formulated the NRI Group's Ethical Code (revised to the NRI Group's Code of Business Principles on 2010) and the NRI Group Employees' Code of Business Conduct
2005	<ul style="list-style-type: none"> Established the Compensation Committee comprised of outside experts to enhance transparency in regard to executive compensation
2006	<ul style="list-style-type: none"> Reduced the number of members of the Board to 15 or less
2008	<ul style="list-style-type: none"> Initial release of the Long-term Management Vision: Vision2015 Took part in an electronic voting platform for institutional investors as part of efforts to maximize opportunities for shareholders to exercise their voting rights
2010	<ul style="list-style-type: none"> Appointed non-executive director to chair the Board of Directors to separate supervisory and execution functions
2012	<ul style="list-style-type: none"> Newly established the Integrated Risk Management Department to appropriately manage any risk that may arise in the course of business execution
2015	<ul style="list-style-type: none"> Increased the number of Independent Outside Directors from two to three Established the Independent Executives Meeting consisting of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members Formulated the NRI Corporate Governance Guidelines Revised the NRI Group's Code of Business Principles completely
2016	<ul style="list-style-type: none"> Initial release of the Medium-Term Management Plan (From FY March 2017 to FY March 2019) Implemented the evaluations of the Board of Directors' effectiveness
2017	<ul style="list-style-type: none"> Newly establish the Nomination Committee, comprised mainly of Independent Directors Change the main members of the Compensation Committee from outside experts to Independent Directors
2018	<ul style="list-style-type: none"> Introduction of Restricted Stock Compensation Plan as a medium to long-term incentive for Members of the Board

Corporate governance structure

(As of July 1, 2019)

For the Board of Directors and the Audit & Supervisory Board, see P.65-66
 For the Internal Controls, Corporate Ethics and Compliance, see P.69-70



Roles and activities of committees

Nomination Committee	Mainly composed of Independent Directors, the Committee deliberates on executive appointment matters related to Directors, Audit & Supervisory Board Members, the CEO and other Board Members, from the standpoint of fairness and transparency.
Compensation Committee	Mainly comprised of Independent Directors, the Committee deliberates on the system and standards of executive compensation from the standpoint of fairness and transparency.
Senior Management Committee	The Committee meets in principle to deliberate on important issues involving corporate management in order to achieve consistent business execution and decision making.
Integrated Risk Management Committee	The Committee deliberates on important issues concerning risk management based on instructions given by the President & CEO.
Compliance Committee	The Committee deliberates on the issues concerning the promotion of ethical and compliance management covering the improvement of structures to comply with corporate ethics and laws and the prevention of violation reoccurrences, based on instructions given by the President & CEO.
DX Business Promotion Committee	Based on the instructions given by the President & CEO, the Committee deliberates on important issues concerning promotion of the digital transformation (DX) business.
Human Resources Development Committee	The Committee deliberates on important issues concerning ability development and training of employees, based on instructions given by the President & CEO.
Business Development Committee	The Committee deliberates on important issues concerning investments in research and development, planned businesses and investments, such as the acquisition of securities, based on instructions given by the President & CEO.
Systems Development Committee	The Committee deliberates on important issues concerning proposals and quotations to clients, as well as on their development and release of IT solution-related systems, based on instructions given by the President & CEO.
Disclosure Committee	The Committee deliberates on important issues concerning the disclosure of Annual Securities Report and other documents, based on instructions given by the President & CEO.
Crisis Management Committee	The Committee will be established based on the orders of the President & CEO to execute and support prompt responses to a crisis whenever one may occur.
Business Promotion Committee	The Committee involves administrative departments from the headquarters and management departments within business divisions and seeks to establish highly effective and efficient internal controls.



G (Governance)

System and Responsibilities of the Board of Directors and the Audit & Supervisory Board

NRI has established a structure to further enhance corporate governance while effectively using the functions of Audit & Supervisory Board Members and the Audit & Supervisory Board as a company with an Audit & Supervisory Board. NRI has delegated to considerable authority and responsibility for business execution to Senior Managing Directors and other Directors. The Board of Directors is exclusively responsible for fundamental decision-making that are the basis for the Company's business execution and for overseeing the execution of duties by Members of the Board. The Audit & Supervisory Board Members and Audit & Supervisory Board oversee the execution of duties by Members of the Board.

Senior Managing Directors and Managing Directors appointed through a resolution by the Board of Directors are responsible for the execution of business based on policies adopted by the Board. NRI holds a Senior Management Committee attended by Representative Directors and Senior Managing Directors once a week and deliberates on the important issues involving corporate management in order to coordinate our business activities and build consensus in executing business operations.

Structure of the Board of Directors

NRI has nine Members of the Board, including three Outside Directors. The Board of Directors convenes once a month and on an extraordinary basis as needs dictate.

Structure of the Board of Directors

- The Board of Directors has a well-balanced composition of non-executive directors, executive directors, and Outside Directors.
- The Company elects three Independent Directors in principle, or no less than two Independent Directors.
- The Board of Directors includes no more than 15 Members of the Board, taking into consideration of the balance and the diversity of various factors, including experience in and knowledge of the Company's businesses, corporate management, IT technology and corporate finances.

Advisory committees for the Board of Directors

NRI has established the following two advisory committees mainly composed of Independent Directors.

- Nomination Committee: Nomination Committee Deliberates on executive appointment matters related to Directors, Audit & Supervisory Board Members, the CEO and other Board Members
- Compensation Committee: a body to advise the Board of Directors on executive compensation.

Responsibilities of the Board of Directors

- Make decisions on important matters including basic management policies, the mid-term business plan and business plans, and personnel-related matters, in accordance with relevant laws and regulations, the Company's Articles of Incorporation, and "Regulations of the Board of Directors."
- Delegate decision-making related to the execution of duties other than the matters specified in the preceding paragraph to the executive directors and other Senior Managing Directors, and exercises its oversight function.
- Make efforts for the achievement of the Medium-Term Management Plan, and, if the performance targets are not met, analyze the cause and response, and reflect the findings in ensuing plans
- Execute proactive involvement in the formulation and operation of the president & CEO succession plan based on the corporate philosophy, action guidelines, concrete management strategies, etc., and make proper oversight
- Determine the compensation of individual Members of the Board (excluding Outside Directors) and other Senior Managing Directors, incorporating healthy incentives targeting sustainable corporate growth in the future.
- Decide on the contents of a risk management system, including compliance and internal controls related to financial reporting, and appropriately oversee effective system implementation.

Selection policy for the Members of the Board

- Members of the Board are elected for a one-year term, creating a management system that can respond in a timely manner to changes in the business environment and clarifying all management responsibilities for each fiscal year.
- The Board of Directors has a well-balanced composition of non-executive directors, executive directors, and Outside Directors.
- The Company elects three Independent Directors in principle, or no less than two Independent Directors.
- The Board of Directors includes no more than 15 Members of the Board, taking into consideration of the balance and the diversity of various factors, including experience in and knowledge of the Company's businesses, corporate management, IT technology and corporate finances.

System and Responsibilities of the Audit & Supervisory Board

NRI has five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members.

The Audit & Supervisory Board discusses and decides auditing policies and other important matters related to auditing and formulates and expresses audit opinions.

Structure of the Audit & Supervisory Board

- To ensure independence, more than half of the Audit & Supervisory Board are Independent Audit & Supervisory Board Members
- Two or more Independent, Outside Audit & Supervisory Board Members are appointed
- One or more persons with substantial knowledge regarding finance and accounting are appointed as Audit & Supervisory Board Members

Responsibilities of the Audit & Supervisory Board Members

- Request reports from employees and executives to provide impartial supervision of execution by the Members of the Board in addition to participating in the Board of Directors meetings and on other important committees.
- Coordinate with the accounting auditors and the Internal Audit Department over such matters as receiving reports on the audit plans and current status of audits from the accounting auditors as well as the results of internal audits from the Internal Audit Department, which is responsible for promoting internal controls.

•Appropriately receive internal control status reports providing information such as monitoring results on compliance with various regulations from the Risk Management Supervisory Department.

To ensure that audits are effectively conducted by the Audit & Supervisory Board Members, the Audits' Department has been established to support the work of the Audit & Supervisory Board Members.

Members of the Board (As of July 1, 2019)					
Name (Date of birth)	Current positions	Executive /Outside /Independent	Terms of office	Attendance (Year ended March 2019)	Reason for Appointment
Shingo Konomoto (February 11, 1960)	President & CEO, Representative Director, Member of the Board	Executive	4 years	Board of Directors Attended 14 of 14 meetings	He has been responsible for the management of the NRI Group since 2016 as President & CEO, and possesses abundant experience and achievements related to NRI's management. Furthermore, he formulated and is promoting the Long-term Management Vision "Vision2022" and the Medium-Term Management Plan for achievement of the Vision. NRI has appointed him with the expectation that the experience and knowledge nurtured through his career can be utilized in the management of NRI.
Hironori Momose (September 15, 1961)	Vice Chairman, Member of the Board	Non-executive	Newly Appointed	—	He has successively assumed various posts at Nomura Securities Co., Ltd., including that of Executive Officer and Senior Executive Managing Director, and possesses long-standing experience in the securities industry, which is one of NRI's major business areas. He was appointed with the expectation that he will utilize his abundant experience and excellent understanding gained through his career, in the supervision of the management of NRI.
Ayumu Ueno (March 15, 1960)	Senior Executive Vice President, Representative Director, Member of the Board	Executive	4 years	Board of Directors Attended 14 of 14 meetings	He possesses long-standing experience and achievements in the execution of business in the industrial IT solutions business area. He has also led growth of the business through overseas M&As and other means as the person in charge of business divisions. NRI has appointed him with the expectation that the experience and knowledge nurtured through his career can be utilized in the management of NRI.
Yasuo Fukami (August 12, 1960)	Representative Director, Member of the Board, Senior Executive Managing Director	Executive	Newly Appointed	—	He possesses a broad range of experience and achievements in the execution of business in the financial IT solutions and industrial IT solutions business areas as well as in corporate administration. He also has abundant experience and achievements in global business in Asia and Europe, such as by being responsible for the management of local subsidiaries. NRI has appointed him with the expectation that the experience and knowledge nurtured through his career can be utilized in the management of NRI.
Tadashi Shimamoto (February 8, 1954)	Member of the Board	Non-executive	11 years	Board of Directors Attended 14 of 14 meetings	He possesses abundant experience and achievements in the management of NRI, having served for six years as President & CEO. Furthermore, as Chairperson of the Board, he is working for the appropriate operation and vitalization of the Board of Directors. In addition, as Chairperson of the Nomination Committee, he is endeavoring to ensure the objectivity and fairness of executive appointments. NRI has appointed him with the expectation that the experience and knowledge nurtured through his career can be utilized in the supervision of the management of NRI.
Yoshio Usumi (July 1, 1958)	Member of the Board	Non-executive	2 years	Board of Directors Attended 14 of 14 meetings	He possesses long-standing experience and achievements in the execution of business in corporate administration. Furthermore, as Chairperson of the Compensation Committee, he is endeavoring to ensure objectivity and fairness in the determination, etc., of director compensations. NRI has appointed him with the expectation that the experience and knowledge nurtured through his career can be utilized in the supervision of the management of NRI.
Miwako Doi (June 2, 1954)	Member of the Board	Non-executive Outside Independent	4 years	Board of Directors Attended 14 of 14 meetings	She has long-standing experience as a researcher and a person with responsibilities at a research and development division in the field of advanced information technology. Although she has not been involved in the management of a company in a capacity other than Outside Director, NRI requests her reelection as Outside Director to utilize her abundant experience and excellent understanding as a person with expertise gained throughout her career, in the supervision of the management of NRI from an objective standpoint.
Masatoshi Matsuzaki (July 21, 1950)	Member of the Board	Non-executive Outside Independent	3 years	Board of Directors Attended 14 of 14 meetings	He has been involved in the management of KONICA MINOLTA, INC. for many years. NRI requests his reelection as Outside Director to utilize his abundant experience and excellent understanding concerning corporate management gained throughout his career, in the supervision of the management of NRI from an objective standpoint.
Hideaki Omiya (July 25, 1946)	Member of the Board	Non-executive Outside Independent	1 year	(after assuming the post on June 22, 2018) Board of Directors Attended 9 of 11 meetings	He has been involved in the management of Mitsubishi Heavy Industries, Ltd. for many years. NRI requests his election as Outside Director to utilize his abundant experience and excellent understanding concerning corporate management gained throughout his career, in the supervision of the management of NRI from an objective standpoint.

Members of the Audit & Supervisory Board (As of July 1, 2019)					
Name (Date of birth)	Current positions	Executive /Outside /Independent	Terms of office	Attendance (Year ended March 2019)	Reason for Appointment
Yutaka Harada (March 11, 1960)	Audit & Supervisory Board Member (full-time)	—	3 years	Board of Directors Attended 14 of 14 meetings Audit and Supervisory Committee Attended 17 of 17 meetings	He has long-standing experience in business execution and achievements in the areas of financial IT solutions and consulting. NRI requests his election as Audit & Supervisory Board Member to utilize his experience and understanding gained throughout his career, in the auditing of the execution of NRI's Members of the Board.
Kohei Sato (April 18, 1961)	Audit & Supervisory Board Member (full-time)	Outside	1 year	(after assuming the post on June 22, 2018) Board of Directors Attended 11 of 11 meetings Audit and Supervisory Committee Attended 13 of 13 meetings	He has long-standing experience in the securities industry, which is one of NRI's major business areas. NRI requests his election as Outside Audit & Supervisory Board Member to utilize his abundant experience and excellent understanding gained throughout his career, in the auditing of the execution of NRI's Members of the Board from an objective standpoint.
Motoya Nishimura (July 23, 1962)	Audit & Supervisory Board Member (full-time)	—	Newly Appointed	—	He possesses a broad range of experience and achievements in the execution of business in the consulting and financial IT solutions business areas as well as in corporate administration. NRI has appointed him with the expectation that the experience and knowledge nurtured through his career can be utilized in the audit of the execution of duties by NRI directors.
Kiyotaka Yamazaki (April 4, 1953)	Audit & Supervisory Board Member	Outside Independent	5 years	Board of Directors Attended 14 of 14 meetings Audit and Supervisory Committee Attended 17 of 17 meetings	He serves as Managing Partner of an audit corporation and has long-standing experience as a certified public accountant. Although he has not been involved in the management of a company in a capacity other than Outside Audit & Supervisory Board Member, NRI requests his reelection as Outside Audit & Supervisory Board Member to utilize his abundant experience and excellent understanding concerning finance and accounting, which he has gained through his career, in the auditing of the execution of NRI's Members of the Board from an objective standpoint.
Noriaki Okubo (May 22, 1959)	Audit & Supervisory Board Member	Outside Independent	2 years	Board of Directors Attended 13 of 14 meetings Audit and Supervisory Committee Attended 16 of 17 meetings	He has been involved in the management of JAPAN TOBACCO INC. for many years. NRI has appointed him with the expectation that he will utilize his abundant experience and excellent understanding concerning corporate management gained throughout his career, in the auditing of the execution of NRI's Members of the Board from an objective standpoint.



G (Governance)

Compensation for Members of the Board and Audit & Supervisory Board Members

Compensation System for Members of the Board

The compensation system for Members of the Board is based on executive position, but, in the interest of enhancing business results, the system emphasizes connections to business performance. The standards employed by the system have been set with reference to market standards and trends and other factors, with the goal of establishing standards appropriate for a leading company in the information services industry.

To improve transparency of directors' compensation and others, NRI has established the Compensation Committee, comprised mainly of Independent Directors, as an advisory body to the Board of Directors. The committee deliberates on the system and standards of executive compensation from the standpoint of fairness and transparency. Using the results of the committee's inquiries, the Board of Directors sets policies for the determination of compensation for Members of the Board and other matters.

Compensation for the Members of the Board of NRI is comprised of the three categories (a. basic compensation, b. bonuses and c. stock-based compensation).

Outside Members of the Board do not receive a b. bonus or c. stock-based compensation.

The maximum compensation total for Members of the Board: ¥1,000 million per annum (Although, this shall not include employee salaries of Members of the Board who concurrently serve as employees).

Based on the Plan, the compensation provided for granting restricted stock to Eligible Members of the Board shall take the form of monetary compensation claims

Stock-based compensation as long-term incentives within the limit of ¥120 million per annum

Stock-based compensation as medium-term incentives within the limit of ¥280 million per annum

Total of not more than ¥400 million per annum

a. Basic compensation	<ul style="list-style-type: none"> Basic compensation consists of fixed pay (basic pay and position pay), which is compensation based on each Member of the Board's post.
b. Bonuses	<ul style="list-style-type: none"> Bonuses are positioned as a short-term incentive. They reflect performance in the relevant fiscal year and their determination takes into account differences in posts and positions
c. Stock-based compensation (restricted stock-based compensation)	<ul style="list-style-type: none"> Provision of restricted stock compensation (financial compensation used as investment assets for the acquisition of shares with restriction on transfer compensation) as stock-based compensation in order to provide incentives aimed at sustainable improvements in the Company's corporate value and to promote the sharing of value with shareholders through share ownership The number of shares allocated is determined in accordance with executive positions. Note that, based on the Stock Ownership Guidelines for Executive Officers, Members of the Board are expected to hold more than a certain number of shares of NRI's stock, in accordance with their respective positions. <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;"> <div style="border: 1px solid #ccc; padding: 5px; background-color: #e6f2ff;"> <p style="text-align: center; margin: 0;">Stock-based compensation as long-term incentives</p> <p style="font-size: 0.8em; margin: 0;">Long-term incentive aimed at promotion of the sharing of value with shareholders through share ownership and sustainable improvements in the Company's corporate value The transfer restriction term is from the day of allotment to the day of retirement as an officer, etc., of NRI or its subsidiary</p> </div> <div style="font-size: 1.5em; margin: 0 10px;">+</div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #e6f2ff;"> <p style="text-align: center; margin: 0;">Stock-based compensation as medium-term incentives</p> <p style="font-size: 0.8em; margin: 0;">Medium-term incentive aimed at improvements in the Company's medium-term results and share price as represented in the Medium-Term Management Plan The transfer restriction term is from the day of allotment and lasts between three and five years thereafter</p> </div> </div> <ul style="list-style-type: none"> Stock-based compensation=

Emphasis is placed on bonuses and stock-based compensations so as to create a compensation system that is highly linked to performance. The approximate ratio of constituent elements of the compensations of directors, etc., in the fiscal year ended March 2019, is as follows. If basic compensation is equalized to "1", then the bonus is "0.6" and stock-based compensation is "1.1". If fixed compensation is "1", then performance-based compensation is "1.7".

(Fixed compensation) Basic compensation 1	(Performance-based compensation) 1.7	
	(Short-term performance-based compensation) Bonus 0.6	(Medium- to long-term performance-based compensation) Stock-based compensation 1.1

Notes 1. Calculations are based on the Board of Directors average for the fiscal year ended March 2019 (excluding Outside Directors and Directors who retired or assumed their post during the period)

2. Stock-based compensations herein are the total amount of monetary compensation receivables that would be contributed in kind in exchange for the shares with transfer restrictions.

Compensation for Members of the Audit & Supervisory Board Members

Policies for the determination of compensation for Audit & Supervisory Board Members and other matters are set through discussions among the Audit & Supervisory Board Members.

The role of the Audit & Supervisory Board Members is to audit the Members of the Board in the performance of their duties and to do so from an independent standpoint. However, given that the full-time Audit & Supervisory Board Members share with the Members of the Board the objective of realizing sound, sustainable growth for NRI, their compensation, in addition to a fixed amount, includes a variable portion that changes in accordance with our business performance.

Levels of compensation have been set based on the need to secure human resources capable of playing important roles in the establishment and operation of effective corporate governance.

The maximum compensation total for Audit & Supervisory Board Members: ¥250 million per annum

a. Basic compensation	•Basic compensation consists of fixed pay based on each Audit & Supervisory Board Member's career, knowledge, responsibilities.
b. Bonuses	•Bonuses are only paid to the full-time Audit & Supervisory Board Members, and it is based on our business performance during the current fiscal year.

Executive Compensation Amounts

Executive compensation for the fiscal year ended March 2019 is as follows.

The CEO to employee pay ratio for the fiscal year ended March 2019 was 9.4: 1, with the President & CEO Shingo Konomoto receiving compensation of ¥115 million compared to an average employee salary of ¥12 million.

Category	Total compensation (millions of yen)	Compensation by type (millions of yen)						No. of eligible individuals (persons)
		Fixed compensation	Performance-based compensation				Other	
		Basic compensation	Bonus	Stock options	Restricted stock option compensation	Total		
Members of the Board (Excluding Outside Members of the Board)	415	200	112	60	39	212	2	6
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	82	58	22	0	—	23	1	2
Outside Members of the Board and Outside Audit & Supervisory Board Members	105	93	11	—	—	11	0	8

- Notes 1. The above includes two Directors and one Audit & Supervisory Board Member who retired at the conclusion of the 52nd Ordinary General Meeting of Shareholders held on June 22, 2018.
2. For stock options, the total fair value of subscription rights to shares has been converted to costs equally in accordance with the term of service from the day of the allotment of subscription rights to shares to the commencement date of the exercise period. In regard to those granted prior to the fiscal year ended March 2018, the amount converted to costs for the fiscal year ended March 2019, is shown. Furthermore, the stock options for Audit & Supervisory Board Members are those granted before they assumed their post.
3. For Restricted stock option compensations, the total amount of monetary compensation receivables that would be contributed in kind in exchange for the shares with transfer restrictions has been converted equally in accordance with the term of service from the day of the allotment of shares with transfer restrictions to the day of the lifting of transfer restrictions. The amount posted as expenses in the fiscal year ended March 2019 is shown.
4. Because the amounts of the "stock option" and "restricted stock option compensations" of Notes 2 and 3 above posted as expenses are equalized in accordance with respective terms of service, each ratio of the constituent elements of the above compensations differ from the ratio of constituent elements of Director compensations, etc., shown on the previous page.
5. "Other" refers to contributions to the defined contribution pension plan and insurance premiums for casualty insurance.

Evaluations of the Board of Directors' Effectiveness (FY March 2019)

We implemented evaluations of the Board of Directors' effectiveness for the fiscal year ended March 2019. By confirming the current state of NRI's Board of Directors through the effectiveness evaluation, we strive to improve the future operation of the Board.

Evaluation methods	<ul style="list-style-type: none"> •Questionnaire targeting all Directors and Audit & Supervisory Board Members •Exchange of views with Independent Directors •Deliberations at a Board of Directors meeting based on the results of the above questionnaire and view exchanging sessions
Results	<ul style="list-style-type: none"> •From the points below, we conclude that the Board of Directors is basically stable in its effectiveness. •The Board is composed of members with diverse experience and include three Independent Directors, and a structure for ensuring appropriate decision making and oversight is in place •Open and constructive discussions and exchanges of views are carried out •Individual Directors carry out active deliberations with an understanding of NRI's business philosophy, business plans, etc., and based on their respective knowledge, and their duties as Directors are fulfilled as such.
Challenges for further effectiveness	<ul style="list-style-type: none"> •Devise creative methods related to the provision of information to the Board of Directors and the operation of the Board to enable improvements to be made for even higher quality discussions and decision making



G (Governance)

Internal Controls, Corporate Ethics and Compliance

Internal Control System

NRI has established a basic policy for building an internal control system, while appointing a director in charge of risk management and setting up a department for supervising risk management.

In addition, the Integrated Risk Management Committee meets to check the company-wide internal control status as appropriate. The Business Promotion Committee, which all business divisions and group companies attend, also works to ensure that the internal control system is established.



Basic policy for building an internal control system
<http://www.nri.com/jp/company/internal>

Risk Management PDCA Cycle

- Risks that may arise in the course of business execution by the NRI Group are classified into 13 items including management strategy, business activities, and compliance, and the department responsible for each risk conducts a risk assessment and review of the risk items that takes into consideration the level of importance and impact every fiscal year on risk items that have been subclassified even further.

- After an assessment is compiled, the department responsible for risk management holds discussions at the Integrated Risk Management Committee and sets the risks that should be managed. It also selects prioritized themes (*see below) that have a particularly high level of importance or impact.

- The Integrated Risk Management Committee meets to check the company-wide internal control status regularly. The Business Promotion Committee, which all business divisions attend, also works to ensure that the internal control system is established and improvements are made.



- Department responsible for risk management establishes a management structure and conducts integrated risk management in cooperation with the departments, etc. that oversee each risk. As necessary, risks are discussed at meetings attended by personnel with expertise, and appropriate measures are taken by the responsible department in cooperation with business divisions.
- BCP (business continuity plans) and DR (disaster recovery) measures are also out in place for businesses and services that have a significant social impact.

*Priority themes for FY March 2019

- I. Continue proper management of quality risks for systems in operation
- II. Improve the sophistication of management preparedness in information security
- III. Further strengthen the management of project risks
- IV. Develop governance systems suitable to increasing globalization
- V. Create comfortable working environments
- VI. Implement appropriate preparation for fulfilling our business continuity responsibilities

Internal Audits Conducted by the Internal Audit Department

The Internal Audit Department (21 employees), which functions directly under the President & CEO, audits the Company to ensure the effectiveness of risk management and compliance systems and to maintain the efficiency of the execution of the Members of the Board.

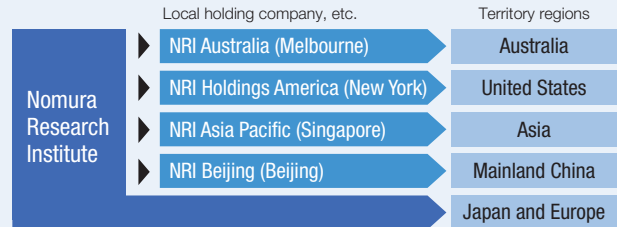
The results of such audits are reported to the President & CEO and other directors, and when corrections or improvements are required, the Risk Management Supervisory Department, the representative departments and the business divisions, collaborate to introduce improvements.

In addition, the Internal Audit Department works to cooperate with the accounting auditor through regular exchange of opinions regarding plans for conducting internal audits and their results.

The Strengthen of Global Governance

With the promotion of globalization, NRI's overseas businesses now extend to 42 offices in 14 countries and territories (as of June 2019). The strengthening of governance is now an imperative. In regard to acquired subsidiaries, communication with the core human resources of each subsidiary is emphasized, with control by the Board of Directors as the general rule. Furthermore, we are promoting the spread of global policies through local holding companies and strengthening business management. At the same time, we are considering adopting International Financial Reporting Standards (IFRS) so as to promote business administration through global standards.

Business Management Through Local Holding Companies, etc.



Corporate Ethics and Compliance System

To ensure effective ethics and compliance systems, NRI has appointed the Chief Ethics Officer and Chief Compliance Officer, and established the Compliance Committee. Moreover, we have established NRI Group's Code of Business Principles expressing code of business principles and NRI Group Employees' Code of Business Conduct indicating employees' code of business conduct.

NRI Group's Code of Business Principles
https://www.nri.com/en/company/company_code

NRI Group Employees' Code of Business Conduct
https://www.nri.com/en/company/business_code

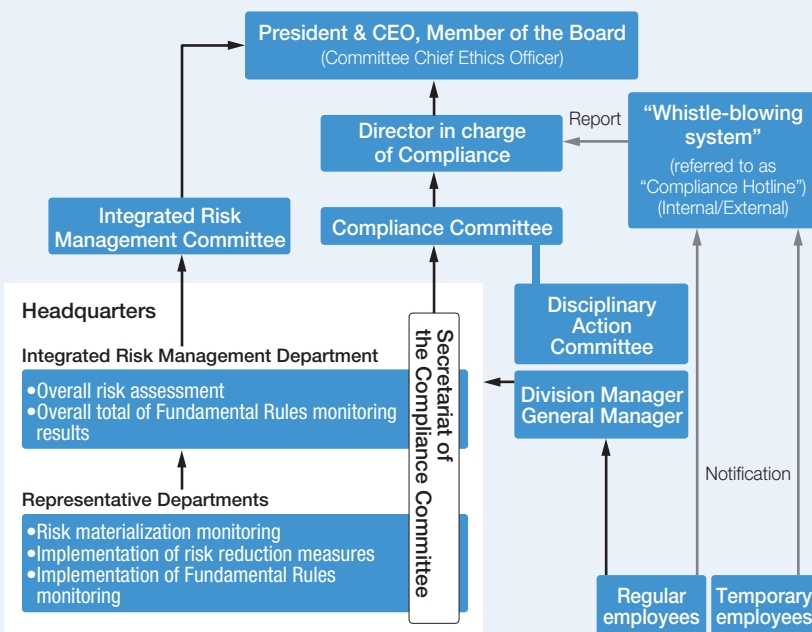
The Fundamental Rules composed of 12 items prepared and monitored to confirm that these principles and policies are complied with and that the company's management is reliably going in the right direction.

Regular training to raise the awareness of executives and employees towards compliance is conducted, as well as training on the legal knowledge, etc. required for individual operations. Through this training, efforts are made to thoroughly instill awareness on matters such as prohibitions on bribes and facilitation payments to public officials and the importance of compliance with antitrust laws.

RI Group Policy on Human Rights
 NRI Group Anti-Bribery Policy
 NRI Group Competition Law Compliance Policy
<https://www.nri.com/en/sustainability/social/policies>

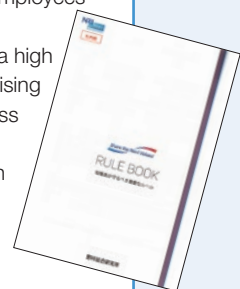
NRI has prescribed Whistleblower Protection Regulations based on the Whistleblower Protection Act, and established internal and external hotlines as contact point that Japanese Group employees can use to consult with regarding compliance-related issues.

Compliance Information Communication Process



Raising and Instilling the Awareness of Executives and Employees through the Rule Book

We have created a Rule Book (Fundamental Rules for Executive Officers and General Staff) as a pamphlet that explains the action guidelines, etc. of the Company to ensure that executives and employees comply with laws, regulations, etc. with a high sense of ethics. By raising and instilling awareness of compliance using this, we work to put in place the foundations for our compliance structure.





G (Governance)

Message from the Outside Member of Board and the Audit & Supervisory Board Member



Message from the Outside Member of Board

Masatoshi Matsuzaki
Member of the Board

An Overseer Rather Than an Adviser

One point of emphasis when I accept a position as an Outside Member of the Board is whether the company's management team has the intense desire to improve governance. The reason that I accepted the offer from NRI was because the management team clearly displayed their intention to implement solid governance. In addition, the policy of "clearly separating supervisory and executive functions while being a company with an Audit & Supervisory Board" resonated with me. Further, my individual role was clarified with the words "We look forward to your knowledge of management reform and global management, including governance-related reforms," and I thought that I might be of some help.

Through my experiences, I have come to believe that the role of an Outside Member of the Board is as an overseer, rather than providing advice on management. And, questions are more important than anything else. In NRI's Board of Directors as well, oversight of management is conducted by asking the question "What risks are likely to arise?" with a sense of "professional skepticism."

Organizational Design that Ensures NRI-style Effectiveness

There are a variety of opinions regarding the ideal nature of organizational design, but I believe that it is best to think carefully about the nature of governance the management teams is aiming for, and then to select something that is suited to achieving it. NRI is truly a great example of that. Despite being a company with an Audit & Supervisory Board, advisory committees are established regarding compensation and nomination to obtain outside perspectives as well. In addition, the discussion process is highly transparent, and in regard to the succession of the CEO and other executives, NRI has a framework to systematically select and cultivate the next human resources. The Nomination Committee conducts discussions and acts in

accordance with that as well.

In meetings of the Board of Directors, roles are divided between Inside and Outside Members of the Board and Audit & Supervisory Board Members, and effective discussions are held. I believe that the Board of Directors, consisting of three executive directors, three non-executive directors, and three outside directors, also has a configuration with a high level of NRI-style effectiveness. For example, in discussions regarding M&A in Australia, strict opinions and deeply meaningful questions were exchanged in the context of each person's experiences. I believe that, as a result, the necessary key points were identified from a broad perspective, and that the Board of Directors was able to make decisions calmly and rationally.

Establishing an Environment for Risk-taking

One of the axes on which the new Medium-Term Management Plan turns is global expansion. The broader the target of entry, the more risk factors will increase, so I believe that the current direction of first centering implementation in Australia is appropriate. I anticipate that preparations for future risks will be conducted appropriately by the Global Headquarters that was newly established to strengthen global governance. That being said, a variety of new issues will be faced as part of global management, such as how deeply NRI can get involved in companies it has acquired through M&A. I want NRI to utilize these experiences to deepen its knowledge as a company. In the future as well, I will continue to point out issues from the perspective of whether the actions deviate from the original purpose of M&A.

On the other hand, I do not believe that putting on the brakes is necessarily the only role of an Outside Member of the Board. I believe that it is also the role of an Outside Member of the Board to ask "How deep is the company commitment?" when launching new efforts, such as globalization, and if necessary for growth, establish an environment that makes it possible to take risks.



Message from the Outside Audit & Supervisory Board Member

Noriaki Okubo

Audit & Supervisory Board Member

Focusing the Spotlight on “Stumbling Blocks”

As an Outside Audit & Supervisory Board Member, I strive to ask questions and point things out frankly when I have the slightest concern, even if it is something that executive directors may think is obvious. Even in the most wonderful organization, there will always be a budding problem in many projects, etc., that increase with the scale of the organization. Even if there does not appear to be a problem on the surface, I identify and point out matters that could be “stumbling blocks” from the perspective of governance, and points that could be helpful in preparations in the future.

The executive side of NRI sincerely addresses such issues pointed out by Outside Audit & Supervisory Board Members. NRI has established opportunities for Audit & Supervisory Board Members to exchange opinions with the Representative Director on a regular basis, and I have experienced many occasions on which projects that began from an issue pointed out by an Audit & Supervisory Board Member are addressed in meetings of the Board of Directors, measures are discussed, then implemented at the site. I believe that the accumulation of these steady efforts has crystalized as a high level of risk management that has made it possible to generally suppress unforeseen, major unprofitable projects over the past few years.

Support for the Challenge of Implementing Growth Strategy

NRI’s actual performance is strong, and risks are being managed firmly, but it is when performance is strong that it is necessary to avoid excessive application to the current state, and to invest in the future and make preparations to encourage changes in the company. The pillar of the strategy in NRI’s Medium-Term Management Plan is DX Strategy and the acceleration of globalization, but it is likely that NRI will face a variety of issues it has not experienced in the past, such as creating a new business model for DX, and management of overseas

companies that have different systems of values.

In the process of taking on such new challenges, in my experience, the organizational diversity generated by “unusual talents” serves as energy. I believe that NRI has cultivated a large number of excellent human resources who are able to responsibly carry out consulting and system development projects, but for further growth in the future, I think that it will be even more necessary to build an environment that facilitates recognition of and investment in human resources who have “unusual talents,” and taking on challenges without fear of failure. Of course, this also requires establishment of an environment for appropriate management of the risks that are involved.

Regardless of the company, sustainable growth requires the company to continue taking on challenges. When implementing NRI’s growth strategy, I hope to be able to help, as an Outside Audit & Supervisory Board Member, to achieve the strategy by solidly identifying anticipated risks.

Continue Responding to Society’s Expectations toward Information Systems

Society’s dependence on information systems has changed over the past few years, and society’s demands for security have increased significantly. System business brands are cultivated from functionality, cost, and a variety of other elements, but the weight of security quality has increased, without question. NRI has designated “Co-creating a safe and secure society” as one of the social values it should aim for, and the importance of information system security in society has of course been recognized, but the management team, as well as each employee, must have a stronger awareness that they are carrying the most important societal infrastructure. I hope to be able to contribute to enabling NRI to continue responding to the level of security management demanded by society, by pointing out risks that I have identified, from an objective perspective as an Audit & Supervisory Board Member.



G (Governance)

NRI Executives

Members of the Board



Shingo Konomoto

Executive

Date of birth: February 11, 1960
 Chairman and President & CEO,
 Representative Director, Member of the Board (46,400 shares)
 Apr. 1985 Joined the Company
 Apr. 2004 Senior Managing Director
 Division Manager of Consulting Division III
 Apr. 2010 Senior Corporate Managing Director
 Division Manager of Consulting Division
 Apr. 2015 Senior Executive Managing Director in charge of Supervising of
 Business Divisions and Consulting
 Jun. 2015 Representative Director, Member of the Board,
 Senior Executive Managing Director in charge of Supervising of
 Business Divisions and Consulting
 Apr. 2016 President & CEO, Representative Director, Member of the Board
 Jun. 2019 Chairman and President & CEO, Representative Director, Member of the Board
 (present)



Hironori Momose

Non-executive

Newly appointed

Date of birth: September 15, 1961
 Vice Chairman, Member of the Board (←)
 Apr. 1985 Joined Nomura Securities Co., Ltd. (currently, Nomura Holdings, Inc.)
 Apr. 2008 Executive Managing Director of Nomura Securities Co., Ltd.
 Oct. 2008 Senior Managing Director of Nomura Securities Co., Ltd.
 Apr. 2013 Senior Corporate Managing Director of Nomura Securities Co., Ltd.
 Apr. 2016 Senior Executive Vice President of Nomura Securities Co., Ltd.
 Apr. 2019 Adviser of Nomura Securities Co., Ltd.
 Jun. 2019 Vice Chairman, Member of the Board of the Company (present)



Ayumu Ueno

Executive

Date of birth: March 15, 1960
 Senior Executive Vice President,
 Representative Director, Member of the Board,
 in charge of Supervising of Business Divisions (25,400 shares)
 Apr. 1983 Joined the Company
 Apr. 2008 Senior Managing Director
 Deputy Division Manager of Center for Innovative Systems Research for Management
 Apr. 2013 Senior Corporate Managing Director in charge of Distribution, Communication &
 Industrial Solutions
 Division Manager of Distribution & Communication Solution Division
 Apr. 2015 Senior Executive Managing Director in charge of Distribution,
 Communication & Industrial Solutions and China & Asia Region Systems
 Division Manager of Industrial Solution Business Development Division
 Jun. 2015 Member of the Board, Senior Executive Managing Director in charge of Distribution,
 Communication & Industrial Solutions and China & Asia Region Systems
 Division Manager of Industrial Solution Business Development Division
 Apr. 2016 Representative Director, Member of the Board, Senior Executive Managing
 Director in charge of Supervising of Consulting and Industrial IT Solutions
 Apr. 2018 Senior Executive Vice President, Representative Director,
 Member of the Board, in charge of Supervising of Business Divisions (present)



Yasuo Fukami

Executive

Newly appointed

Date of birth: August 12, 1960
 Representative Director, Member of the Board,
 Senior Executive Managing Director,
 in charge of Supervising of Corporate Administration (21,300 shares)
 Apr. 1983 Joined the Company
 Apr. 2011 Senior Managing Director, Deputy Division Manager of Distribution &
 Communication Solution Division
 Apr. 2016 Senior Corporate Managing Director, in charge of Distribution,
 Communication & Industrial Solutions
 Division Manager of Distribution & Communication Solution Division
 Apr. 2017 Senior Corporate Managing Director in charge of Supervising Corporate
 Administration
 Apr. 2019 Senior Executive Managing Director in charge of Supervising Corporate
 Administration
 Jun. 2019 Representative Director, Member of the Board, Senior Executive Managing
 Director, in charge of Supervising of Corporate Administration (present)



Tadashi Shimamoto

Non-executive

Date of birth: February 8, 1954
 Member of the Board (124,400 shares)
 Apr. 1976 Joined the Company
 Jun. 2001 Member of the Board
 Division Manager of Advanced Information Technology Division
 Apr. 2002 Senior Managing Director
 Division Manager of Advanced Information Technology Division
 Apr. 2004 Senior Corporate Managing Director
 Division Manager of Advanced Information Technology Division
 Deputy Division Manager of Center for Knowledge Exchange & Creation
 Apr. 2008 Senior Executive Managing Director in charge of Supervising of Business Divisions
 Jun. 2008 Representative Director, Member of the Board, Senior Executive Managing
 Director in charge of Supervising of Business Divisions
 Apr. 2010 President & CEO, Representative Director, Member of the Board
 in charge of Supervising of Business Divisions
 Apr. 2015 Chairman and President & CEO, Representative Director, Member of the Board
 Apr. 2016 Chairman, Member of the Board
 Jun. 2019 Member of the Board (present)



Yoshio Usumi

Non-executive

Date of birth: July 1, 1958
 Member of the Board (23,100 shares)
 Apr. 1983 Joined the Company
 Apr. 2010 Senior Managing Director in charge of Corporate Planning, Corporate
 Communications and Legal & Intellectual Property
 Apr. 2015 Senior Corporate Managing Director in charge of Corporate Administration,
 Corporate Planning, Corporate Communications, Personnel and Legal &
 Intellectual Property
 Division Manager of Center for Human-Resources Development
 Apr. 2017 Senior Corporate Managing Director in charge of Supervising Corporate
 Administration
 Jun. 2017 Representative Director, Member of the Board, Senior Corporate Managing
 Director in charge of Supervising of Corporate Administration
 Apr. 2018 Representative Director, Member of the Board, Senior Executive Managing
 Director in charge of Supervising of Corporate Administration
 Jun. 2019 Member of the Board (present)
 <Important concurrent positions>
 Outside Director of Yahoo Japan Corporation



Miwako Doi

Non-executive

Outside Independent

Date of birth: June 2, 1954
 Member of the Board (Note 1) (1,700 shares)
 Apr. 1979 Joined Tokyo Shibaura Electric Co., Ltd. (currently, TOSHIBA CORPORATION)
 Jul. 2005 Senior Fellow of Corporate Research & Development Center of
 TOSHIBA CORPORATION
 Jul. 2008 Chief Fellow of Corporate Research & Development Center of
 TOSHIBA CORPORATION
 Apr. 2014 Auditor of National Institute of Information and
 Communications Technology (present)
 Jun. 2015 Member of the Board of the Company (present)
 <Important concurrent positions>
 Auditor of National Institute of Information and Communications Technology
 Outside Director of Isetan Mitsukoshi Holdings Ltd.



Masatoshi Matsuzaki

Non-executive

Outside Independent

Date of birth: July 21, 1950
 Member of the Board (Note 1) (2,000 shares)
 Apr. 1976 Joined Konishiroku Photo Industry Co., Ltd. (currently, KONICA MINOLTA, INC.)
 Oct. 2003 Director of Konica Minolta Business Technologies, Inc.
 (currently, KONICA MINOLTA, INC.)
 Apr. 2005 Executive Officer of KONICA MINOLTA HOLDINGS, INC.
 (currently, KONICA MINOLTA, INC.; the same hereinafter)
 Representative Director and President of Konica Minolta Technology Center, Inc.
 (currently, KONICA MINOLTA, INC.)
 Apr. 2006 Senior Executive Officer of KONICA MINOLTA HOLDINGS, INC.
 Jun. 2006 Director and Senior Executive Officer of KONICA MINOLTA HOLDINGS, INC.
 Apr. 2009 Director, President and CEO, and Representative Executive Officer of
 KONICA MINOLTA HOLDINGS, INC.
 Apr. 2013 Director, President and CEO, and Representative Executive Officer of
 KONICA MINOLTA, INC.
 Apr. 2014 Director and Chairman of the Board of KONICA MINOLTA, INC. (present)
 Jun. 2016 Member of the Board of the Company (present)
 <Important concurrent positions>
 Director and Chairman of the Board of KONICA MINOLTA, INC.
 Outside Director of Ichigo Inc.
 Outside Director of Nippon Sheet Glass Company, Limited
 Outside Director and Chairman of the Board of LXIL Group Corporation



Hideaki Omiya

Non-executive

Outside Independent

Date of birth: July 25, 1946
 Member of the Board (Note 1) (←)
 Jun. 1969 Joined Mitsubishi Heavy Industries, Ltd.
 Jun. 2002 Member of the Board of Mitsubishi Heavy Industries, Ltd.
 Jun. 2005 Senior Fellow of Corporate Research & Development Center of
 Mitsubishi Heavy Industries, Ltd.
 Jun. 2005 Member of the Board (Representative Director),
 Executive Vice President of Mitsubishi Heavy Industries, Ltd.
 Apr. 2007 Member of the Board (Representative Director),
 Senior Executive Vice President of Mitsubishi Heavy Industries, Ltd.
 Apr. 2008 Member of the Board (Representative Director),
 President and CEO of Mitsubishi Heavy Industries, Ltd.
 Apr. 2013 Chairman of the Board (Representative Director) of
 Mitsubishi Heavy Industries, Ltd.
 Jun. 2014 Chairman of the Board of Mitsubishi Heavy Industries, Ltd. (present)
 Jun. 2018 Member of the Board of the Company
 Apr. 2019 Member of the Board, Counselor of Mitsubishi Heavy Industries, Ltd.
 Jun. 2019 Counselor of Mitsubishi Heavy Industries, Ltd. (present)
 <Important concurrent positions>
 Counselor of Mitsubishi Heavy Industries, Ltd.
 Outside Director of SEIKO EPSON CORPORATION

Audit & Supervisory Board Members



Yutaka Harada

Date of birth: March 11, 1960
Audit & Supervisory Board Member (full-time) (47,300 shares)

Apr. 1982 Joined the Company
Apr. 2008 Senior Managing Director, Deputy Division Manager of Insurance Systems Division
Apr. 2010 Senior Managing Director, Division Manager of Insurance Systems Division
Apr. 2013 Senior Corporate Managing Director, Division Manager of Insurance Solution Division
Apr. 2014 Senior Corporate Managing Director, Division Manager of Systems Consulting Division
Apr. 2016 Adviser of the Company
Jun. 2016 Audit & Supervisory Board Member of the Company (present)



Kohei Sato

Date of birth: April 18, 1961
Audit & Supervisory Board Member (full-time) (200 shares) Outside

Apr. 1984 Joined The Nomura Securities Co., Ltd. (currently, Nomura Holdings, Inc.)
Apr. 2007 Executive Managing Director of Nomura Securities Co., Ltd.
Oct. 2008 Senior Managing Director of Nomura Securities Co., Ltd.
Apr. 2009 Director of Nomura Securities Co., Ltd.
Apr. 2011 Senior Corporate Managing Director of Nomura Securities Co., Ltd.
Apr. 2013 President and Chief Executive Officer, Representative Director of NOMURA BABCOCK & BROWN CO., LTD.
Apr. 2018 Adviser of Nomura Securities Co., Ltd.
Jun. 2018 Audit & Supervisory Board Member of the Company (present)



Motoya Nishimura

Date of birth: July 23, 1962
Audit & Supervisory Board Member (full-time) (18,800 shares) Newly appointed

Apr. 1987 Joined the Company
Apr. 2015 Managing Director of the Company, Deputy Division Manager of Systems Consulting Division
Aug. 2015 Managing Director of the Company, Deputy Division Manager of the Systems Consulting Division and Executive Manager, Insurance Solution Division
Apr. 2018 Senior Managing Director of the Company, Deputy Division Manager of the Systems Consulting Division
Apr. 2019 Counselor of the Company
Jun. 2019 Audit & Supervisory Board Member of the Company (present)



Kiyotaka Yamazaki

Date of birth: April 4, 1953
Audit & Supervisory Board Member ^(note 1) (2,900 shares) Outside Independent

Oct. 1979 Joined M. Serizawa & CO. (CPA Office)
Aug. 1983 Registered as a certified public accountant
Jul. 2005 Partner of M. Serizawa & CO. (currently, GYOSEI & CO.)
Oct. 2006 Managing Partner of GYOSEI & CO.
Sep. 2007 Vice Executive Director, Partner of GYOSEI & CO. General Manager of Head Office Tokyo of GYOSEI & CO.
Jul. 2010 Managing Partner (CEO) of GYOSEI & CO.
Jun. 2014 Audit & Supervisory Board Member of the Company (present)
Jul. 2014 Managing Partner of GYOSEI & CO.
Oct. 2017 Partner of GYOSEI & CO.
Oct. 2018 Adviser of the same company (present)
<Important concurrent positions>
Adviser of GYOSEI & CO.



Noriaki Okubo

Date of birth: May 22, 1959
Audit & Supervisory Board Member ^(note 1) (-) Outside Independent

Apr. 1983 Joined Japan Tobacco and Salt Public Corporation (currently, JAPAN TOBACCO INC.)
Jun. 2004 Member of the Board, Senior Vice President of JAPAN TOBACCO INC.
Jun. 2006 Member of the Board, Executive Vice President of JAPAN TOBACCO INC.
Jun. 2009 Member of the Board, Senior Executive Vice President of JAPAN TOBACCO INC.
Jun. 2012 Executive Deputy President, Representative Director of JAPAN TOBACCO INC.
Jun. 2016 President of Tobacco Academic Studies Center (present)
Jun. 2017 Audit & Supervisory Board Member of the Company (present)
<Important concurrent positions>
President of Tobacco Academic Studies Center

- Notes:
- Miwako Doi, Masatoshi Matsuzaki and Hideaki Omiya are Outside Directors. Kiyotaka Yamazaki and Noriaki Okubo are Outside Audit & Supervisory Board Members. NRI specifies those members as Independent Directors pursuant to the regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.
 - Members of the Board were selected at the Ordinary General Meeting of Shareholders held on June 20, 2019.
 - For the Audit & Supervisory Board Members, Yutaka Harada was selected at the Ordinary General Meeting of Shareholders held on June 17, 2016, Noriaki Okubo was selected at the Ordinary General Meeting of Shareholders held on June 23, 2017, Kouhei Sato and Kiyotaka Yamazaki were selected at the Ordinary General Meeting of Shareholders held on June 22, 2018, and Motoya Nishimura was selected at the Ordinary General Meeting of Shareholders held on June 20, 2019.
 - Figures in parentheses are the number of shares of NRI stock owned. This includes holdings in the executive share ownership plan as of June 25, 2019. A stock split was executed as of July 1, 2019 with a ratio of three shares per share. These figures constitute the number of shares prior to that split.

Senior Managing Directors, Managing Directors and Executive Fellows

NRI makes a distinction between the Board of Directors' decision-making on management strategy and business execution function, and the authority and responsibilities for business execution are largely delegated to Senior Managing Directors, etc. There are 49 Senior Managing Directors, etc. (excluding three people who serve concurrently as a Member of the Board).

Senior Executive Managing Directors

Harumi Saitou
Tatsuya Watahiki
Masaki Takimoto
Hiroshi Funakura
Hajime Ueda
Yoshio Murata

Senior Corporate Managing Directors

Kenji Yokoyama
Shigeki Hayashi
Takahito Sakata
Fumihiko Sagano
Yoichi Inada
Hiroshi Masutani

Akio Yamamoto
Tomoshiro Takemoto
Naohiro Sako
Hirofumi Tatematsu
Shuji Tateno
Hidenori Anzai
Ken Ebato

Senior Managing Directors

Minoru Yokote
Namiki Kubo
Yuichi Higo
Katsutoshi Murakami
Hisao Nakajima
Tohru Yasumaru
Tomohiko Noguchi

Susumu Nishimoto
Yasushi Kobara
Shoichi Ohno
Akira Matsumoto
Tetsuro Watanabe
Shigekazu Ohmoto
Hiroyuki Kawanami
Sonoko Kitagawa
Jun Odashima
Yasuki Nakamaru
Takeshi Hihara

Managing Directors

Masaaki Yamazaki
Koji Shimizu
Hiroshi Koike

Ichiro Morisawa
Kazuya Kobayashi
Noriyasu Kogure
Kaga Yanagisawa
Kotaro Gunji
Hideki Saito
Takefumi Ikeya

Executive Fellows

Yasuki Okai
Kotaro Kuwazu



G (Governance)

Cooperation with Stakeholders

•Stakeholder Dialogue

We visited the World Business Council for Sustainable Development (WBCSD), an international NPO for the promotion of the SDGs, located in Geneva, Switzerland, on August 2, 2018, RobecoSAM, an international ESG evaluation organization located in Zurich, on August 3, to host NRI's second overseas dialogues. Opinions were exchanged on topics such as "What ESG investors want from companies" and "The approach companies should take regarding the SDGs." The opinions, etc., obtained as a result will be utilized in future sustainability management.



(Affiliation and position as of August 2018)

The benefits of joining WBCSD



Federico Merlo
WBCSD
Managing Director of Member Relations & Senior Management Team

At WBCSD, we have close to 30 active, target projects. Each member company participates in two or three target projects. There are three benefits to joining WBCSD, as follows:

1. Sharing "Mission & Vision"

By joining WBCSD, the company can exchange views with CEO-level executives from 200 companies, share the sustainability vision and values, and build a human network at the annual CEO meetings.

2. Gain a foothold as a leading company

By participating in the working group for target projects, the company can establish its position as a leading company exercising initiative in the field.

3. Obtain knowledge and wisdom and be part of the shaping and creating of new business solutions

The company can obtain knowledge on world trends through activities in WBCSD and collecting information at meetings. They can also be part of the creation of solution before these are imposed on companies through regulation or emergencies.

How does it promote SDGs?



Filippo Veglio
WBCSD
Managing Director of People & Senior Management Team

WBCSD supports businesses collaborate and generate added value in how they specifically, through business, address social challenges identified in the SDGs.

At WBCSD, we believe that no single company can solve social issues alone. And to expand impact on society and scalability, we recommend businesses to participate in the activities based on the following three concepts:

- Innovation: Provide innovation to solve social issues through sustainable business;
- Collaboration: Connect businesses with various stakeholders and other companies for value creation; and
- Valuation: Discover true value and not just economic value.

What expectations do ESG investors have for companies?

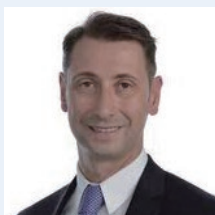


Edoardo Gai
RobecoSAM
Managing Director,
Head of Sustainability Service

We believe that companies should not just contribute to creating a more sustainable world, but also build a sustainable and profitable business through providing solutions to challenges stemming from ESG issues. We analyze how companies are operating while quantitatively measuring their positive and negative impacts on society and whether they disclose that information.

In future corporate management strategy, the question will be whether the company has established a permanent risk management system in the management decision-making process for minimizing risk in contingencies. This will require accurately identifying signs of social change. Companies are expected to have a functional management system that subsumes a full range of values from the point of view of diversity and inclusion.

The fear and expectation in ICT industry



Jvan Gaffuri
RobecoSAM
Director, Senior Manager,
Sustainability Services

The ICT industry has always played a crucial role in the development of society. Not only by connecting people and corporations, but also by making all kind of processes more reliable and efficient. Nowadays, similar to what was experienced with the introduction of new technologies, there is a big fear that AI and industry 5.0 will erase many jobs, creating a big societal imbalance. It is therefore very important that the development of these new technologies is thoroughly followed, and all stakeholders are involved in order to limit the negative impacts. Only through adhering to this process it will be possible to state that the introduction of a new technology has generated a net positive impact on the economy and the society. It is therefore crucial at this point that all actors and stakeholders collaborate in order to find the best way for the future. We at RobecoSAM are very open to listen and, where possible, contribute to the discussion.

In what form do you require companies to disclose their ESG information?



Manjit Jus
RobecoSAM
Director, Head of ESG Ratings

From our perspective it is not relevant which channel a company uses to disclose their data. It can be a data book which focuses on ESG, an integrated report, a website or any other format. What is relevant to us is that the information is audited, easily accessible and found, and that the company explains how this information is financially material. For investors it is relevant that the disclosed information provides enough background for an analysis for potential negative risks and the impact that these risks might have on the business if they become real. This information should be presented in ways which are easy to understand for the investors. Companies can build trust and fulfill their accountability by publicly disclosing their processes for resolving selected issues.

We are building sustainable future, tomorrow



Kenji Yokoyama
Senior Corporate
Managing
Director, NRI

Thank you very much for your valuable opinions. It struck me that ESG investors expect companies to integrate efforts to build a sustainable society in the business strategy and to disclose the impact of such a business strategy. It also struck me that as for the ICT industry, while there are concerns for the negative impact from advancement in technology, there are even greater expectations for the positive side of such advancement. Our aims will be to develop as an ICT company in ways we can meet the expectations of ESG investors.

We have long considered our response to SDGs. Your input has helped us understand the fundamental aspects of SDGs so that we are beginning to have a better image of our approach to SDGs. To address SDG-related social issues, we hope to work with other companies and enable our company to generate social value through business.

We are building sustainable future, tomorrow.

Status of Response to Issues Identified in Past Stakeholder Dialogues

Identified issue	NRI's response status
Business opportunities can be obtained by incorporating ESG in NRI's products and services as part of the promotion of globalization	The Medium-Term Management Plan (2019-2022) advocates "solving social issues through value co-creation," stipulates that business will be promoted with creation of three social values at the core, namely, "Co-create a thriving future society by driving new value," "Co-create an ideal society by effectively utilizing its resources," and "Co-create a safe and secure society by advancing its infrastructure." With the perspective of sustainability built into the business strategy, and the KPIs related to such non-financial information set, we plan to incorporate it into the management PDCA and monitor it, and release progress updates.
It is necessary to manage the development of new technology appropriately so that it does not adversely affect the economy or society	NRI conducts research on AI, and related system development, operation, and utilization, while at the same time recognizing the possibility that AI will adversely affect society. Currently, we are working on the creation of "AI Ethics Guidelines" (tentative title), which will serve as guidelines for the actions of all of NRI's directors and employees, enabling them to develop and utilize AI to achieve an AI society with humans at the center. "Principles of Human-centric AI Society," "Recommendation of the Council on Artificial Intelligence" and various other guidelines are being used as a reference.
It is necessary to consider human rights issues that are unique to the ICT industry	In FY March 2019, we conducted an NRI-wide human rights risk assessment and identified potential human rights risks in NRI's business activities, with the aim of addressing human rights issues unique to the ICT industry. In the future, we plan to identify the burden on human rights through a human rights impact assessment that analyzes and evaluates the potential for those risks and the degree of impact on human rights, then work to prevent or reduce it.

•Cooperation with Clients and Business Partners

NRI's stakeholders, mainly consisting of clients, employees and their family members, shareholders and investors and business partners, include a wide range of entities composed of general consumers, media, local communities, industry associations and competitors, government agencies, education/research institutions, students and NGOs/NPOs.

Cooperation with Clients

NRI engages in sincere business activities for its clients and strives to deliver services that are satisfactory and in conformity with client agreements.

•Comprehensive deliberation on new contracts

In response to business contract requests from clients, we decide to accept them by conducting the examinations. We make our final decision after thoroughly considering the fiduciary duty on quality and delivered date, as well as legal, ethical and operational risks for the contract.

•Client satisfaction surveys

NRI conducts client satisfaction surveys for each project and has clients evaluate the entire project. We also obtain specific feedback from clients on our proposal-making skills and incident-management procedures.

The Quality Management Department complies and analyzes overall trends through the results from the survey. It also provides the departments in charge of the project with feedback from the surveys and implements measures to follow up on the feedback and enhance service quality, leveraging the data to improve the service quality.

Cooperation with Business Partner

NRI's operations are based on cooperation with its business partners, such as external contractors and suppliers. Accordingly, NRI has a fundamental policy of building business relationships that are mutually beneficial, as well as obey sound business practices and laws.

 **NRI Group Procurement Policy**
<https://www.nri.com/en/company/partner>

When an NRI system development project is contracted out to a business partner, it should be assessed comprehensively with respect to its technological capability, quality, delivery date, cost of products and services, staffing and platform, financial condition, compliance and efforts on information security management. Overseas business partners should also be screened under laws such as the Foreign Exchange and Foreign Trade Act.

The number of employees involved in business at NRI's business partners stands at approximately 11,000, about half of which are permanently stationed in NRI offices.

To continue the appropriate contract services, we formulated the Guidelines Relating to Contract Work. Moreover, we separate the work sites of business partner employees under a contract service agreement from the work site of NRI employees, preventing a practice of falsified contract service in which an NRI employee directly issues instructions and orders to a business partner employee. We annually conduct the required self-inspections.

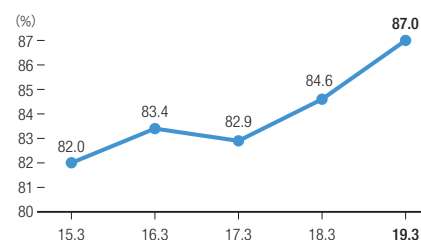
The Main Items for Deliberation on New Contracts

- Credit screening tapping into information from research firms
- Project-by-project deliberation at the Senior Management Committee and each division meeting
- Comprehensive assessment on the future potential, growth potential and social effects of the business

Results of the Client Satisfaction Survey

(non-consolidated)

Percentage that responded "Satisfied" or "Moderately satisfied" (Total for top two items on five-grade scale)



The investigation targets all business units. Customers and projects services that will be the target of the investigation are selected for each business unit based on set criteria.

Hosting of Partner Sustainability Dialogues

Partner sustainability dialogues are hosted each year to build a structure of cooperation with business partners, in an aim to promote sustainability activities. Seventeen business partners participated in the January 2019 event, with five of those companies introducing their sustainability activities.



Lively discussions with business partners regarding the ideal nature of cooperation in sustainability activities



G (Governance)

Information Disclosure and Communication

NRI is committed to gain the trust of shareholders and investors through constructive dialogue, and to receive an appropriate evaluation from capital markets. For these reasons, taking fair disclosure as our fundamental policy, we are working to promote understanding of both our business and our medium- to long-term strategies for growth, and to expand our shareholder and investor base.

Measures Aimed at Ensuring a Meaningful General Meeting of Shareholders

To energize the General Meeting of Shareholders and ensure that voting rights are exercised, we perform the following procedures:

- Set the date of the General Meeting of Shareholders on a day where such meetings are not concentrated
- In addition to sending out individual notices of convocation of a General Meeting of Shareholders earlier, post the notice on the NRI and Tokyo Stock Exchange websites prior to sending the individual notices. This effort allows shareholders to have sufficient time to consider the proposed resolutions for the meeting
 - The 54th Ordinary General Meeting of Shareholders: Notice released on May 23→Meeting held on June 20 (Notice about one month before)
- Send out a notice of convocation of a General Meeting of Shareholders electronically to shareholders consenting to such procedure
- Deliver a notice of convocation of a General Meeting of Shareholders in English (summary)
- Provide an opportunity to exercise voting rights by using the Internet system run by a trust bank (a shareholder register administrator)
- Provide an opportunity to exercise voting rights by using the Voting Rights Electronic Exercise Platform, run by ICJ, Inc.
- Hold a Management Reporting Session for shareholders after the conclusion of the General Meeting of Shareholders

Active Dialogues with Shareholders and Investors

With the aim of expanding our shareholder and investor base, we are promoting better understanding of our business activities and strategies for growth through direct and indirect communication. The following principle activities were implemented during the fiscal year ended March 2019:

For shareholders	<ul style="list-style-type: none"> •Shareholder questionnaire: Number of respondents is 2,861 (Number of sent: 10,926 shareholders/Collection rate: 26.2%)
For institutional investors and analysts	<ul style="list-style-type: none"> •Number of investors met: 487 persons •Domestic: In addition to results briefing sessions for each quarter and individual interviews, held small meetings with management, business briefings, etc. •Overseas: Visited 13 cities in overseas roadshows/overseas conferences
For individual investors	<ul style="list-style-type: none"> •Individual investor information meeting: Four were held (two in Tokyo and one each in Osaka and Fukuoka) •Number of attendees: 1,171 persons

Providing Appropriate Information Disclosure

In order to achieve accountability to shareholders, investors, and other stakeholders, NRI is striving to enhance the level of information disclosure and the timely disclosure of information through activities including those below.

- Disclosed the Long-Term Management Vision and the Medium-Term Management Plan (mid-and long-term management strategy and numerical targets etc.)
- Established the Disclosure Committee, which checks the preparing process for, and appropriateness of, disclosed materials
- Published our financial results and latest information promptly under the Investor Relations section on our website
- Provided a dedicated website for individual investors to enhance information disclosure and understandability and clarity

Hosting of ESG Briefings

We host “ESG briefings” to help investors, analysts, and the media gain an understanding of NRI’s sustainability management and specific efforts regarding ESG. The February 2019 briefing welcomed 84 participants.



ESG briefing

See the website for details on ESG briefings.
<https://www.nri.com/en/sustainability/management/esg/2018>

External Evaluation of NRI

- 2018 Award for Excellence in Corporate Disclosure (Computer Software Sector) (The Securities Analysts Association of Japan)



2018 Award for Excellence in Corporate Disclosure
 — Industries —
 SAAJ The Securities Analysts Association of Japan

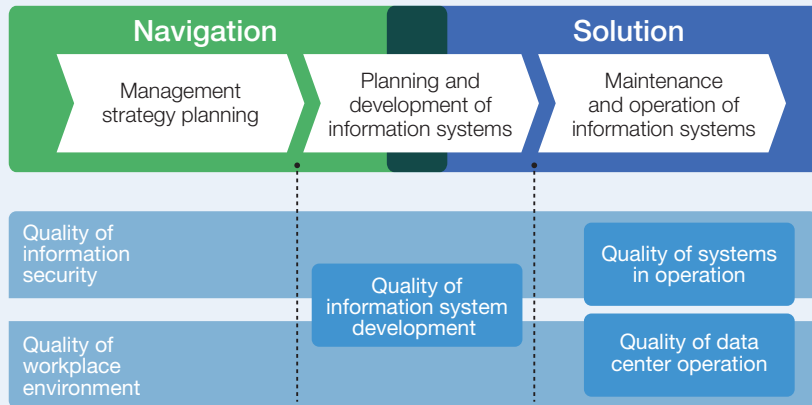


G (Governance)

NRI's Quality Management

We continually work to improve the quality of services, fully aware of our responsibility to deliver and operate information systems that serve as a key component of social infrastructure.

NRI's Quality Management Framework



Initiatives for Improving the Quality of Information Systems

Each division is responsible for quality management over system development, maintenance and operations, and consulting services projects. In addition, NRI has an organization which proposes and supports quality management activities for each division.

In addition, work is under way to post all of the knowledge gathered at NRI on its internal website in order to share expertise and examples across the entire Company.

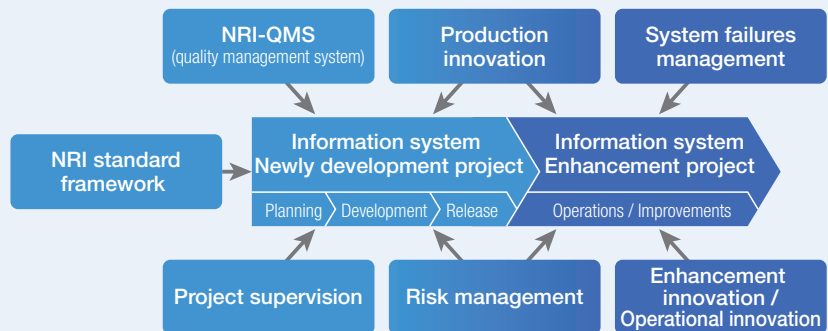
•Project supervision activities to support the quality of information system development

The Quality Management Division provides both supervisory and Project Management Office functions for each individual division, when they develop a new information system.

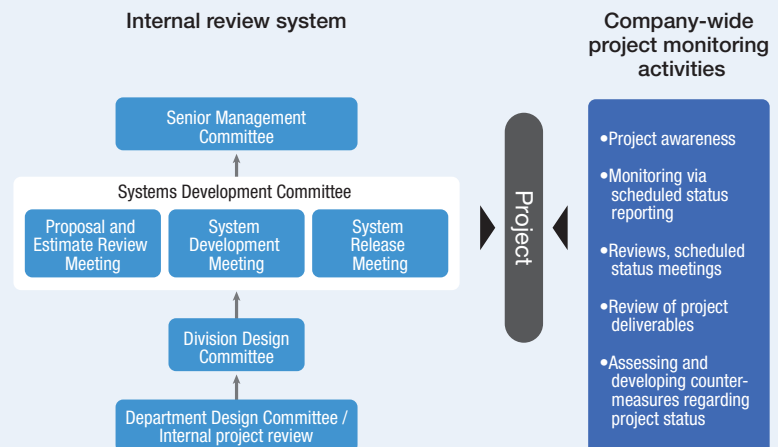
In addition to “project management” for project implementation and success, NRI has a “project supervision” function to propose quality improvements, and to identify and resolve issues early on.

To ensure that internal reviews are not merely process checks, committee members gathered from each division enacts a strict check through the system details, thus achieving a high level of quality.

Project Support System for Improving the Quality of Information Systems



Project Supervision Activities



●**Emphasis on quality of systems in operation**

Operating and maintaining completed information systems of a high quality not only builds solid relationships with clients, but also provides opportunities to improve and propose new solutions for the streamlining and further growth of clients' businesses.

For this reason, NRI refers to operations and maintenance projects as "enhancement projects," which are assigned the same level of importance as projects to develop new information systems.

Production Innovation Initiatives

NRI has held the Production Innovation Forum every year since the fiscal year ended March 2011. At this forum, each business division shares initiatives related to productivity and quality improvements in a company-wide manner, and production innovation activities are promoted throughout NRI through means such as the enhancement service reforms award that is given in recognition of innovative initiatives.

We will continue to make endless improvements as a leader of the IT services industry and foster a corporate culture of taking on new challenges.



The Production Innovation Forum venue and enhancement service reforms award ceremony



●**Quality of data center management that supports stable operations**

The stable operation of information systems requires not only the quality of the information system itself, but also the quality of the data center that operates and manages the information system. In order to ensure stable operation of information systems, and to provide safe and secure quality of services, NRI visualizes the risks related to data center services, conducting training for each type of issue that could be anticipated.

It also conducts inspections that are interconnected with data center facilities. In respect to these efforts, NRI has obtained certification from third party review agencies.

Safety and Security Forum

The stable operation of data centers is NRI's social mission. As part of this mission, we hold a forum on the themes of safety and security every year. The forum served as an opportunity for employees to pledge to the stable operation of information systems, with lectures on safety by external experts centered around the concepts of thinking, learning, and not forgetting, and awards for excellent slogans on safety and security thought up by individual employees.



Safety and Security Forum and safety and security slogan grand prize award ceremony



Examples of Certifications and Assurances Acquired by NRI

- ISO9001 (quality management system)
- ISO14001 (environmental management system)
- ISO20000 (IT service management)
- ISO27001 (Cloud services security)
- SOC 1/SOC 2 Report (internal control assurance report)
- Uptime Institute M&O (global certification standard for data center management prescribed by Uptime Institute)*

*Certification acquired for Tokyo Data Center I, Yokohama Data Center II, and Osaka Data Center II




Quality of Information Security

NRI operates important infrastructure that supports society including finance and distribution. We have established an advanced information security framework to continue service and protect important information at all times, and through that framework, we work to remain a trusted partner to our clients and society.

•Policies relating to information security

NRI and its group companies declare that the NRI Group shall observe all applicable laws and ordinances and shall fully recognize the roles that companies offering information services should play. The NRI Group has established a framework of advanced information security management that can serve as a social model to enable its companies to continue to be worthy of customer and public trust.

 Declaration of Information Security Measures
https://www.nri.com/en/site/security_declare

•Related rules concerning information security

In response to laws and regulations related to information security and the advance of information technologies, we establish or revise management rules as appropriate, including the Information Security Management Rules, Confidential Information Management Rules, Personal Information Management Rules, Specific Personal Information Management Rules, and Information Asset Management Rules.

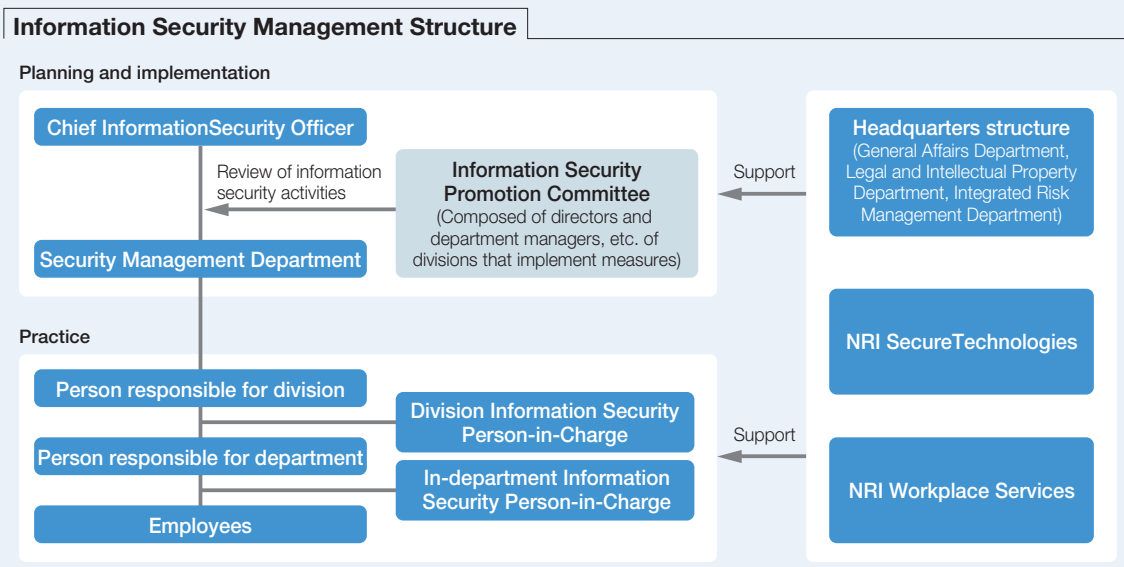
In addition, we have prepared operating procedures, guidelines, manuals, etc. for each of these management rules to ensure that consistent and effective information security management is conducted.

•Information security management structure

NRI has appointed a Chief Information Security Officer, who has developed a system of information security management for our organization as a whole. All business divisions and Group companies have appointed an information security manager and information security person-in-charge (PIC), who have developed a mesh structure that allows security measures to be undertaken on a cross-organizational basis. As well as furthering the implementation of our information security policies, this structure will enable us to respond swiftly, accurately, and reliably in the event of cyber-attacks and other security emergencies.

The NRI Group contains specialist organizations that conduct surveys and research of the latest information technologies, as well as NRI SecureTechnologies, Ltd. (hereinafter, "NRI Secure") that engages exclusively in information security business. We will draw on their technology, know-how and knowledge when preparing and implementing our information security policies.

We have appointed an information security manager and an information security PIC at each of our overseas and domestic Group companies, who are directing the development of an effective information security system and the drafting of an information security enhancement plan at their company. In addition, the NRI Group has set certain information security protection standards, and engages in improvement drives designed to meet those standards.



●Education on information security

NRI conducts ongoing information security education to raise the awareness of information security, instill regulations, and improve the quality of security during design and development. In addition to conducting specific training tailored to the particular characteristics of our Divisions and Group companies, we arrange training for our overseas offices that can be undertaken in English and/or Chinese. We also actively incorporate group training and e-learning methods into our training programs.

●Response to cyber-attacks

NRI uses system-based defenses against cyber attacks, such as installing anti-virus (anti-malware *1) software, hard drive encryption, and installing different security measures (such as firewalls, IDS*2, and network behavior analysis technology*3). However, NRI is well aware that just system responses alone are not enough for defense, and to that end it is putting in place a Computer Security Incident Response Team (CSIRT*4).

A CSIRT acts like a fire extinguisher, denying further access to any attack that does in fact strike a system. It collects, evaluates and shares that is organized, swift, and appropriate. We also conduct for our employees education and training, such as ongoing real-life training against phishing emails.

*1 Malware, or "malicious software," is a software program that upon infecting a computer automatically takes remote control of that computer, either stealing data that it stores or causing it to attack other computers.

*2 Intrusion Detection System: A system for detecting unauthorized access to a computer or system.

*3 Malware used in a phishing attack is often produced to target a specific company alone, which means it may not be possible for general anti-virus software to detect and eliminate it. NBA technology works by running software suspected of being malware in a highly restricted environment called a "sandbox." Checks are then made to see if the software is engaging in behavior such as information exploitation or preparatory activity to that end, and if it is, it is eliminated.


*4 Computer Security Incident Response Team: This is the entity (a team) that takes the appropriate response when it receives notice of a computer security incident. Alternatively CSIRT refers to the functions of that entity.

●NRI's handling of personal data (including Individual numbers)

NRI has a Personal Data Protection Statement, and it has made its Privacy Policy available to the public. In accordance with the Statement and Policy, our employees comply with the Act on the Protection of Personal Information Held by Administrative Organs; the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures (the "My Number Act"); and other relevant laws and regulations.

NRI demonstrates flexibility in its responses to changes demanded by the public, such as keeping abreast of rules and guidelines on the protection of personal information issued by regulatory authorities by the Personal Information Protection Commission.



 <p>Personal Data Protection Statement Privacy Policy</p>	<p>https://www.nri.com/en/site/security https://www.nri.com/en/site/privacy</p>
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NRI Secure recognized as an information security market leader by research firms in Japan and overseas



Received the 2018 Japan Managed Security Service Provider of the Year award from Frost & Sullivan

As part of the "2018 Best Practice Award" released by the major US research and consulting firm Frost & Sullivan Inc., NRI Secure was named the "Japan Managed Security Service Provider of the Year," the top award in the Managed Security Services category, for the second year in a row. In addition, the company was introduced as a representative global vendor by Gartner, Inc. (U.S.)*1, in their Market Guide for Digital Forensics and Incident Response Services*2.

Meanwhile, for the second year in a row, NRI Secure was number one in the market in terms of sales by vendors in FY2017, according to the market study report "ITR Market View: Cyber Security Consulting Services Market 2018" issued by the leading Japanese IT consulting firm ITR Corporation.

*1 Listing of specific vendors, products, or services in Gartner Research publications does not imply recommendation or promotion by Gartner. In addition, it does not constitute advice to technology users to select only vendors that have received the highest ratings or other assessments. Publications by Gartner Research represent the opinions of Gartner Research, and are not necessarily statements of fact. Gartner assumes no liability for the merchantability or suitability for specific purposes of this research, etc., whether explicit or implied.
*2 Gartner "Market Guide for Digital Forensics and Incident Response Services", by Brian Reed and Toby Bussa (04Dec2018)

Quality of Workplace Environment

NRI promotes a multitude of initiatives to foster a workplace environment where employees can keep on working positively in good mental and physical health. In 2016, the Tokyo Headquarters was relocated, followed by relocation of the Yokohama Center and Osaka Center in 2017. Each of these buildings has an open layout with no assigned seating, and common spaces such as meeting rooms. The relocations served as an opportunity for efforts to create a better place to work through innovation in work style and by reforming the organizational atmosphere.

Additionally, there are continuous efforts under way to establish sophisticated management that considers employee health. Such efforts include the introduction of a framework for allowing project managers, and those in project supervisory departments, to grasp the overtime hours of project members.

11-year Summary Consolidated Financial Statements

For the fiscal years beginning April 1 and ending March 31 of the following year
This financial summary is prepared solely for convenience.
Readers are recommended to refer to Consolidated Financial Results.



Consolidated Financial Results
<https://ir.nri.com/en/ir/finance.html>

	2009.3	2010.3	2011.3	2012.3
Consolidated Statement of Income:				
Sales	341,279	338,629	326,328	335,554
Cost of sales	240,854	245,641	233,119	235,515
Gross profit	100,425	92,988	93,209	100,038
Selling, general and administrative expenses	50,711	52,911	54,782	56,886
Directors' compensations	1,242	1,125	1,093	899
Salaries and allowances	16,272	18,261	19,167	20,065
Provision for bonuses	3,826	3,700	4,283	4,527
Retirement benefit expenses	1,690	2,111	2,260	2,347
Welfare expenses	3,165	3,376	3,641	3,651
Education and training expenses	1,250	1,477	1,451	1,567
Operations consignment expenses	8,168	7,270	6,831	8,401
EBITDA	70,476	70,992	69,094	74,027
Operating profit	49,713	40,077	38,426	43,152
Non-operating income and profit	2,017	870	1,646	1,533
Ordinary profit	51,731	40,947	40,073	44,686
Extraordinary income and loss	(7,549)	(3,618)	(219)	11,518
Income taxes	19,668	15,476	16,663	23,283
Profit attributable to owners of parent	24,513	21,856	23,188	32,920
Consolidated Balance Sheet (year-end):				
Total Assets	354,487	363,368	380,032	402,784
Current assets	122,572	137,744	177,593	176,804
Cash and bank deposits	20,307	15,055	16,757	8,462
Fixed Assets	231,915	225,623	202,439	225,980
Tangible fixed assets	58,274	58,965	58,451	67,569
Intangible fixed assets	74,886	68,319	57,641	57,861
Goodwill	—	—	—	—
Investments and other assets	98,754	98,339	86,346	100,549
Investment securities	55,436	53,699	43,964	61,273
Total liabilities	149,020	143,131	148,957	144,507
Current liabilities	70,026	67,195	68,160	69,380
Short-term loans payable	—	—	—	—
Provision for loss on orders received	—	—	—	—
Non-current liabilities	78,994	75,936	80,797	75,126
Bonds	49,997	49,997	49,997	49,997
Long-term loans payable	—	—	9,176	6,677
Net assets	205,466	220,237	231,074	258,276
Consolidated Statement of Cash Flows:				
Cash flows from operating activities	46,180	58,060	48,777	53,067
Cash flows from investing activities	(70,994)	(16,175)	(27,723)	(47,731)
(Investing activities except cash management purpose investment)	(74,058)	(28,184)	(19,292)	(25,299)
Free cash flow	(24,813)	41,885	21,054	5,335
(Free cash flow except cash management purpose investment)	(27,877)	29,876	29,485	27,767
Cash flows from financing activities	(22,414)	(10,348)	1,590	(10,438)
Effect of exchange rate change on cash and cash equivalents	(68)	10	(335)	62
Net increase (decrease) in cash and cash equivalents	(47,296)	31,547	22,309	(5,041)
Cash and cash equivalents at end of period	28,228	59,775	82,085	77,043
Cash and cash equivalents + Cash management purpose investment	51,271	73,837	104,417	121,601

Notes: 1. Figures less than unit indicated have been rounded down for amounts.
2. Consumption tax and local consumption tax are accounted for by the tax-exclusion method.
3. EBITDA is calculated as Operating profit + Depreciation and amortization + Goodwill amortization up to the fiscal year ended March 2017 and as Operating profit + Depreciation and amortization + Goodwill amortization + Loss on retirement of noncurrent assets from the fiscal year ended March 2018.

(millions of yen)

2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
363,891	385,932	405,984	421,439	424,548	471,488	501,243
262,315	276,664	289,210	287,270	280,761	311,868	336,508
101,575	109,267	116,774	134,168	143,787	159,619	164,735
57,608	59,450	65,287	75,873	85,272	94,481	93,293
878	986	1,316	1,227	1,213	1,101	1,069
20,080	20,087	22,450	25,395	27,576	29,681	30,506
4,582	4,715	5,136	5,802	5,993	6,751	6,783
2,492	2,458	2,105	2,155	3,038	2,678	2,533
3,641	3,786	4,362	4,935	5,842	6,348	6,532
1,843	1,853	1,789	1,712	1,768	1,705	1,851
8,823	9,640	11,170	14,246	16,722	16,740	17,073
86,567	84,126	77,528	91,814	88,933	103,177	108,846
43,967	49,816	51,486	58,295	58,514	65,138	71,442
1,891	2,544	1,455	2,705	1,839	1,023	967
45,858	52,360	52,942	61,001	60,354	66,161	72,409
(2,988)	349	6,132	1,304	4,638	16,366	4,340
14,261	21,175	19,209	19,513	21,042	26,356	25,213
28,612	31,527	38,880	42,648	45,064	55,145	50,931
432,222	469,010	593,213	621,695	628,944	643,117	612,192
189,206	208,121	298,565	306,943	295,915	298,275	285,788
10,273	9,885	26,469	62,138	152,610	159,541	124,773
243,016	260,888	294,647	314,751	333,029	344,842	326,404
63,456	62,767	53,915	65,384	63,790	68,528	65,376
42,854	42,712	55,582	65,085	99,485	103,747	91,505
—	—	—	7,864	35,404	36,624	27,572
136,705	155,408	185,148	184,280	169,754	172,566	169,522
88,378	94,766	116,480	120,397	103,841	88,999	80,203
141,404	137,601	189,745	196,286	181,646	210,442	187,160
118,207	79,841	113,208	134,304	111,552	162,133	124,264
—	—	10,645	2,270	2,870	6,074	6,345
579	3,083	3,911	1,345	1,591	50	933
23,196	57,759	75,988	61,327	69,500	47,714	62,419
—	30,000	30,000	15,000	25,000	34,082	33,931
4,250	22,054	21,333	27,969	24,396	408	13,213
290,818	331,408	403,467	425,409	447,297	432,674	425,032
68,600	33,839	58,710	81,470	61,147	73,493	56,349
(36,019)	(32,234)	(1,093)	(75,344)	(30,341)	(17,882)	(16,826)
(34,055)	(38,086)	(13,800)	(52,725)	(41,348)	(30,162)	(15,025)
32,580	1,605	57,617	6,126	30,805	55,610	39,523
34,544	(4,246)	44,910	28,744	19,799	43,330	41,324
(10,723)	(8,773)	(10,536)	9,326	(34,327)	(46,829)	(73,106)
721	337	694	(1,071)	624	(2,529)	(1,519)
22,579	(6,830)	47,775	14,381	(2,897)	6,251	(35,102)
99,623	92,792	140,567	154,949	152,051	158,303	123,200
145,974	133,350	169,023	206,031	192,028	185,882	152,743

Consolidate Financial Data

(millions of yen)

		2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	
Segment Information:								
External sales (Sales to external customers)	Consulting	25,631	27,353	28,370	30,574	34,577	41,304	
	Financial IT Solutions	225,313	237,111	252,842	246,979	252,122	252,367	
	Securities	115,646	116,534	123,896	119,128	118,397	100,309	
	Insurance	49,813	56,414	57,082	51,982	51,836	64,874	
	Banking	31,763	34,584	37,541	40,286	42,225	43,404	
	Other financial	28,090	29,577	34,321	35,580	39,662	43,780	
	Industrial IT Solutions	87,322	97,938	101,538	107,208	154,917	174,417	
	Distribution	44,066	46,705	51,882	54,256	61,057	66,540	
	Manufacturing, service and other	43,255	51,232	49,656	52,952	93,860	107,876	
	IT Platform Services	37,579	34,779	28,720	29,241	29,870	33,153	
	Others	10,085	8,803	9,966	10,544	—	—	
External sales + Sales for each segment	Consulting	Sales	25,820	27,749	28,823	31,161	35,332	41,947
		Operating profit	4,708	5,959	5,487	5,853	6,561	7,810
		Operating profit margin (%)	18.2	21.5	19.0	18.8	18.6	18.6
	Financial IT Solutions	Sales	225,345	237,649	253,802	248,188	254,567	255,162
		Operating profit	27,809	22,621	29,171	26,461	27,673	27,095
		Operating profit margin (%)	12.3	9.5	11.5	10.7	10.9	10.6
	Industrial IT Solutions	Sales	87,389	98,974	102,859	107,672	157,585	177,114
		Operating profit	8,408	11,769	9,974	9,076	15,119	18,425
		Operating profit margin (%)	9.6	11.9	9.7	8.4	9.6	10.4
	IT Platform Services	Sales	114,624	113,505	110,044	122,107	122,342	127,777
		Operating profit	6,470	8,636	11,575	14,015	14,764	17,130
		Operating profit margin (%)	5.6	7.6	10.5	11.5	12.1	13.4
	External sales by service	Consulting services	42,233	47,110	52,131	62,734	78,987	90,816
		System development & System applications sales	143,213	136,710	145,157	131,908	138,111	150,467
		System management & Operation services	187,361	206,698	212,952	217,271	241,198	244,273
Product sales		13,124	15,465	11,197	12,634	13,191	15,686	
Sales to main clients	Nomura Holdings, Inc.	90,688	82,469	68,666	71,600	77,937	60,579	
	Seven & i Holdings Co., Ltd.	40,888	40,973	43,254	45,285	47,001	49,109	
Overseas sales	Overseas sales	6,945	8,655	14,618	18,925	43,559	53,081	
	Overseas sales ratio (%)	1.8	2.1	3.5	4.5	9.2	10.6	

Notes: 1. Amounts have been rounded down to the nearest unit specified. However, percentages have been rounded off to the nearest digit specified.
2. Sales to main clients includes sales to the client's subsidiary and sales made through leasing companies, etc.
3. There was a partial revision to segment categorization for the fiscal year ended March 2019. Figures for the fiscal year ended March 2018 reflect this change in categorization.

		2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
Order volume	Consulting	25,575	28,390	27,425	34,609	36,285	40,747
	Financial IT Solutions	236,216	253,830	256,293	246,153	244,794	265,724
	Industrial IT Solutions	88,079	101,380	104,650	116,335	174,260	178,221
	IT Platform Services	44,127	31,215	23,352	31,423	30,154	33,467
	Others	10,123	9,153	10,840	10,463	—	—
	Total	404,122	423,970	422,561	438,986	485,494	518,161
Order backlog	Consulting	4,584	5,622	4,677	8,711	6,764	6,207
	Financial IT Solutions	129,548	146,268	149,718	148,893	141,574	154,930
	Industrial IT Solutions	51,688	55,412	58,523	67,650	94,120	97,924
	IT Platform Services	20,769	17,205	11,837	14,019	14,295	14,609
	Others	2,610	2,679	3,553	3,472	—	—
	Total	209,202	227,188	228,310	242,748	256,754	273,672

Notes: 1. Figures less than unit indicated have been rounded down for amounts.
2. The amounts are based on sales price.
3. In regard to continuous services and those services for which fees are received according to the number of times used, etc., expected net sales for the following year is booked as the order amount at the end of each fiscal year.

(millions of yen)

	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
Productions and Orders:						
Actual production	264,839	280,562	279,405	277,736	304,044	327,324
Subcontracting costs	132,825	141,925	139,303	126,361	135,522	150,635
Of which are subcontracting costs to Chinese companies	21,387	23,482	23,476	18,815	19,532	23,213
Subcontracting ratio (%)	50.2	50.6	49.9	45.5	44.6	46.0
Subcontracting ratio to Chinese companies (%)	16.1	16.5	16.9	14.9	14.4	15.4

- Notes: 1. Amounts have been rounded down to the nearest unit specified. However, percentages have been rounded off to the nearest digit specified.
2. The amounts are based on production costs. The amount for each segment is the figure before intra-company transfers between segments. The intra-company transfer amount has been eliminated in the adjusted amount.
3. The subcontracting ratio is the ratio against actual production; the subcontracting ratio to Chinese companies is the ratio against total subcontracting costs.

(millions of yen)

	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
Capital Expenditures/Depreciation and Amortization/Research and Development Expenses:						
Capital expenditures	33,878	31,080	48,325	38,668	38,201	26,276
Capital expenditures (tangible)	11,217	8,349	20,285	13,640	16,188	5,615
Capital expenditures (intangible)	22,661	22,731	28,040	25,027	22,012	20,661
Depreciation and amortization	34,118	25,800	32,598	28,476	31,941	30,427
Research and development expenses	3,903	4,222	5,110	5,674	5,170	3,665

(%)

	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
Ratios:						
Gross profit margin	28.3	28.8	31.8	33.9	33.9	32.9
Operating profit margin	12.9	12.7	13.8	13.8	13.8	14.3
EBITDA margin	21.8	19.1	21.8	20.9	21.9	21.7
ROE (Return on equity)	10.2	10.8	10.6	10.7	12.9	12.3
ROA (Return on assets)	11.6	10.0	10.0	9.7	10.4	11.5
Debt/Equity ratio (times)	0.17	0.18	0.16	0.13	0.19	0.15
Equity ratio	70.4	65.6	66.2	69.1	65.2	67.1
Price earnings ratio (PER) (times)	20.5	23.2	20.1	22.6	22.1	23.3
Dividend payout ratio	35.9	36.5	41.1	42.4	39.1	41.5
Total return ratio	35.9	36.5	63.4	66.4	129.8	113.4

(yen)

	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
Per Share Information:						
Earnings per share (EPS)	158	176	171	181	228	216
Diluted earnings per share (EPS)	149	176	170	181	227	215
Book-value per share (BPS)	1,657	1,765	1,646	1,750	1,760	1,763
Dividend per share (DPS)	56	70	80	80	90	90

- Notes: 1. Amounts have been rounded down to the nearest unit specified. However, percentages have been rounded off to the nearest digit specified.
2. EBITDA is calculated as Operating profit + Depreciation and amortization + Goodwill amortization up to the fiscal year ended March 2017 and as Operating profit + Depreciation and amortization + Goodwill amortization + Loss on retirement of noncurrent assets from the fiscal year ended March 2018.
3. ROE = Profit attributable to owners of parent / Beginning and ending balance average net assets
4. ROA = Ordinary profit / Beginning and ending balance average total assets
5. NRI implemented a 1.1-for-1 stock split effective January 1, 2017. To reflect this stock split, earnings per share, diluted earnings per share and net assets per share as of and for the years ended March 2016 and 2017 are calculated as if the stock split took place on April 1, 2015.
6. The dividend payout ratio is calculated to include dividends earmarked for the NRI Group Employee Stock Ownership Group.
7. NRI implemented 1:3 common stock split on July 1, 2019. Earnings per share (EPS) and annual dividend per share shown have not been retroactively adjusted for said stock split.



E: Environment



ESG Databook 2019

https://www.nri.com/en/sustainability/library/back_number

Environmental KPI (NRI Group data):	2015.3	2016.3	2017.3	2018.3	2019.3
Greenhouse gas emissions (compared to FY March 2014) (%)	7.9	19.8	26.9	30.0	38.2
Share of renewable energy in data centers (%)	0.1	0.1	0.1	0.1	0.1
Supplier's environmental target setting ratio (%) (Category 1, 2 and 11 of Scope 3)	n/a	n/a	n/a	4.6	18.1

Greenhouse gas emissions (NRI Group data):	2015.3	2016.3	2017.3	2018.3	2019.3
Direct greenhouse gas emissions (Scope 1) (1,000 t-CO ₂)	1	1	1	1	1
Japan (1,000 t-CO ₂)	1	1	1	1	1
Overseas (1,000 t-CO ₂)	0	0	0	0	0
Direct greenhouse gas emissions (Scope 2) (1,000 t-CO ₂)	97	84	77	73	65
Japan (1,000 t-CO ₂)	95	81	74	70	62
Overseas (1,000 t-CO ₂)	2	3	3	3	2
Total emissions (Scope1 + 2) (1,000 t-CO ₂)	99	86	78	75	66
Japan (1,000 t-CO ₂)	96	83	75	72	63
Overseas (1,000 t-CO ₂)	2	3	3	3	2

Notes: Scope: Target scope of calculation/reporting for greenhouse gas emissions by corporations

Scope 1: Direct emissions through combustion of fuel, etc.

Scope 2: Indirect emissions through use of electricity, heat, steam, etc.

Scope 3: Indirect greenhouse gas emissions other than Scopes 1 and 2. Manufacturing in the supply chain, commuting by employees, business travel, etc.



S: Social

Number of employees

(NRI Group data):	2015.3		2016.3		2017.3		2018.3		2019.3	
	Persons	Percentage (%)	Persons	Percentage (%)	Persons	Percentage (%)	Persons	Percentage (%)	Persons	Percentage (%)
Number of employees	9,012	100	10,757	100	11,605	100	12,708	100	12,578	100
By region										
Japan	8,105	89.9	8,498	79.0	8,676	74.8	8,821	69.4	9,004	71.6
Europe	12	0.1	21	0.2	12	0.1	14	0.1	15	0.1
U.S.	41	0.5	293	2.7	383	3.3	392	3.1	345	2.7
Asia	854	9.5	1,945	18.1	1,995	17.2	2,052	16.1	1,761	14.0
Of which China	374	4.2	1,398	13.0	1,473	12.7	1,465	11.5	1,168	9.3
Australia	—	—	—	—	539	4.6	1,429	11.2	1,453	11.6

Employment related (Non-consolidated data):	2015.3	2016.3	2017.3	2018.3	2019.3
New hires for the year (persons)	294	299	294	340	452
Total turnover rate (%)*	3.2	3.3	3.5	3.8	3.9
Average length of service (years)	13.4	13.8	14.3	14.6	14.6
New graduates hires retention rate after 3 years (%)	95.5	92.5	90.9	93.3	95.9
Average compensation: all employees (thousands of yen)	10,892	11,560	11,514	11,660	12,217

*The total turnover rate is the percentage of the number of retirees compared to the number of employees at period end.

Promotion of women's participation and advancement in the workplace (Non-consolidated data):

	2015.3	2016.3	2017.3	2018.3	2019.3
Female employees (%)	18.2	18.8	19.0	19.3	19.8
Female managers (%)*	5.2	5.7	6.1	6.4	6.8
Female hires (%)	25.9	29.8	26.6	24.5	27.4

*Female managers' ratio is the value at the beginning of the term

Childcare leave / Nursing leave (Non-consolidated data):

	2015.3	2016.3	2017.3	2018.3	2019.3
Paid maternity leave (persons)	12	17	13	9	13
Pre- and post-childbirth leave (persons)	53	73	76	56	72
Childcare leave (persons)	56	96	130	252	261
Of whom were male employees (persons)	9	21	60	189	194
Number of employees utilizing shorter work hour system for childcare (persons)	79	96	107	107	113
Employees returning to work after childcare leave (female employees) (%) ^{*1}	96.1	97.9	97.3	97.0	96.7
Employees remaining in work after childcare leave (female employees) (%) ^{*2}	95.9	92.3	91.7	93.3	92.8
Nursing care leave (persons)	1	1	2	3	3

Note: These are the number of employees who started a period of leave by the end of the fiscal year in question.

*1 Number of employees returning to work in the current fiscal year after taking childcare leave / number of employees expected to return to work after taking childcare leave in the fiscal year × 100%

*2 Number of employees who returned to work in the previous fiscal year after taking childcare leave and who were employed by NRI as of March 31 of the current fiscal year / number of employees who returned to work after taking childcare leave in the previous fiscal year × 100%

Employment of people with disabilities (NRI Group data):	2015.3	2016.3	2017.3	2018.3	2019.3
Employees with disabilities (persons)	108	117	119	134	136
Percentage of employees with disabilities (%)	2.1	2.2	2.2	2.2	2.4

Note: Number of employees with disabilities at NRI and its Group companies

Health and Productivity Management

(Non-consolidated data):	2015.3	2016.3	2017.3	2018.3	2019.3
Average overtime hours of employees per month (hours)	33.0	29.8	27.2	22.0	21.5
Employees taking annual paid leave (%) *1	66.9	66.5	70.6	71.4	71.3
Employee work-related deaths (persons)	0	0	0	0	0
Work accidents (cases) *2	1	0	2	0	2

*1 Starting from the fiscal year ended March 2016, this figure includes the summer break (up to 3 days a year)

*2 Figure represents the number of either fatal accidents or incidents necessitating four or more days' leave due to a casualty accident.

Client satisfaction survey and employee satisfaction

(Non-consolidated data):	2015.3	2016.3	2017.3	2018.3	2019.3
Customer satisfaction (%) *1	82.0	83.4	82.9	84.6	87.0
Employee satisfaction (%) *2	—	60.3	—	80.5	—

*1 Percentage that responded "Satisfied" or "Moderately satisfied" (total for top two items on five-grade scale)

*2 A response to a question on overall satisfaction is used for employee satisfaction. For the fiscal years ended March 2016, this is the percentage that responded "Satisfied" or "Moderately satisfied" on a five-grade scale, while for the fiscal year ended March 2018, this is the percentage that responded "Satisfied" or "Moderately satisfied" on four-grade scale that no longer contains "Neither nor."

Information communication/Recommendation projects

(Non-consolidated data):	2015.3	2016.3	2017.3	2018.3	2019.3
Books published	19	25	13	15	20
Contributions to newspapers and magazines (times)	210	229	273	298	306
Public lectures given (times)	1,088	1,161	937	962	922
TV/radio appearances (times)	81	126	102	158	267

Development of human resources /

Development of society (Non-consolidated data):	2015.3	2016.3	2017.3	2018.3	2019.3
Entries to the NRI Student Essay Contest	883	2,622	3,103	1,767	1,444
Supporting career education programs: No. of schools	31	38	34	24	31
No. of students	Over 1,700	Over 1,500	1,277	733	850



G: Governance

Member of Directors (Non-consolidated data) (As of July 1):	2015	2016	2017	2018	2019
Total number of Directors	10	10	9	7	9
Outside Directors	3	3	3	3	3
Female Directors	1	1	1	1	1

Status of the Board of Directors (Non-consolidated data):	2015.3	2016.3	2017.3	2018.3	2019.3
Number of the Board of Directors held (times)	14	15	14	15	14
Attendance average of all Directors (%)	98	96	96	98	98
Attendance average of Outside Directors (%)	89	88	90	93	95
Attendance average of all Audit & Supervisory Board Members (%)	94	97	99	99	99
Attendance average of Outside Audit & Supervisory Board Members (%)	90	98	98	98	98

Status of the Audit & Supervisory Board (Non-consolidated data):	2015.3	2016.3	2017.3	2018.3	2019.3
Number of the Audit & Supervisory Board held (times)	17	19	18	18	17
Attendance average of all Audit & Supervisory Board Members (%)	95	98	99	100	99
Attendance average of Outside Audit & Supervisory Board Members (%)	92	98	98	100	98

Number of Notification & Consultation (Non-consolidated data):	2015.3	2016.3	2017.3	2018.3	2019.3
Number of notification & consultation (cases)	6	3	8	2	4

NRI Group Network (As of July 1, 2019)

Headquarters

Nomura Research Institute, Ltd.
Otemachi Financial City Grand Cube,
1-9-2, Otemachi, Chiyoda-ku,
Tokyo, 100-0004, Japan
Tel. +81(3)5533-2111

Domestic Bases

NRI Netcom, Ltd.
NRI SecureTechnologies, Ltd.
NRI Workplace Services, Ltd.
NRI Data i Tech, Ltd.
NRI Cyber Patent, Ltd.
NRI Social Information System Services,
Ltd.
NRI Process Innovation, Ltd.
NRI System Techno, Ltd.
DSB Co., Ltd.
NRI Mirai, Ltd.
Zhiming Software Japan, Ltd.
NRI Retail Next, Ltd.
NRI digital, Ltd.
Brierley+Partners Japan, Inc.

Overseas Bases

[U.S.]

Nomura Research Institute
Holdings America, Inc.
Nomura Research Institute
America, Inc.
Nomura Research Institute
IT Solutions America, Inc.
Pacific Branch
NRI SecureTechnologies, Ltd.
North America Branch
Cutter Associates, LLC
Brierley+Partners, Inc.
Los Angeles Branch

[Europe/Russia]

Nomura Research Institute Europe Limited
Luxembourg Branch
Cutter Associates Europe, Ltd.
Brierley Europe Limited
Nomura Research Institute, Ltd. Moscow
Branch

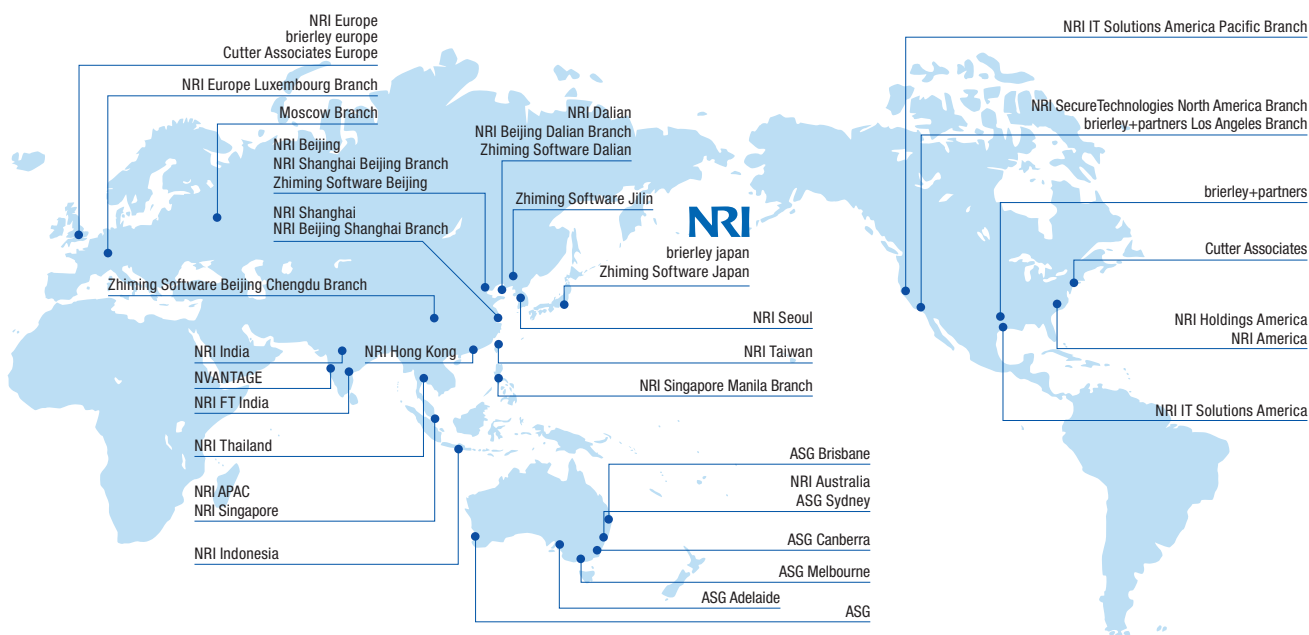
[Asia/Pacific]

Nomura Research Institute
Australia Pty Ltd.
ASG Group Limited
Sydney Office
Canberra Office
Melbourne Office
Brisbane Office
Adelaide Office

Nomura Research Institute
(Beijing), Ltd.
Shanghai Branch
Dalian Branch
Nomura Research Institute
Shanghai Limited
Beijing Branch
Nomura Research Institute
(Dalian), Ltd.
Zhiming Software Beijing, Ltd.
Chengdu Branch
Zhiming Software Dalian, Ltd.
Zhiming Software Jilin, Ltd.
Nomura Research Institute
Taiwan Co., Ltd.
Nomura Research Institute
Seoul Co., Ltd.
Nomura Research Institute
Thailand
Nomura Research Institute
Asia Pacific Private Limited
Nomura Research Institute
Singapore Pte. Ltd.
Manila Branch
Nomura Research Institute
Hong Kong Limited
PT. Nomura Research Institute
Indonesia
Nomura Research Institute
Consulting and Solutions India
Private Limited
Nomura Research Institute
Financial Technologies India Pvt. Ltd.
Nvantage India Private Limited

For more about NRI Group offices around
the world:
<https://www.nri.com/en/company/map>

NRI Group Worldwide Offices



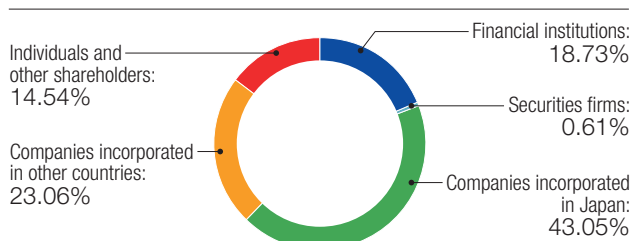
Corporate data (As of March 31, 2019)

Name	Nomura Research Institute, Ltd.
Headquarters address	Otemachi Financial City Grand Cube, 1-9-2 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Capital	¥19,300 million
Representative	Chairman and President & CEO, Representative Director Shingo Konomoto (As of July 1, 2019)
Number of employees (Consolidated-base)	12,578 persons

Share information (As of March 31, 2019)

Listed stock exchange	Tokyo Stock Exchange 1st. Section
Code	4307
Fiscal year	From April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders	June
A share unit	100 shares
Authorized shares	907,500,000 shares
Issued shares	251,260,000 shares
Number of shareholders	10,910 persons
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation
(address for inquiries posts)	Shin-TOKYO Post Office post office box No.29 137-8081, JAPAN Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division Tel: 0120-232-711 (toll-free)
Shareholder Fixed Day for Dividend Payment	September 30, March 31

Component ratio of shareholders (As of March 31, 2019)



Note: The treasury stock is included in "individual and other shareholders."

Major shareholders (As of March 31, 2019)

Shareholders	Number of shares held (1,000 shares)	Percentage of shares held (%)
Nomura Holdings, Inc.	69,438	29.62
Nomura Facilities, Inc.	22,506	9.60
JAFCO Co., Ltd.	13,156	5.61
NRI Group Employee Stock Ownership Group	9,843	4.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,114	3.89
State Street Bank and Trust Company 505223 (Standing Agent: Mizuho Bank, Ltd., settlement division)	8,725	3.72
Nippon Life Insurance Company (Standing Agent: The Master Trust Bank of Japan, Ltd.)	8,242	3.52
Japan Trustee Services Bank, Ltd. (Trust Account)	7,893	3.37
National Mutual Insurance Federation of Agricultural Cooperatives (Standing Agent: The Master Trust Bank of Japan, Ltd.)	4,478	1.91
SEVEN-ELEVEN JAPAN CO., LTD.	2,601	1.11

Note: NRI has 16,822,653 shares of treasury stock as of March 31, 2019 which is not included in the major shareholders list above.
Figures for number of shares held are rounded down to the nearest thousand and figures for percentage of shares held are calculated excluding treasury stock.

Total Shareholder Return (TSR*) Over the Past 5 Years



Holding Period* ³	1 year	2 years	3 years	4 years	5 years
NRI	140.8%	132.6%	159.7%	198.0%	200.9%
TOPIX	130.7%	116.5%	133.7%	154.9%	147.1%

*1 A ratio calculated by dividing revenues earned through stock investment (dividends and capital gains) by the amount of investment (stock price)

*2 The NRI and TOPIX prices use 100 as the closing price on March 31, 2014.

*3 Based on the closing price on March 31, 2019.

(Source) Compiled by NRI.

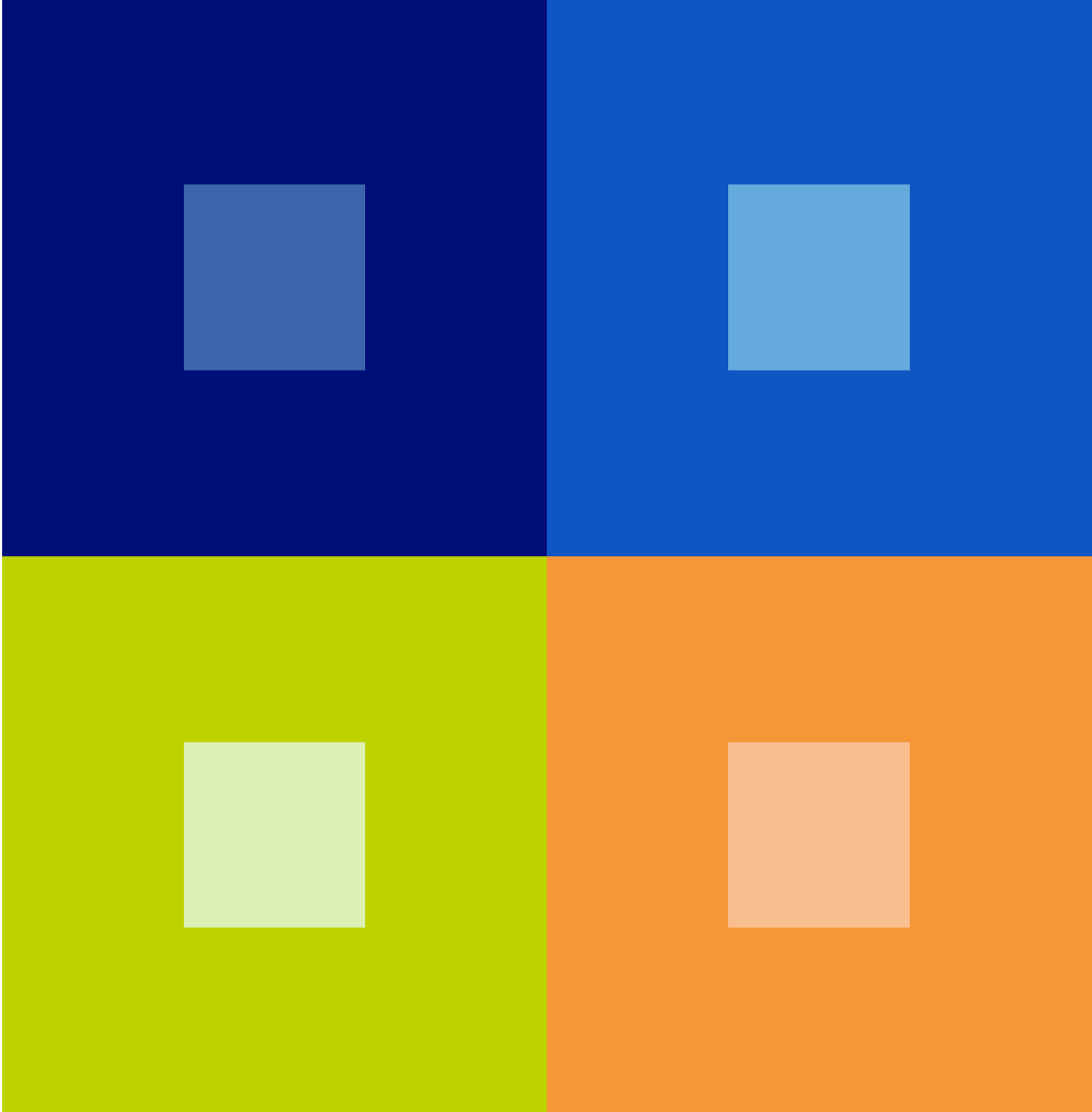
Nomura Research Institute, Ltd.

Otemachi Financial City Grand Cube,
1-9-2 Otemachi, Chiyoda-ku,
Tokyo 100-0004, Japan
Tel. +81(3)5533-2111
<https://www.nri.com/en>



ESG Databook 2019

(Year ended 31st March 2019)



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■ Notes

Symbols in the table

-	Data not available
n/a	Not applicable

Data coverage

a	NRI group
a-	NRI group (Some ranges excluded)
b	NRI group (Domestic)
b-	NRI group (Domestic, some ranges excluded)
c	NRI (Not consolidated)
c-	NRI (Not consolidated, some ranges excluded)
d	Others

Sustainability Policy

► Sustainability management policy

NRI sustainability management policy

NRI provides support to clients to solve social challenges in their business and wishes to become a company that co-creates social values together with the customers. This wish has resulted in NRI to approve and participate in the United Nations Global Compact (UNGC), the Task Force on Climate-related Financial Disclosures (TCFD) and others. "NRI Group Medium-Term Management Plan (2019-2022)" states the "solving of social challenges through co-creation of values" and has set to promote the co-creation of three social values, "Co-create a thriving future society by driving new value", "Co-create an ideal society by effectively utilizing its resources", and "Co-create a safe and secure society by advancing its infrastructure" at its core to promote business.

To be able to be trusted by the society from now on and to respond to such expectations, we must ride the tide of new technology ahead of time while making changes to ourselves, and promote business that will lead to solving the challenges in future society to contribute to creating a sustainable future society, and fulfil our social responsibility.

Furthermore, we will listen sincerely to the voices of diversified stakeholders, both domestic and overseas, and control our own actions.



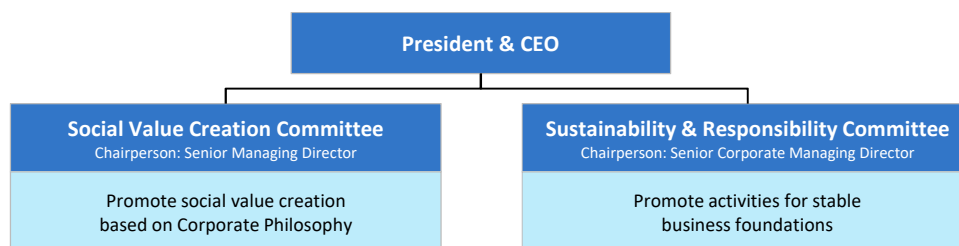
- Link Files
- Sustainability Management "ESG Briefing"
<https://www.nri.com/en/sustainability/management/esg/2018>
 - Contributing to Innovations in Society and among Clients as a "Company Creating Future Society"
<https://www.nri.com/-/media/Corporate/en/Files/PDF/ir/library/AR2018e.pdf#page=4>

► Sustainability management structure

Sustainability management structure

NRI has established the "Social Value Creation Promotion Committee" and "Sustainability & Responsibility Committee" as presidents as a system for promoting sustainability, and based on the investigations and discussions in both committees, makes recommendations to the management meeting.

[Organizational chart]



► Participation in the initiatives

Participation in the initiatives

- United Nations Global Compact (UNGC)
- Japan Climate Initiative (JCI)
- World Business Council for Sustainable Development (WBCSD)
- Task Force on Climate-related Financial Disclosures (TCFD)
- Science Based Targets initiative (SBTi)
- Renewable Electricity 100% (RE100)
- Japan Business Federation (Keidanren) "Charter of Corporate Behavior"

Stakeholders

► Our stakeholders

Our stakeholders

The NRI Group's stakeholders range from a core of "Customers," "Employees/Families," "Shareholders/Investors," and "Business Partners," to also include "Consumers," "Media," "Local Communities," "Industry Organizations / Industry Peers," "Government," "Education and Research Institutes," "Students," and "NGO/NPOs." We will continue to create a better future society and build stronger relationships of trust with society, all the while maintaining close communication tailored to the peculiarities of each stakeholder.

► Stakeholder dialogue

Stakeholder dialogue

The NRI Group values the opportunities in its daily business activities to listen to the opinions of and communicate with stakeholders in a variety of ways.

Furthermore, in addition to our daily discussions, we engage in dialogue with opinion-maker and rule-maker experts to understand global sustainability trends and reflect them in management strategies and risk management.

In FY2016, we engaged in a dialogue on the theme of SDGs (Sustainable Development Goals) and exchanged opinions on the direction of the kind of "future creation" NRI should aim for.

In FY2017, a dialogue on the theme of ESG investment was held in London, and another on the theme of business and human rights was held in Tokyo, and we received valuable feedback on how ESG issues such as the problem of "digital rights" in the ICT industry should be integrated into NRI's business activities.

In 2018, he visited the World Business Council for Sustainable Development (WBCSD), an international NPO promoting SDGs in Geneva, Switzerland, and also visited the international ESG evaluation organization RobecoSAM in Zurich, and held a second dialogue.

We exchanged opinions on what ESG investors want from companies and what we should do as companies toward SDGs.

In addition, we held the first ESG briefing session to introduce sustainability management and specific ESG initiatives, and obtained valuable opinions from our stakeholders regarding "Co-creation of NRI values".

Dialogues are attended by the NRI Group's Senior Corporate Managing Director, who is responsible for sustainability and CSR, and the system is one that directly reflects dialogue results in strengthening governance and management.

Link File

Stakeholder Dialogue

<https://www.nri.com/en/sustainability/management/dialogue>

Sustainability Management "ESG Briefing Session"

<https://www.nri.com/en/sustainability/management/esg/2018>

Materiality

► Materiality

Materiality

NRI's 15 material issues (materiality) were identified based on international standards and guideline categories from ISO26000, GRI* G4 Guidelines, Dow Jones Sustainability Indices (DJSI), and the SASB (United States Sustainability Accounting Standards Board), and the United Nations Global Compact.

Provision of NRI quality to support safe and secure information society

- Information security / system management
- Access to information society

Provision of opportunities for all kinds of professionals to take on challenges

- Diversity of human resources
- Dialogue with society
- Communication with customers
- Sound hiring practices and labor-management relations
- Respect for human rights

Compliance with laws, regulations and risk management to increase trust from society

- Strengthening corporate governance
- Risk/crisis management
- Prevention of overseas
- Appropriate disclosure of information to customers

Creation of a future, low environmental impact society

- Response on climate change
- Consumption of sustainable energy
- Recognize responsibility and protect the environment
- Show consideration for environments in our supply chain

* GRI: Global Reporting Initiative

Identification process of materiality

Step1 Clarification of issue elements based on international standards

Clarify elements that may be issues to be considered for sustainable growth based on guidelines for international standards, etc., and prepare an exhaustive list.

Step2 Identification of materiality

Extract and identify highly important elements clarified from management (horizontal axis) and external stakeholders (vertical axis) perspectives.

Step3 Hearings with experts and management review

Adjust highly material elements based on the opinions from external experts, securing the reliability and objectivity of the elements, and identify through management review.

► Key performance indicators of materiality

Creation of a future, low environmental impact society

Target material issue

Response on climate change

Long-term target

By FY 2030, NRI Group will reduce greenhouse gas by 55% compared to FY 2013. (Scope1+2).

Target year

FY 2030

progress

FY 2018: Greenhouse gas emissions reduction rate 38.2% (compared to FY 2013)

Provision of opportunities for all kinds of professionals to take on challenges

Target material issue

Diversity of human resources

Long-term target

1. Increase the female manager ratio to at least 8.5% by the end of FY 2022 (add more than 100 female managers)
2. Make women's recruitment rate over 30%
3. Conduct awareness raising regarding diversity management for managers

Target year

FY 2022

progress

FY 2018: Female managerial ratio 6.8%, female recruitment ratio 27.6%

Provision of NRI quality to support safe and secure information society

Target material issue

Information security / system management

Long-term target

NRI manages the result of the security review of the client system and corrective situation, and the audit result and corrective situation for each business base and business partner as indicator.

Target year

Ongoing efforts

progress

FY 2018: There were no information system incidents that had serious financial and social impacts.

Information Disclosure

▶ Structure of disclosure of information

Information disclosure system

Integrated report (booklet and PDF)	An overall picture of NRI's corporate value creation activities is explained in concise and clear manner.
ESG Databook (PDF)	We disclose in detail non-financial information relating to the environment (E), Society (S), and Governance (G).
Sustainability Book (booklet and PDF)	An overview of the year's sustainability promotion activities is explained in an easily understood manner.
Website	Information about the NRI Group, shareholder and investor information, CSR information, and other information are disclosed in detail.

Link Files	Approach to Disclosure https://www.nri.com/en/ir/policy Sustainability https://www.nri.com/en/sustainability Sustainability Report https://www.nri.com/en/sustainability/library/back_number
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▶ Scope of reporting / Reporting period / Independent assurance

Scope of reporting

The disclosure of financial and non-financial information applies as a general rule to the NRI Group (Nomura Research Institute, Inc., and its consolidated subsidiaries). Some of the non-financial information targets a specific range, in which case said range is clearly specified separately.

Reporting period

Content is mainly focused on initiatives from FY2018 (from April 1, 2018 to March 31, 2019), but may also include some background information, activities after April 1, 2019, or planned future activities.

Independent assurance

We have obtained certification from third-party certification organizations for some environmental data.

Link File	Independent Assurance Report (P.75) https://www.nri.com/-/media/Corporate/en/Files/PDF/sustainability/library/back_number/ESG_Databook_2019_2_en.pdf#page=78
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▶ Guidelines referenced for the disclosure of information

Guidelines referenced for disclosure

- The International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)
- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- Environmental Reporting Guidelines (2018 version) of the Ministry of the Environment of Japan
- UN Guiding Principles Reporting Framework
- Corporate Human Rights Benchmark

Link File	GRI Standards Content Index https://www.nri.com/-/media/Corporate/en/Files/PDF/sustainability/library/back_number/ESG_Databook_2019_2_en.pdf#page=79
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▶ External evaluation

External evaluation

Inclusion in ESG stock indices <ul style="list-style-type: none"> • Dow Jones Sustainability World Index (2018-) • Dow Jones Sustainability Asia/Pacific Index (2016-) • MSCI ACWI ESG Leaders Index (2016-) • FTSE4Good Developed Index (2006-) • MSCI Japan ESG Select Leaders Index (2017-) • MSCI Japan Empowering Woman Index (2017-) • FTSE Blossom Japan Index (2017-) • SNAM Sustainability Index
Diversity related evaluation <ul style="list-style-type: none"> • Selected as "Nadeshiko Brand" (The Ministry of Economy and the Tokyo Stock Exchange) • Received the highest level of "Eruboshi" (The Ministry of Health, Labor and Welfare)
Health and productivity management related evaluation <ul style="list-style-type: none"> • Certified as "Excellent Enterprise of Health and Productivity Management* (White 500)" (2017-) • Japan Productivity Center "Work-Life Balance Awards" (2016)

* Health and Productivity Management is a registered trademark of the Workshop for the Management of Health on Company and Employee.

Corporate Governance - Management Approach

Material issues of NRI related to this management approach

"Strengthening of corporate governance" and "Dialogue with civil society"

NRI's approach to material issues

NRI works to enhance corporate governance in accordance with the basic approach outlined below, based on the recognition that corporate governance consists of mechanisms for transparent, fair, timely, and accurate decisionmaking based on the perspective of stakeholders, including society, customers, employees, business partners, and shareholders.

1. Cooperation with stakeholders

NRI respects the interests of stakeholders and cooperates with them in an appropriate manner. In particular, with regard to shareholders, NRI takes the proper measures so that rights are substantially secured, in addition to ensuring substantial equality.

2. Information disclosure and communication

NRI discloses information as stipulated by laws and by the regulations of the Tokyo Stock Exchange, and information that assists its stakeholders in understanding NRI and its operations properly, in a timely, accurate, and fair manner, to secure transparency as well as to engage in constructive dialogue with its shareholders.

3. Corporate governance system

NRI is strengthening its management monitoring functions based on the Audit & Supervisory Board System through the appointment of Independent Directors and Independent Audit & Supervisory Board Members, as well as the establishment of bodies that are mainly composed of Independent Directors appointed to advise the Board of Directors.

NRI have made the NRI Corporate Governance Guidelines public to outline our basic approach and action policy regarding corporate governance.

Priority activities / Medium- to long-term targets

In the domestic market, the NRI Group has grown through establishing a customer base in the financial and retail industries and providing a business platform in the financial field. In the global market, we have grown through the response to Japanese companies' globalization and M & A mainly in Australia.

On the other hand, client companies are increasing IT investment related to digital transformation (hereinafter referred to as "DX"), and are rapidly progressing from the stage of transforming business processes to the stage of transforming business models themselves

In order to realize further growth in the future, the NRI Group needs to enhance its competitive advantage in existing business areas both at home

and abroad, establish its position as a trusted partner in the DX area, and enlarge transactions with customers.

To that end, it is necessary to secure personnel who will promote the DX business and the global business, and it is important to strengthen recruitment and development.

Although the percentage of consolidated overseas sales is about 10%, NRI's foreign ownership ratio is 23.06% and the NRI Group's overseas workforce ratio has risen to 28%.

In light of the above, we are promoting the enhancement of corporate governance from the following perspectives.

- Global-standard transparency and independence
- Sustainability including non-financial factors in environmental and societal aspects
- Diversity and universality for NRI's global management

Progress / Achievements / Challenges

We improved transparency and independence by increasing the number of independent outside directors from two to three in 2015, and began evaluating the effectiveness of the Board of Directors in 2016. In 2017, the company established a Nomination Committee with independent outside directors as the principal members, and also changed the principal members of the Compensation Committee from outside experts to independent outside directors.

In terms of sustainability, we established a Sustainability & Responsibility Committee in 2017 to create a system to incorporate a sustainability perspective in management decision making and supervision.

As for the diversity and universality of global governance, we are proceeding to share the corporate philosophy of NRI, along with the group's corporate behavior principles and standards of conduct, while at the same time respecting the corporate culture and climate of overseas subsidiaries that have newly joined the NRI Group.

Link Files	<p>Corporate Governance https://www.nri.com/en/company/governance NRI Corporate Governance Guidelines https://www.nri.com/~media/Corporate/en/Files/PDF/company/governance/guideline_e_02.pdf</p> <p>NRI's Corporate Governance https://ir.nri.com/en/ir/library/report/main/08/teaserItems1/0/linkList/0/link/AR2019_e_all_A4.pdf#page=65</p> <p>Financial Results for the year ended March 31, 2019 (In Japanese only) https://www.nri.com/~media/Corporate/jp/Files/PDF/ir/financial/vuuhou/1903vuuhou.pdf</p>
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Corporate Governance - Data

▶ Corporate governance policy

Policy and objectives concerning the independence of the Board of Directors

	<p>NRI is strengthening its management monitoring functions based on the Audit & Supervisory Board System through the appointment of Independent Directors and Independent Audit & Supervisory Board Members, as well as the establishment of bodies that are mainly composed of Independent Directors appointed to advise the Board of Directors. The Board of Directors has a well-balanced composition of non-executive directors, executive directors, and Outside Directors, which is intended to facilitate the realization of appropriate decision-making and oversight of the Board of Directors that take into consideration multiple perspectives, including the viewpoints of business execution, supervision, and outside parties. NRI elects three Independent Directors in principle, or no less than two Independent Directors. The independence of the Board of Directors is stipulated in Articles 11, 13, 17, 19, and 23 of the NRI Corporate Governance Guidelines.</p>
Reference	<p>NRI Corporate Governance Guidelines https://www.nri.com/-/media/Corporate/en/Files/PDF/company/governance/guideline_e_02.pdf</p>

▶ Members of the Board

Number of Members of the Board and Audit & Supervisory Board Members (End of June)		unit	End of June 2015	End of June 2016	End of June 2017	End of June 2018	End of June 2019
Total number of Members of the Board		no. of person	10	10	9	7	9
Female directors		no. of person	1	1	1	1	1
Non-Japanese directors		no. of person	0	0	0	0	0
		no. of person	5	3	3	3	3
		no. of person	2	4	3	1	3
		no. of person	3	3	3	3	3
Total number of Audit & Supervisory Board Members		no. of person	5	5	5	5	5
Female members		no. of person	0	0	0	0	0
Non-Japanese members		no. of person	0	0	0	0	0
Outside Audit & Supervisory Board Members		no. of person	3	3	3	3	3
Coverage			c	c	c	c	c

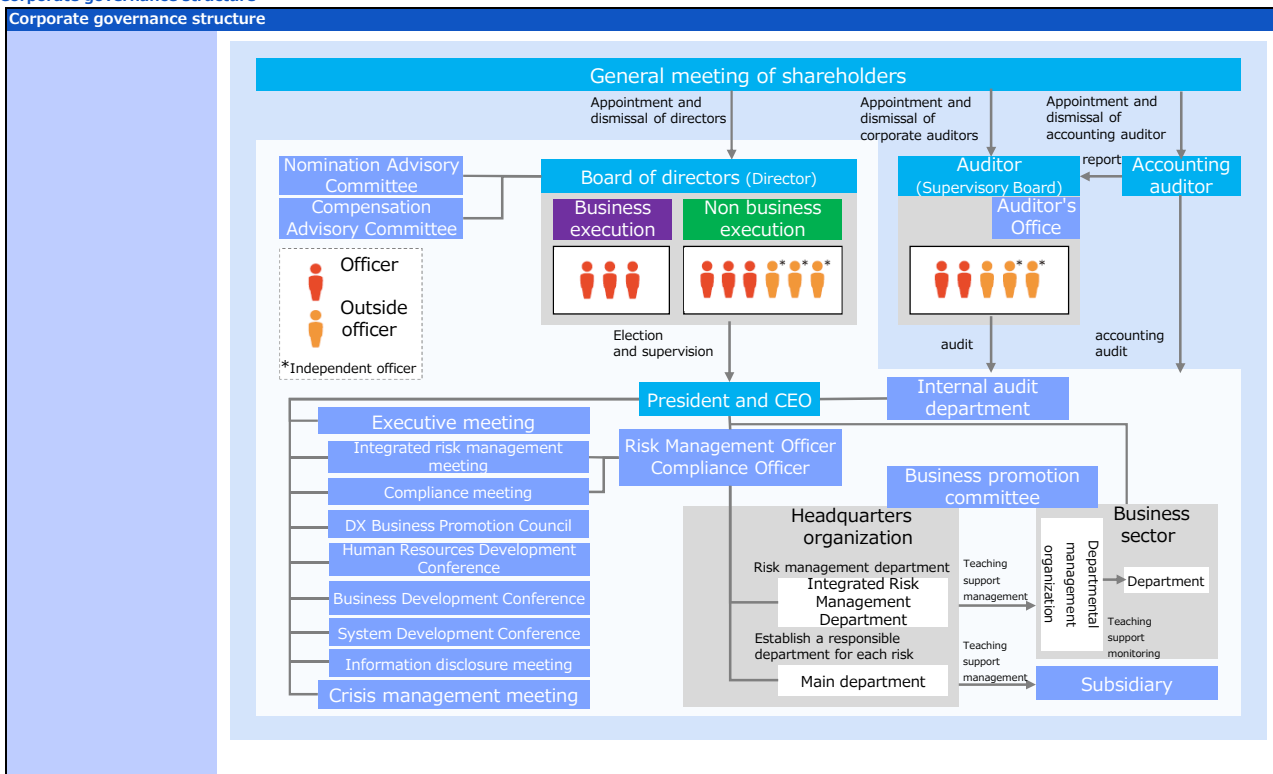
Chairperson of the Board of Directors

The Chairperson of the Board of Directors serves as a non-executive director, thereby achieving the separation of business execution and oversight.
 (Ref. NRI Corporate Governance Guidelines Article 13. Chairperson of the Board of Directors)

Number of Senior Management Directors		unit	End of June 2015	End of June 2016	End of June 2017	End of June 2018	End of June 2019
Senior Management Directors		no. of person	37	37	38	40	38
Female		no. of person	0	0	0	0	1
Management Directors*		no. of person	9	11	12	10	10
Female		no. of person	0	1	1	1	1
Coverage			c	c	c	c	c

* Established in April 2015

▶ Corporate governance structure



Corporate Governance - Data

► **Criteria and process for nomination of Members of the Board and Audit & Supervisory Board Members**

Process for nomination of Members of the Board and Audit & Supervisory Board Members	
	<p>The Board of Directors includes no more than 15 Members of the Board, taking into consideration of the balance and diversity of various factors, including experience in and knowledge of the Company's businesses, corporate management, IT technology, and corporate finances. This composition promotes the realization of supervision and appropriate decision-making from multiple perspectives by the Board of Directors.</p> <p>To ensure the independence of the Audit & Supervisory Board, at least half of the Board members are composed of Outside Audit & Supervisory Board Members. NRI elects at least two Independent Audit & Supervisory Board Members. And at least one of the appointed Audit & Supervisory Board Members must have considerable knowledge of finance and accounting</p>
	<p>Criteria for nomination of Members of the Board and Audit & Supervisory Board Members</p> <p>Candidates for Members of the Board must have extensive practical experience, high capabilities, understanding, and the ability to contribute to the enhancement of corporate value over the mid- to long-term in a manner consistent with the NRI's corporate philosophy.</p> <p>Candidates for Audit & Supervisory Board members must have extensive practical experience, high capabilities, understanding, and can be expected to perform audits from a neutral and objective viewpoint and contribute to the maintenance of the soundness of management</p>

► **Functions and committees**

The highest governing body	
Overview	<p>Board of Directors</p> <p>NRI has delegated to considerable authority and responsibility for business execution to Senior Managing Directors and other Directors. The Board of Directors is exclusively responsible for fundamental decision-making that are the basis for the Company's business execution and for overseeing the execution of duties by Members of the Board. The Audit & Supervisory Board Members and Audit & Supervisory Board oversee the execution of duties by Members of the Board. (Ref. NRI Corporate Governance Guidelines Article 11, System of Board of Directors and Others)</p>
Function for compensation	
Overview	<p>Compensation Committee</p> <p>Mainly comprised of Independent Directors, the Committee deliberates on the system and standards of executive compensation from the standpoint of fairness and transparency. (Ref. NRI Corporate Governance Guidelines Article 22, Compensation Committee)</p>
Function for nomination	
Overview	<p>Nomination Committee</p> <p>Mainly comprised of Independent Directors, the Committee deliberates on the appointment of Directors and Audit & Supervisory Board Members from the standpoint of fairness and transparency.</p>
Function for audit	
Overview	<p>Audit & Supervisory Board</p> <p>The Audit & Supervisory Board oversee the execution of duties by Members of the Board. And discusses and decides auditing policies and other important matters related to auditing and formulate and expresses audit opinions. (Ref. NRI Corporate Governance Guidelines Article 11, System of Board of Directors and Others)</p>
Function for strategy	
Overview	<p>Senior Management Committee</p> <p>The Committee meets in principle once every week to deliberate on important issues involving corporate management in order to achieve consistent business execution and decision making.</p>
Function for risk management	
Overview	<p>Integrated Risk Management Committee</p> <p>The Committee deliberates on important issues concerning risk management based on instructions given by the President & CEO.</p>
Function for compliance	
Overview	<p>Compliance Committee</p> <p>The Committee deliberates on the issues concerning the promotion of ethical and compliance management covering the improvement of structures to comply with corporate ethics and laws and the prevention of violation reoccurrences,</p>
Function for sustainability	
Overview	<p>Social Value Creation Committee / Sustainability Activities Committee</p> <p>NRI established the Social Value Creation Committee that promotes social value creation based on corporate philosophy and the Sustainability Activities Committee that promotes activities for stable business foundations from the point of view of ESG, as a special appointment at the direction of the President & CEO to promote overall sustainability management.</p>
Function for human resources	
Overview	<p>Human Resources Development Committee</p> <p>The Committee deliberates on important issues concerning ability development and training of employees, based on instructions given by the President & CEO.</p>

Corporate Governance - Data

Function for business development	
Overview	Business Development Committee The Committee deliberates on important issues concerning investments in research and development, planned businesses and investments, such as the acquisition of securities, based on instructions given by the President & CEO.
Function for systems development	
Overview	Systems Development Committee The Committee deliberates on important issues concerning proposals and quotations to clients, as well as on their development and release of IT solution-related systems, based on instructions given by the President & CEO.
Function for disclosure	
Overview	Disclosure Committee The Committee deliberates on important issues concerning the disclosure of Annual Securities Report and other documents, based on instructions given by the President & CEO.
Function for crisis management	
Overview	Crisis Management Committee The Committee will be established based on the orders of the President & CEO to execute and support prompt responses to a crisis whenever one may occur.
Function for promotion of internal control	
Overview	Business Promotion Committee The Committee involves administrative departments from the headquarters and management departments within business divisions and seeks to establish highly effective and efficient internal controls.

► Effectiveness of the Board of Directors

Status of the Board of Directors	unit	FY2018*
Number of meetings of the Board of Directors		14
Attendance rate of Board of Directors	%	98
Term of office of directors	years	1
Average tenure of directors	years	4.1

* Duration from the 53rd Ordinary General Meeting of Shareholders, June 22, 2018, to 54th Ordinary General Meeting of Shareholders, 20nd June 2019.

Evaluations of the Board of Directors' effectiveness

1. Evaluation methods:	<ul style="list-style-type: none"> Questionnaire targeting all Directors and Audit & Supervisory Board Members Opinion exchange at the Independent Directors Meeting Discussion at the board of directors meeting based on the results of the above questionnaire and opinion exchange
2. Results	<p>From the following points, it is evaluated that the effectiveness of the Board of Directors is generally secured.</p> <ul style="list-style-type: none"> It consists of members based on diverse experiences including three independent outside directors, and has a system in place to secure appropriate decision-making and supervision. There are free and constructive discussions and exchange of opinions. These directors fulfill their duties as directors by understanding the Company's business philosophy and business plans and actively discussing based on their knowledge.
3. Challenges for further effectiveness	<ul style="list-style-type: none"> Work on provision of information to directors and management of meetings to enable higher quality discussion and decision-making.

► Executive compensation

Executive compensation amounts	No. of eligible individuals (person)	unit	Total compensation	Basic compensation	Performance-linked compensation			
					Bonus	Stock options	Restricted stock-based remuneration	Other
Members of the Board (Excluding Outside Members of the Board)	6	millions of yen	415	200	112	60	39	2
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	2	millions of yen	82	58	22	0	-	1
Outside Members of the Board and Outside Audit & Supervisory Board Members	8	millions of yen	105	93	11	-	-	0

Notes:

- The above includes Includes two directors and two outside officers who retired at the end of the 52nd Ordinary General Meeting of Shareholders held on 22rd June 2018.
- "Other" refers to contributions to the defined contribution pension plan and insurance premiums for casualty insurance.
- The stock options for Audit & Supervisory Board Members are granted before they assume their post.
- "Share-limited stock compensation" equalizes the total amount of monetary compensation receivables to be invested in kind in exchange for the stock with restricted transfer based on the service period from the date of allocation of the stock with restricted transfer until the date of release of the transfer restriction. And the amount recorded in fiscal 2018 is stated.

Compensation amounts for each executive	Name	Official position	unit	Total compensation	Basic compensation	Performance-linked compensation			
						Bonus	Stock options	Restricted stock-based remuneration	Other
	Shingo Konomoto	President & CEO	millions of yen	115	53	34	15	11	0

Corporate Governance - Data

Compensation policy and system for Members of the Board

The maximum compensation total for Members of the Board: ¥1,000 million per annum (Although, this shall not include employee salaries of Members of the Board who concurrently serve as employees).

Based on the Plan, the remuneration provided for granting restricted stock to Eligible Members of the Board shall take the form of monetary remuneration claims, Stock-based remuneration as long-term incentives: within the limit of 120 million yen per annum, stock-based remuneration as medium-term incentives: within the limit of 280 million yen per annum, and total of not more than 400 million yen per annum.

To improve transparency of directors' compensation and others, NRI has established the Compensation Committee, comprised mainly of Independent Directors, as an advisory body to the Board of Directors. The committee deliberates on the system and standards of executive compensation from the standpoint of fairness and transparency. Using the results of the committee's inquiries, the Board of Directors sets policies for the determination of compensation for Members of the Board and other matters.

The compensation system for Members of the Board is based on executive position, but in the interest of enhancing business results, the system emphasizes connections to business performance. The standards employed by the system have been set with reference to market standards and trends and other factors, with the goal of establishing standards appropriate for a leading company in the information services industry.

Remuneration for the Members of the Board of NRI is comprised of the following three categories.

a. Basic remuneration

Basic compensation consists of fixed pay (basic pay and position pay), which is compensation based on each Member of the Board's post.

b. Bonuses

Bonuses are based on our business performance during the current fiscal year, while taking into consideration individual evaluations.

c. Stock-based Remuneration (restricted stock-based remuneration)

Provision of restricted stock compensation (financial compensation used as investment assets for the acquisition of shares with restriction on transfer compensation) as share-based compensation in order to provide incentives aimed at sustainable improvements in the Company's corporate value and to promote the sharing of value with shareholders through share ownership.

Restricted stock-based remuneration is comprised of Stock-based remuneration as long-term incentives and Stockbased remuneration as medium-term incentives. Stock-based remuneration as long-term incentives is long-term incentive aimed at promotion of the sharing of value with shareholders through share ownership and sustainable improvements in the Company's corporate value. Stock-based remuneration as medium-term incentives is Mediumterm incentive aimed at improvements in the Company's medium term results and share price as represented in the Medium-Term Management Plan.

The number of shares allocated is determined in accordance with executive positions. Note that, based on the Stock Ownership Guidelines for Executive Officers, Members of the Board are expected to hold more than a certain number of shares of NRI's stock, in accordance with their respective positions.

Outside Members of the Board do not receive bonus or share-based compensation.

Risk assessment measures	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Compensation of the President & CEO	millions of yen	less than 100	less than 100	104	113	115
Average employee salary of NRI	thousands of yen	10,892	11,560	11,514	11,660	12,217
Ratio of compensation	ratio	n/a	n/a	9.0	9.7	9.4

► Executive stock ownership requirements

Guidelines of Executive stock ownership

Based on the Stock Ownership Guidelines for Executive Officers, Members of the Board are expected to hold more than a certain number of shares of NRI's stock, in accordance with their respective positions.

Risk Management - Management Approach

Material issues of NRI related to this management approach

It is related to all materiality of 15, but in particular "Risk / crisis management"

NRI's approach to material issues

The NRI Group defines the possibility of detriment to the Group's capital due to an unforeseen circumstance that occurs in business operations, or something that prevents the preservation or improvement of enterprise value due to a phenomenon that hinders business operations as business operational risk.

These risks conform to the ERM framework (COSO Enterprise Risk Management-Integrated Framework) developed by the USA's COSO (The Committee of Sponsoring Organizations of the Treadway Commission), divided into the 11 categories of management strategy risk, business continuity risk, compliance risk, information security risk, systems impairment risk, project management risk, external outsourcing / procurement risk, subsidiaries / affiliate company risk, business resource risk, information disclosure risk, and reputational risk, and are subject to integrated management. In recent years, we recognize that the response to risks of social issues such as climate change or human rights will have a major impact on the sustainable growth of the company over the medium to long term. The NRI Group will also respond to these ESG risks within the integrated risk management framework.

The NRI Group has appointed a Risk Management Director and established a Risk Management Supervisory Bureau in order to establish an internal controls system and aim for continual improvement. Furthermore, at the direction of the President & CEO, the Integrated Risk Management Committee has been established and conducts appropriate inspections of the status of the entire company's internal controls. The Integrated Risk Management Committee reports several times a year to the Board of Directors. Supervisory bureaus have been established for each of the main risks that accompany business activities, and when necessary, deliberations take place at specialist meetings, with the supervisory bureaus taking measures for appropriate responses in collaboration with business departments.

Priority activities / Medium- to long-term targets

NRI annually inspects and assesses risk for the entire company, based on results from a company-wide monitoring of compliance with regulations as well as from internal audits, after which management sets priority themes to be tackled. We strive to reinforce our business continuity plan (BCP) and disaster recovery (DR) measures by regularly monitoring risk countermeasures required for business continuity, targeting significant business and service lines.

[Priority themes for FY March 2019]

- (1) Continue proper management quality risks
- (2) Further strengthen the management of project risks
- (3) Improve the management preparedness of information security
- (4) Develop governance systems suitable to increasing globalization
- (5) Create comfortable working environment
- (6) Implement appropriate preparation for fulfilling our business continuity responsibilities

Progress / Achievements / Challenges

The results for the fiscal year ending March 31, 2019 are as follows for each major theme item for the fiscal year ending March 31, 2019 for the Integrated Risk Management Committee

- (1) Continue proper management quality risks
Prepared large-scale system failure response guidelines and conducted failure response drill, in preparation for critical system failure.
- (2) Further strengthen the management of project risks.
Continue the strengthening of checks at Proposal Estimation Review Committee in preparation in the event of unexpected unprofitable projects.
- (3) Improve the management preparedness of information security
Upgrading of CSIRT as response against cyber-attacks in the event of critical security failure occurrence.
- (4) Develop governance systems suitable to increasing globalization
Study governance methods for acquired subsidiaries and management risk response policies for each country.
- (5) Create comfortable working environment
Monitoring of labor conditions based on Labor Management Standard. Conducted response to the Act for Promotion of Work-style Reform.
- (6) Implement appropriate preparations for fulfilling our business continuity responsibilities
Conducted disaster drill assuming an earthquake.

Link Files

Basic policy for building an internal control system (In Japanese only)

<https://www.nri.com/jp/company/internal>

Internal Controls, Corporate Ethics and Compliance

<https://www.nri.com/~media/Corporate/en/Files/PDF/ir/library/AR2018e.pdf#page=70>

Risk Management - Data

Risk management system

Risk management system

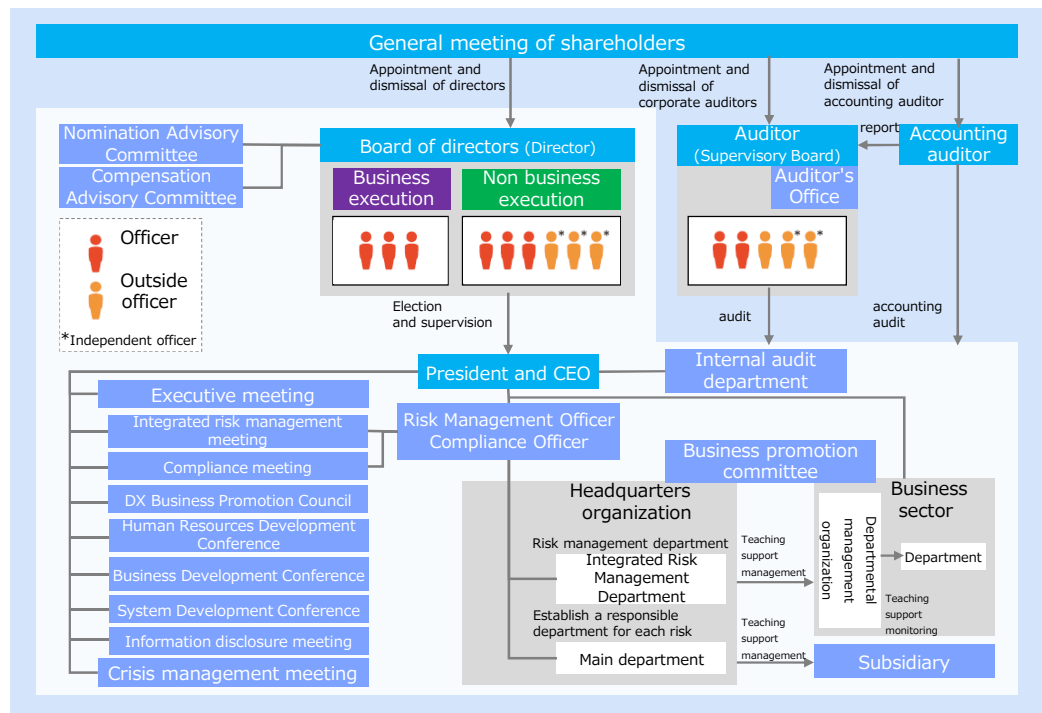
NRI has established a basic policy for building an internal control system, while appointing a director in charge of risk management and setting up a department for supervising risk management.

Furthermore, the Integrated Risk Management Committee has been established and conducts appropriate inspections of the status of the entire company's internal controls. The Integrated Risk Management Committee reports several times a year to the Board of Directors. Supervisory bureaus have been established for each of the main risks that accompany business activities, and when necessary, deliberations take place at specialist meetings, with the supervisory bureaus taking measures for appropriate responses in collaboration with business departments.

The Internal Audit Department (21 employees), which functions directly under the President & CEO, audits the Company to ensure the effectiveness of risk management and compliance systems and to maintain the efficiency of the execution of the Members of the Board.

The results of such audits are reported to the President & CEO and other directors, and when corrections or improvements are required, the Risk Management Supervisory Department, the representative departments and the business divisions, collaborate to introduce improvements. In addition, the Internal Audit Department works to cooperate with the accounting auditor through regular exchange of opinions regarding plans for conducting internal audits and their results.

[Corporate governance structure]



Officer in charge

Yasuo Fukami
 Representative Director, Member of the Board,
 Senior Executive Managing Director in charge of Supervising of Corporate Administration*
 * Including risk management and compliance.

Responsible committee

Integrated Risk Management Committee

Independence of risk management function and involvement of the Board of Directors

In order to achieve overall optimization of risk management, a resolution of the board of directors established rules for risk management for the entire NRI Group, and has appointed a director in charge of risk management and setting up a department for supervising risk management. In addition, an Integrated Risk Management Committee has been established in order to deliberate on important matters related to risk management in the NRI Group based on the instructions of the President & CEO.

Risk Management - Data

► Risk assessment

Risk assessment measures

The NRI Group has established, based on the instructions of the President & CEO, an Integrated Risk Management Committee in order to deliberate on important matters related to risk management. The Integrated Risk Management Committee monitors the major risks at the NRI Group, and after a comprehensive analysis, classifies them as either medium / long-term risks or short-term risks, which it then manages by comprehensively taking into account the importance of each risk and setting priority themes every year. The risk assessments and monitoring details are reported to the board of directors several times a year.

Risk items subject to risk management

- Strategy risk
- Business continuity risk
- Compliance risk
- Information security risk
- Systems impairment risk
- Project management risk
- External outsourcing / procurement risk
- Subsidiaries / affiliate company risk
- Business resource risk
- Information disclosure risk
- Reputational risk

Link Files

Internal Controls, Corporate Ethics and Compliance

<https://www.nri.com/~media/Corporate/en/Files/PDF/ir/library/AR2018e.pdf#page=70>

Business and Other Risks

<https://www.nri.com/en/company/risk>

► Long-term risk

Long-term risk 1

Business impacts

M&A associated risk: ESG risks of a company that NRI acquires.

Moving ahead with global business is stated as one of the goals in the Medium-term Management Plan of NRI, indicating that M&A in overseas business will become active more than ever. Review of business risks and financial risks will be duly conducted prior to the acquisition, however if any long-term potential ESG risks that cannot be recognized at the time of acquisition emerge, that would cause reputation damage and negative impact to the business continuity of NRI.

Mitigating actions

Prior to actual M&A, ESG risk related due diligence is conducted including environmental and human rights risk, in addition to due diligence for financial risks and legal risks. Also, after acquisitions, in order to enhance corporate governance, we provide the principle-base education including dissemination of the NRI Group business philosophy to the managements and employees of the acquired company.

Long-term risk 2

Business impacts

The climate change risks associated with CO2 emission by electricity use of the Data Centers

NRI has five data centers and electricity use at the data centers accounts for 72% of the greenhouse gas emissions of the entire NRI Group. Along with rapidly proceeding international consensus of the climate change, there is a risk of increase in operation costs of the data centers due to introduction of new regulations or tax systems.

Mitigating actions

Focus on efforts to reduce environmental load by achieving ISO 14001 certification for all data centers, establishing a goal to reduce greenhouse gas emissions by FY2030 by 55% compared to FY2013, and reducing electricity consumption and greenhouse gas emissions by increasing the environmental performance of our data centers. Furthermore, to prepare for a case in which working to reduce our environmental load is not enough to clear strengthened environmental regulations, we have also begun utilizing carbon emissions trading.

► Response to risk

Integrated risk management structure

NRI divides risk into three categories: 1) Company-wide risks; 2) Business activity risks; and 3) Disaster or accident-related risks. We have developed a risk management structure for each type of risk, working closely together as an organization to conduct integrated risk management. Periodically we perform assessments of this risk management structure, making improvements when necessary. We have instituted business continuity and disaster recovery plans especially for those businesses and services which may have a significant impact on society.

Response plans for large-scale disasters, accidents and incidents, and epidemics

In the event of a disaster or accident, we will confirm that Group employees are alive and safe, protect our clients' important information systems and information assets, and endeavor to keep our operations functioning. In order to prepare for a major natural disaster, an epidemic, or an adverse incident involving the NRI Group, the Risk Management Supervisory Department and the representative departments for the relevant risk will work together to respond as necessary. Their work also includes examining preventive action plans. A Contingency Plan in a Handbook has been distributed to all employees of the NRI Group, for a detailed understanding of the action guidelines in case of a disaster or any other emergency. We have also developed an "emergency safety confirm system" that confirms the safety and ability to come in to work in the event of a disaster by e-mail and phone. Training is conducted each year to ensure that this confirmation process is carried out rapidly. From the perspective of safety management, this system was expanded to cover temporary employees where they have five their approval.

Risk Management - Data

Crisis management

NRI has prepared a Contingency Plan containing its advance preparations in anticipation of potential emergency situation and its master systems and processes for response.

In the case of a large-scale system failure or information security breakdown, an emergency command center will be set up swiftly to coordinate with the relevant divisions and clients and to take action including failure recovery, cause investigation, informing relevant parties, and examining how to prevent a recurrence, based on the circumstances of the particular failure.

► **Emerging risks**

Emerging Risks-1

Human rights risks in system development using artificial intelligence(AI)

Content of risk

In the future, NRI will increase contract development of system using AI.

Our clients include financial institutions or retail companies, and it is expected that AI will be used for credit scoring, targeting advertising, and direct marketing by profiling.

There will be concerns about the negative impacts on personal information protection or right to privacy, and the occurrence of discrimination or social exclusion by using AI.

Business impact

Advances in AI technology will increase the demand for building business strategic systems which will possibly increase our sales.

On the other hand, these advances in AI technology and related strategic systems demand will cause social issues related personal information protection, right to privacy, discrimination, social exclusion, etc. which may damage our reputation and reduce our sales.

Measures

It is necessary to establish processes and systems that enable the development of reliable, high quality AI systems.

Therefore, we aim to establish following; 1) reliability by ensuring fairness, accountability, transparency, and, 2) development of high quality AI technologies with privacy protection, security, dependability, and establishment of its operation standards and system.

Currently, we set out to develop AI ethics guidelines, referring to international principles such as The OECD AI Principles and Ethics guidelines for trustworthy AI.

After the AI Ethics Guidelines are developed, we will start to establish check processes and check systems for system development and operation.

Emerging Risks-2

Cyber terrorism risk by IoT

Content of risk

There is an increasing number of "connected cars" that connect to networks and provide various useful functions.

Efforts are currently underway to bring Automated driving systems that cruise safely on the basis of advanced network systems into practical application toward 2020.

Furthermore, cars are evolving into more comfortable transportation with the evolution of Information and Communication Technology.

On the other hand, there is a risk of being exposed to "cyber attacks" that could not be considered with conventional vehicles.

In addition, not only cars but also home appliances etc. are connected to the network, and the risk of "cyber attacks" is increasing.

Business impact

In system development, more advanced measures for security are required than before.

While IoT connects many devices to networks and creates a more convenient society, the risk of cyber terrorism is increasing.

NRI, as a system development and management company, will have more serious human life-related responsibilities than before, and with regard to security measures, we are required to respond with a complete system of security measures based on the latest trends.

If our client company falls victim to cyber terrorism, it will be an irreparable reputational damage for us as a system development company.

Measures

NRI promotes security measures across the group.

NRI SecureTechnologies, Ltd., a security company within the NRI Group, launched a "Automotive Penetration Test" service for automobile manufacturers in May 2017.

[Related article] <https://www.nri.com/en/journal/sustainability/2017/12>

In addition, NRI Secure Technologies, Ltd. also provides security monitoring services in Japan, a service few companies provide.

NRI SecureTechnologies, Ltd. also has a branch office in California which excels in cyber technology, and has a system in place to understand the status and information of advanced security technologies.

NRI Secure Technologies, Ltd. has in-house white hackers (hackers of justice) including winners of the global hacking tournament, etc., and they aim to reduce security risks in the system development in the group by utilizing their high level of expertise.

Protecting Our Motorized Society from Cyber-attacks
<https://www.nri.com/en/journal/sustainability/2017/12>

Risk Management - Data

▶ Risk culture

Training and awareness on risk management

We conduct training for each hierarchy level, educate all employees via e-learning, and raise awareness through compliance-awareness surveys.

Evaluation and financial incentives

An oversight department is established for each of the risks associated with business activities, and the results of risk management are directly reflected in the performance evaluations of the heads of the oversight departments. Other risks*¹ may be reflected in the evaluation for the head of a department, depending on whether they are responsible for the risk.

Furthermore, in regard to human rights and labor risks*² for employees supervised by those in management positions, the same is directly reflected in performance evaluations as the results of managerial risk management.

*1 Compliance risks, human rights and labor risks related to employees, etc.

*2 Health and safety, extended work periods, discrimination and harassment, etc.

Finding and reporting of potential risk by employees

When an employee of a NRI group found all risk including an incident on the law breaking and the information securities, it's required to report it to a risk supervision department based on a usual report line and also it's required that a risk supervision section concerned will report it to a risk management charge official.

We have established an external-service hotline (attorney's office) for the purpose of discovering and correcting any risks, including illegal activities.

Feedback process on potential risk

Ability to respond to risk is raised by a business promotion committee's by holding in twice for each of every quarter of the year developing a risk case promptly for all fields also sharing information during a section.

Compliance - Management Approach

Material issues of NRI related to this management approach

It is the basis of all materiality of 15, but in particular "Prevention of overseas corruption"

NRI's approach to material issues

With the expansion of the global economy, societal demands for companies to engage in fair and transparent business activities are becoming more and more relentless.

In particular, laws and regulations are being strengthened worldwide for issues that transcend borders and have a large social impact, such as anti-corruption, unfair competition, and tax compliance. The NRI Group aims to expand its global-related business in its "Vision2022" medium-term management plan, and will strengthen its global compliance system, prioritizing thorough compliance with laws and regulations above all else. Furthermore, we recognize that it is the premise of sustainable business activities to not only comply with laws and regulations, but also act in accordance with international social norms.

Priority activities / Medium- to long-term targets

NRI respects and practices the spirit of the Charter of Corporate Behavior as a member of the Keidanren (Japan Business Federation).

The NRI Group has established the "NRI Group's Code of Business Principles" and the "NRI Group Employees' Code of Business Conduct" as standards for all directors and employees to comply with.

Furthermore, in 2016, we established the "NRI Group Anti-Bribery Policy" and "NRI Group Competition Law Compliance Policy" to strengthen global compliance.

Compliance - Data

► **Compliance policy**

Compliance policy	<p>The NRI Group is sincere in its observation of ethics and laws and regulations, and strives to ensure thorough compliance. The "NRI Group Employees' Code of Business Conduct," which was established to realize the "Corporate Philosophy" and the "NRI Group's Code of Business Principles," establish that "employees shall not have any relationship whatsoever with antisocial forces, such as violent organizations, nor with any individual or groups engaging in criminal activity." Furthermore, by establishing a mechanism for the proper processing of reports concerning organizational or personal violation of laws and regulations from persons engaged in the NRI Group's business (including not only company employees, but also employees of partner companies), we will aim for prompt detection and rectification of such misconduct, thereby strengthening compliance management.</p> <p>In addition, we have also formulated a policy on the prohibition of bribery and compliance with antitrust laws.</p>
Applicable scope	All directors, officers and employees of NRI Group
References	<p>Corporate Philosophy https://www.nri.com/en/company/c_philosophy NRI Group's Code of Business Principles https://www.nri.com/en/company/company_code NRI Group Employees' Code of Business Conduct https://www.nri.com/en/company/business_code NRI Group approach to compliance https://www.nri.com/en/sustainability/social/policies</p>

► **Compliance system**

Compliance system	<p>To secure effectiveness of management in observation of ethics and compliance, in addition to the Chief Ethics Officer and a Director in charge of Compliance being assigned and a Compliance Committee being established and operated, its settlement and improvement in its effectiveness has been targeted by continuously conducting training and enlightenment activities. In addition, a basic policy has been established for anti-social forces, not to have any relations, including business transactions, with them, with the representative department undertaking information gathering as well as management and response to prevent any transactions.</p> <p>[Compliance system]</p>
Officer in charge	<p>Chief Ethics Officer : Shingo Konomoto President & CEO</p> <p>Director in charge of Compliance : Yoshio Usumi Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Corporate Administration</p>
Responsible committee	Compliance Committee
Compliance hotlines	<p>We have set up a number of reporting desks, including an external reporting desk (attorney's office), to provide for anonymous reporting and consultation relating to violations of laws and regulations. In addition, protections for whistleblowers are in place, including the prohibition of disadvantageous treatment such as dismissal or termination of contract based on said whistleblowing. Measures are taken in the event of such reports, including those for prompt handling after investigating the facts, and also those preventing any recurrence of the situation.</p>
Third-party audit of compliance system	As part of the creation of an internal control audit report, the compliance system is audited annually by an auditing firm.

Compliance - Data

► **Compliance situation**

System of thorough compliance

Every year, management set important risks that should be prioritized the following year as "major themes" based on the results of company-wide monitoring of compliance with regulations and the results of internal audits, and the NRI Group is focusing on compliance with the rules.

The "major themes" are reflected in a booklet that is distributed to all employees of the NRI Group entitled "The NRI Group Rule Book: Fundamental Rules for Executive Officers and General Staff", which explains the nature of the rules and their legal basis, as well as providing examples. The state of compliance with respect to the rules included in the booklet is regularly monitored, and if any issues are found, the head office organization and business divisions work together to make improvements.

Compliance awareness surveys for all NRI Group employees are conducted in principle every other year. In addition to training for each hierarchy level and executive training, confirmation testing relating to the "The NRI Group Rule Book: Fundamental Rules for Executive Officers and General Staff" is also carried out (in an e-learning format).

	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Completion Rate for Compliance Confirmation Testing (held every other year)*	%	-	98.9	-	-	-
Coverage		a-				0
Collection Rate for Compliance Awareness Surveys (conducted every other year)	%	87.3	-	81.5	-	-
Coverage		a		a		0
Numbers of Internal Reports/Consultations		6	3	8	2	4
Coverage		b-	b-	b-	b-	b-

* Compliance confirmation testing was not conducted in FY2017. In FY2018, we plan to implement compliance training for NRI Group employees, including thorough dissemination of "The NRI Group Rule Book: Important Rules to be Observed by Executives and Employees."

Breaches of laws and regulations

In FY 2018, there were no compliance breaches that had a significant impact on the management of the NRI Group.

► **Anti-corruption**

Anti-bribery policy

In order to pursue business fairly and in compliance with the laws and social norms, NRI Group will comply with the Japanese Unfair Competition Prevention Law, the US Foreign Corrupt Practices Act, the UK Bribery Act 2010, the Chinese Criminal laws on anti-bribery, and other applicable anti-bribery laws and regulations (hereinafter collectively called "anti-bribery laws and regulations"). By preventing any acts of bribery and any acts that may be considered as bribery, NRI Group will maintain its reputation as a company that is trusted by the customers and the society.

NRI Group has established the following code of conduct "NRI Group Anti-Bribery Policy", applicable to all directors, officers and employees of NRI Group. NRI Group requires its agents and partners to comply with such standards.

Applicable scope

All directors, officers and employees of NRI Group, and business partners.

Reference

NRI Group Anti-Bribery Policy
<https://www.nri.com/en/sustainability/social/policies#anticorruption>

Breaches of anti-corruption

Nothing applicable.

► **Political contribution**

Political contribution policy

In the NRI Group Employees' Code of Business Conduct stated that "Employees shall not give political contributions and election campaign support to politicians, candidates and political body directly through their corporate activities".

Applicable scope

All directors, officers and employees of NRI Group

Reference

NRI Group Employees' Code of Business Conduct
https://www.nri.com/en/company/business_code

Political contribution amount

NRI group does not make political contributions.

Compliance - Data

► Fair competition

Fair competition policy	
	<p>In order to pursue fair competition, NRI Group will comply with the Japanese Anti-Monopoly Law, the Subcontract Proceeds Law and other Japanese Laws, the US Antitrust Law, the EU Competition Law, the Chinese Anti-Monopoly Law and other applicable competition laws and regulations.</p> <p>NRI Group has established the following code of conduct "NRI Group Competition Law Compliance Policy", applicable to all directors, officers and employees of NRI Group. NRI Group requires its agents and partners to comply with such standards.</p>
Applicable scope	All directors, officers and employees of NRI Group
Reference	<p>NRI Group Competition Law Compliance Policy</p> <p>https://www.nri.com/en/sustainability/social/policies#antitrust</p>
Breaches of fair competition	
	Nothing applicable.

► Tax risk and compliance

Tax policy	
	<p>The NRI Group's policy on taxation has been defined in the "NRI Group Global Tax Policy," and stipulates the basic policy, legal compliance, tax governance, tax risk management, tax planning, and relationships with tax authorities.</p> <p>The NRI Group's executives and employees comply with laws, social norms and internal regulations, and strive to achieve sustainable growth and increase corporate value. This policy is also the basis for initiatives aimed at improving governance with respect to taxation.</p> <p>By fulfilling its tax obligations, the NRI Group contributes to the development of the local community, acting as a sincere company with sound judgement.</p>
Applicable scope	NRI Group
Reference	<p>NRI Group Global Tax Policy</p> <p>https://www.nri.com/en/sustainability/social/policies#tax-payment</p>

Supply Chain Management - Management Approach

Material issues of NRI related to this management approach

"Dialogue with civil society" and "Show consideration for environments in our supply chain"

NRI's approach to material issues

The NRI Group believes that its business is built on collaboration with its business partners such as its external contractors and suppliers. For that reason, the NRI Group's basic policy is to build business relationships that comply with both the law and sound business practices, to the benefit of both parties.

In order to maintain the services that it delivers that act as foundations for the society, it is essential that the NRI Group continues to have good relationships with its business partners, and to grow together as partners. To that end the NRI Group:

- Shares its management policies with its business partners.
- Provides information and opportunities for its business partners to grow together with the NRI Group.
- Provides rules and procedures to maintain a sound operating environment with its business partners, which it also monitors periodically.

Furthermore, in conducting business both in Japan and overseas, there are now strong demands for engagement with respect to a "responsible supply chain," and in addition to responsibility with respect to legal-compliance, product quality

and information-security aspects, there is a need to work together with our business partners to also tackle ESG issues such as environmental protection, proper labor practices, and respect for human rights, etc.

Accordingly, "Respecting ESG" has been clearly stated in the "NRI Group Procurement Policy," and we have shared our policy of observing laws, regulations and social norms while simultaneously engaging in procurement activities that are considerate of the environment and human rights, etc., and working together with our business partners in contributing to the creation of a sustainable society.

Priority activities / Medium- to long-term targets

As an environmental initiative, we are currently making progress with setting environmental targets in supply chains.

For our business partners that account for 70% of Category 1 (Purchased Products/Services), Category 2 (Capital Goods), and Category 11 (Sold Products and Services) in Scope 3, which has a large impact on greenhouse gas emissions, we are also working to have them set targets for greenhouse gas emissions.

As a human rights initiative, we are considering a commitment from business partners ensuring compliance with our human rights policy by FY 2022, and are currently making progress in dialogues with key business partners.

Progress / Achievements / Challenges

NRI conducts "CSR Study Meetings" with business partners every year to prepare for the ESG activities that will be demanded of the entire supply chain in the future. At the meetings we share information and exchange opinions on ESG trends in domestic and foreign companies, as well as on the status of ESG activities of participating companies, including NRI. Above all, much time is devoted to human rights.

In FY 2018, 17 business partners participated.

In FY 2019, we plan to encourage active participation in CSR study sessions in order to continue dialogue and awareness-raising with business partners in order to achieve our supply chain goals.

Supply Chain Management - Data

▶ Supply chain management policy

Policy to apply to suppliers

Applicable scope	The NRI Group has, through its NRI Group Procurement Policy, made stipulations concerning partnership creation and fair selection with respect to business partners such as outside contractors and suppliers. Furthermore, in order to seek activities that give consideration to ESG (Environmental, Social, and Governance) factors from business partners, we have provided an item called "Respecting ESG" in our procurement policy.
Reference	Directors, officers and employees of NRI Group, and business partners such as outside contractors and suppliers.
	NRI Group Procurement Policy https://www.nri.com/en/company/partner

▶ Supply chain situation

Supplier overview

The below are the NRI Group's two main kinds of business partners:	
(1) Partner companies (outside contractors)	
(2) Vendors (hardware suppliers)	
Speaking from the perspective of systems integration, the NRI Group accepts a not insignificant amount of orders from clients (customer corporations) seeking the construction and operation of information systems. In such cases, the NRI Group takes charge of the upstream processes such as design, while the downstream processes are subcontracted to partner companies. There is no difference between the NRI Group and its partner companies, in the sense that they form a group of systems engineers.	
	unit
Number of Chinese partner companies*	FY2014
Approximate number of partner employee (Japan)	FY2015
Approximate number of partner employee (China)	FY2016
	FY2017
	FY2018
	Coverage
	c
	c
	c
	c
	c
	c

* In October 2015, NRI inherited an NRI-oriented offshore development project from SinoCom Software Group Ltd., an offshore partner in China that was also an e-partner of NRI. Partially as a consequence of this, there has been a decline in the number of China offshore partner companies and partner personnel (approximate figures, China) in FY2016.

Procurement amount		FY2014	FY2015	FY2016	FY2017	FY2018
Total outsourcing expenses	millions of yen	141,925	139,303	126,361	135,522	150,635
Breakdown by country / region	China	23,482	23,476	18,815	19,532	23,213
	Coverage	a	a	a	a	a

Critical supplier

We also sign "e-partnership" agreements with companies that possess particularly sophisticated operational knowhow and IT capabilities. We work closely with these businesses on project management to ensure thoroughness in their information security management and to improve their levels of quality management, as well as to provide assistance with their human resources development. As of March 31, 2019, we had 8 such e-partners in Japan and 5 in China. In fiscal 2008, we set up a system for certifying "extended e-partners" ("e-e partners") in recognition of their ability to undertake enhancement service reforms for their company as a whole and not just for specific projects with us. As of March 31, 2019, we have 3 e-e partners in Japan.	
	FY2014
	FY2015
	FY2016
	FY2017
	FY2018
	Coverage
	c
	c
	c
	c
	c

Promoting offshoring*

Our offshore partner companies now account for around 40% of the total number of operations we outsource for developing systems.	
The NRI Group is proceeding to diversify its outsourcing destinations. It is moving to press forward with its offshoring in China not just in its larger cities such as Beijing and Shanghai but also in regional bases in China, in collaboration with its Chinese partner companies. The number of Chinese partner companies in our IT solutions business stands at 18 companies in 19 regions as of March 31, 2019.	

* Offshoring: Outsourcing software development and systems development to companies and subsidiaries overseas.

Supply Chain Management - Data

▶ Supply chain risk assessment

Supply chain risk assessment measures

Before consigning the development of any NRI system to a potential partner, we conduct a comprehensive assessment of the company, investigating among other matters its technological capabilities; the quality, delivery timeframes and cost of its products and/or services; its human resources and its organizational structure; its financial position; and its measures on compliance and information security management. With a potential overseas partner in addition we conduct such investigations as are required by law, for example under the Foreign Exchange and Foreign Trade Act. Regarding information security, to ensure that our partner companies provide the same level of security as we do, the NRI Group requires them to sign confidentiality agreements and memoranda on the handling of personal information. In addition, NRI requests that they comply with its Security Guidelines, and also conducts regular checks on these companies by performing assessments of all aspects of their management of security and privacy. We have also provided hands-on training in dealing with phishing emails for those of their employees who are engaged full-time on security issues.

Supply chain risk assessment results

After evaluating risk in the supply chain, the NRI Group believes that there are the following two risks with respect to partner companies:

1. Good business relationships with subcontractors

In the fiscal year ended 31st March, 2019, our subcontractors were responsible for 40% of NRI's actual production. It is essential to secure top-level subcontractors and maintain a good business relationship with them in order to carry out NRI's operation.

At NRI, we strive to secure superior subcontracting partners by performing corporate screening regularly and searching for new collaborating partners both domestically and overseas. Furthermore, we are conducting activities to raise productivity and quality, including activities with subcontracting partners, through such measures as sharing of project risks with e-Partner Contracts, a contracted business partner with high levels of specialized business expertise, and demands for greater security and thorough information management on the part of subcontracting partners. Our subcontracting partners are not only in Japan, but also in various overseas locations, including China. Currently, Chinese companies account for 15% of subcontracting costs. We are therefore striving to strengthen this system of cooperation by regularly dispatching executives and employees to China to visit subcontracting partners and check the status of projects.

In spite of all these efforts, in case we fail to secure superior subcontracting partners or maintain a good business relationship with them, we might not be able to conduct business smoothly. Especially in subcontracting to a subcontracting partner overseas, an unexpected event might occur caused by political, economic, or social factors which are different from those in Japan.

2. Contract work

There have been calls for appropriate responses in compliance with labor-related laws when contracting business outsourcing work is carried out under service contracts.

NRI has formulated guidelines relating to contract work to raise common awareness of this problem and to allow the awareness to take root in NRI. In addition, we host meetings to explain our policies to subcontracting partners as part of our drive for entirely appropriate business outsourcing.

If despite these efforts, work outside the scope of the contract work is carried out and disguised contract issues and so forth arise, NRI may lose credibility.

▶ Fair trade

Fair business relationship with business partners

In accordance with antitrust legislation, the NRI Group prohibits employees from abusing their dominant position as outsourcers.

Furthermore, with respect to compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, outsourcing to subcontractors is in thorough compliance with the law, including with respect to the exchange of order documents, and payment dates.

In addition, we inform our partner companies in writing that we decline offers of gifts and entertainment, and we thoroughly ensure our employees at the NRI Group are aware of the same.

Voluntary inspection for appropriate subcontracted operations

The partner companies engaged in business with NRI employ just over 11,000 employees between them, and around 50% are full-time at NRI's facilities. In order to govern situations where we are performing operations with the involvement of these partner company employees, NRI has devised Subcontracted Operations Guidelines to maintain appropriate conditions for operations involving subcontractors. In addition, having the employees of subcontracting agreement partner companies work in separate locations away from our own employees is an endeavor we are undertaking to prevent "sham contracting," as this could arise if NRI employees were to give orders or instructions directly to partner company employees. We voluntarily and diligently inspect our practices each year.

Voluntary inspection results	FY2014	FY2015	FY2016	FY2017	FY2018
Number of inspected projects	962	877	922	939	926
Coverage	c	c	c	c	c

▶ Information security of supply chain

Strengthening management of information security at our business partners

To ensure that our partner companies provide the same level of security as we do, the NRI Group requires them to sign confidentiality agreements and memoranda on the handling of personal information. In addition, NRI requests that they comply with its Security Guidelines, and also conducts regular checks on these companies by performing assessments of all aspects of their management of security and privacy.

Assessments of business partners	FY2014	FY2015	FY2016	FY2017	FY2018
Number of assessed companies	over 100*	83	87	81	76
Coverage	c	c	c	c	c

* Including overseas

Supply Chain Management - Data

▶ **Supplier screening criteria**

Supplier screening criteria

We place a high value on business partners who observe laws, regulations and social norms while also contributing to the creation of a sustainable society by engaging in procurement activities that are considerate of the environment and human rights, etc. We provide opportunities for fair competition and comprehensively evaluate the status of environmental, societal, and governance efforts from the perspectives of business conditions, product and service quality, delivery, and cost, as well as contribution to society.

▶ **Capacity building and incentives for suppliers**

Efforts toward mutual development with partner companies

When the NRI Group outsources part of the operations for a project concerning the development or operation of information systems to a partner company in or outside Japan, the status of the outsourced processes as a whole, along with any issues and anticipated risks, are identified during regular joint meetings of the project team and responsible officers. With our principal partner companies, quality management officers from both sides also meet regularly, and aim to ensure and raise quality levels.

The NRI Group is engaged in enhancement services reforms* to further improve quality and productivity. We are undertaking these activities in each project on an ongoing CSR Activities and Data Files | Stakeholder Engagement basis in collaboration with our e-partners and other partner companies.

In fiscal 2008, we set up a system for certifying "extended e-partners" ("e-e partners") in recognition of their ability to undertake enhancement service reforms for their company as a whole and not just for specific projects with us.

	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Number of partner companies participating in the		19	17	15	14	15
Number of participants from partner companies (cumulative number of people)	no. of person	170	199	300	390	306
Number of partner companies participating in management seminars		114	112	109	103	110
Number of participants in management seminars from partner companies	no. of person	234	234	238	231	226
	Coverage	c	c	c	c	c

* Enhancement: the term we use to describe our maintenance and operation services for information systems. Since enhancement also includes improvements and proposals, we see it more as a full service operation providing support for our clients' entire business operations and systems.

Client Relationship Management - Management Approach

Material issues of NRI related to this management approach

"Communication with customers" and "Appropriate disclosure of information to customers"

NRI's approach to material issues

Throughout the entire value chain, companies are responsible for continuing to provide products and services that meet the needs of customers and users in a safe and reassuring way.

The NRI Group provides information systems to various industries and government agencies, and has a responsibility to not only direct customers, but also to think about the impact on general consumers and users who benefit from information systems and the impact information systems have on society.

The NRI Group will provide the highest standard of information-systems services through advanced technologies and organizational systems relating to information system quality and information security, and through consulting and IT solutions will create the foundation for industry and technology innovation in the future and connect the same to economic and societal development.

Note: Please refer to the "Information System Quality" and "Information Security" sections below.

Priority activities / Medium- to long-term targets

NRI Group has set "Discerning new social paradigms and assuming the role of implementing such paradigms" and "Building client's trust and prospering together with clients" in its corporate philosophy as its mission, indicating its intent to "co-create future society" together with the customers. We shall aim for sustained growth of NRI Group and the creation of a sustainable future society through "value co-creation" with our customers.

[Long Term Management Vision "Vision 2022"]

Under the abovementioned corporate philosophy, we have established "Vision 2022", the long-term management vision till the end of FY 2022. "Share the Next Values!", the vision statement for Vision2022 expresses the intent of NRI Group to continuously make challenges for the realization of new values together with our customers.

[Thoughts Concentrated in "Share the Next Values!"]

- Share: The diverse variety of personnel within and outside the NRI Group join together to pool their collective effort, and share the achievements and joy of contributing to a vibrant future society together with our clients.
- Next: With the mentality of being ahead of the times, we pioneer globally, digitally, and into the realm of the future, to create new business models for the next generation.
- Values: We refine our strengths and create value by providing various types of services to clients and to society, giving birth to new future-minded business models.

[Medium-Term Management Plan (2019-2022)]

"Medium-Term Management Plan (2019-2022)" has been established as a plan for the four year period for the latter half of Vision2022. This plan not only refers to growth strategy and numerical targets, but also on the three social values to be "co-created" with clients, indicating our intent to promote "sustainability management".

[Growth Strategies (Priority Themes)]

- DX strategy: Use technology to transform customer business models and processes
- Business platform strategy: Evolve business platforms (BPFs) in finance
- Cloud strategy: Modernize legacy systems by using cloud
- Global strategy: Achieve more global business growth, seeking sales of 100 billion yen
- Human resources strategy: Strategic recruiting, talent development and collaboration with partners to bolster NRI's competitiveness.

[Numerical Targets]

FY 2018 Record FY 2022 Target

- Sales 501.2 billion yen 670.0 billion yen or more
- Operating profit 71.4 billion yen 100.0 billion yen
- Operating profit margin 14.3% 14% or more
- Overseas sales 53.0 billion yen 100.0 billion yen
- EBITDA margin 21.7% 20% or more
- ROE 12.3% 14%

[3 Social values]

- Co-create a thriving future society by driving new value s
- Co-create an ideal society by effectively utilizing its resources
- Co-create a safe and secure society by advancing its infrastructure" at its core to promote business

Key performance indicator	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Operating profit	billions of yen	514	582	585	651	714
Operating profit margin	%	12.7	13.8	13.8	13.8	14.3
Overseas sales	billions of yen	86	146	189	435	530
ROE	%	10.8	10.6	10.7	12.9	12.3
	Coverage	a	a	a	a	a
Client satisfaction (percentage of "satisfied client")	%	82.0	83.4	82.9	84.6	87.0
	Coverage	c	c	c	c	c

Link Files	
	NRI Group Corporate Philosophy https://www.nri.com/en/company/c_philosophy
	NRI Group's Code of Business Principles https://www.nri.com/en/company/company_code
	NRI Group Employees' Code of Business Conduct https://www.nri.com/en/company/business_code
	Management Vision Driving toward Further Growth."Vision 2022" https://www.nri.com/en/company/vision

Client Relationship Management - Data

► Fiduciary duty

Comprehensive deliberation on new contracts

In response to business contract requests from clients, we decide to accept them by conducting the examinations. We make our final decision after thoroughly considering the fiduciary duty on quality and delivered date, as well as legal, ethical and operational risks for the contract.

- Credit screening tapping into information from research firms
- Project-by-project deliberation at the Senior Management Committee and each division meeting
- Comprehensive assessment on the future potential, growth potential and social effects of the business

► Client satisfaction

Client satisfaction surveys

NRI conducts client satisfaction surveys for each project and has clients evaluate the entire project. We also obtain specific feedback from clients on our proposal-making skills and incident-management procedures. The Quality Management Department complies and analyzes overall trends through the results from the survey. It also provides the departments in charge of the project with feedback from the surveys and implements measures to follow up on the feedback and enhance service quality, leveraging the data to improve the service quality.

Areas receiving a favorable assessment

- Understanding client's needs and issues
- Giving clients project progress and issues reports
- Specialized knowledge relating to systems
- System reliability

Areas of expectations for improvements

- Greater intelligibility of manuals
- Clarity of the basis for estimates and pricing

	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Client satisfaction* ¹ (percentage of "satisfied client")	%	82.0	83.4	82.9	84.6	87.0
Percentage of clients surveyed* ² (percentage of business units)	%	100.0	100.0	100.0	100.0	100.0
	Coverage	c	c	c	c	c

*1 Calculating the weighted average as the percentage of clients who are "satisfied" with the top 2 stages out of 5 evaluation criteria.

*2 The survey is conducted for all business units of consulting business and IT solution business, clients and project service subject to the survey are extracted on a certain basis for each business unit.

Innovation Management - Data

▶ Innovation management policy

Approach to research and development

To create a sustainable society, companies are greatly expected to create innovation and contribute to solving social issues. The NRI Group uses its high-quality study capabilities and R&D structures to pursue innovation-creating research and development. In order to make use of that innovation generated in the form of actual systems that operate societies, the NRI Group publishes recommendations for new national schemes and rules. We also put resources into communicating our study and research results so that innovations become widely recognized by members of the public and absorbed in their minds.

As R&D focus areas, NRI conducts R&D for different segments. Our Consulting R&D looks at next-generation business and strategies. Finance & Industry R&D looks at promotion of DX and promotion of de facto standard business platform-ization. IT Platform Services R&D involves continually monitoring cutting-edge technologies, and strengthening IT's power to provide solutions that apply those technologies to people's lives and to society at large.

▶ Research and development system

Research and development system

The NRI Group pursues R&D in three areas: "Social proposal", "Technical development", "Business development". The NRI organizations responsible for the various areas of our R&D are as follows, but as needed they engage in collaboration with different organizations both within and outside our Group.

Research & Development Committee:
As well as propose and discuss R&D strategies, this Committee reviews individual projects from a whole-company perspective, from planning through to application of the results.

Center for Strategic Management & Innovation:
Responsible for government policy recommendations and advanced research functions, this Center conducts surveys on new systems for society.

Digital Transformation Production innovation Division:
Responsible for the NRI Group's technologies development, this Division conducts research into cutting-edge technologies and base technologies in the area of information technology.

Our business divisions:
Responsible for medium- to long-term business development and new product (service) development, these investigate product business feasibility, conduct product development, and undertake demonstration projects.

▶ Research and development situations

Research and development expense		unit	FY2014	FY2015	FY2016	FY2017	FY2018
Total amount		millions of yen	4,222	5,110	5,674	5,170	3,665
Breakdown by segments	Consulting	millions of yen	814	1,056	1,247	921	796
	Financial IT Solutions	millions of yen	1,855	2,618	2,947	2,844	1,694
	Industrial IT Solutions	millions of yen	674	700	622	622	583
	IT Platform Services	millions of yen	876	734	857	781	590
Sales ratio	Coverage	%	1.0	1.2	1.3	1.1	0.7
			a	a	a	a	a

▶ Open innovation

Open innovation case 1

"Dokokani Mile" is a mileage service for domestic flights in Japan that was developed jointly between Japan Airlines Co.,Ltd. and NRI. It enables users to go to one of four randomly displayed destinations for less miles than usual. An algorithm that was developed on the basis of a patent held by NRI is used in this service. This service increases travel opportunities for passengers who were unable to accumulate enough mileage in the past for exchange with an award ticket. It is also a service that will help people rediscover the appeal of various regions in Japan and lead to regional revitalization—an innovation in which NRI's capabilities in analytics contributes to solving social issues.

Creation and acquisition of new market: In addition to providing back office business IT systems for client companies that NRI specializes in, it led to the development of new IT system for client companies trying to provide new services that meet the needs of end users (customers).

Reference

Joint news release (February 4, 2019)
Japan Airlines and Nomura Research Institute Joint Venture "JAL Digital Experience" established (Japanese only)
https://www.nri.com/-/media/Corporate/ip/Files/PDF/news/newsrelease/cc/2019/190204_1.pdf

Innovation Management - Data

Open innovation case 2

In December 2018, DENSO Corporation and NRI Secure Technologies, Inc., a subsidiary of NRI, established a joint venture, named NDIAS, Ltd., which is engaged in the cyber security business on security diagnostics for invehicle electronic products. NDIAS will harness DENSO's expertise in invehicle quality and cybersecurity technology development and NRI's proprietary machine learning technology to protect consumers against the rising threat of cyber attacks in the automotive industry. NRI has nearly 20 years of experience in security services in the fields of financial systems, infrastructure, and consumer equipment. The partnership will offer integrated security diagnosis and consulting services for invehicle electronic products from the vehicle development phase to the actions required after mass production.

Reduced time to market: New markets will emerge to address the emerging risks of the IoT era. NRI will conduct the spin-off business with DENSO, the world's No. 1 share of the world in automotive parts, and this enables rapid development and provision of products and services to this uncertain and fastmoving market.

Reference

News release (Sep. 27, 2018)

DENSO and NRI Secure Technologies Agree to Establish a Joint Venture for the Growing Automotive Cybersecurity Market
<https://www.nri.com/en/news/newsrelease/1st/2018/cc/0927>

Open innovation case 3

TORANOTEC Asset Management Ltd., TORANOTEC's wholly-owned subsidiary, offers a service called "TORANOCO" for investing using change. This is a service that allows anyone to invest with a small amount of money. NRI has supported smooth service provision for "TORANOCO" by providing its investment account management system service and its back-office operations support service for asset management companies. Going forward, through this investment, NRI will work on the further evolution of "TORANOCO" and the development of new investment services. Specifically, by adapting "TORANOCO" to existing banks where NRI provides an account management system, it enables new approaches to young and inexperienced people who have not had investment experience so far. We will also promote the development of new asset management services for smallscale investment for financial institutions.

Creation and acquisition of new market: By bringing young people and investment experienced people into the financial market, it can lead to the development of new financial system and service markets.

Reference

Integrated Report 2018: Investment in TORANOTEC that is involved in asset management and application development
<https://ir.nri.com/en/ir/library/report/main/08/teaserItems1/0/linkList/0/link/File076728205.pdf#page=40>

► Process innovation

Process innovation

Overview Introduction of development tools of information systems

In developing large-scale information systems, NRI has developed a tool that integrally manages and supports both the quality enhancement and work efficiency. This development tool consists of two parts. One is "collaboration package" for efficient task management by accumulation and sharing of knowledge and activation of communication, and the other is "development package" which standardizes and automates the development work by totalling and visualizing the progress status of the project in real time. By introducing this tool, it became possible to visualize the project progress status of system development, realizing high quality management and improving work efficiency of project members at the same time.

In 2017, NRI started marketing this tool as a service called "aslead". So, this tool will contribute to increase of revenue, and it is expected that the results of NRI's process innovation will spread more widely throughout the IT industry.

Efficiency gains

Improvement in efficiency by introduction of this tool is expected to create about 30 minutes surplus time per person, which will result in a cost saving effect of about 5.6% as a whole.

Reference

News Release (October 19, 2017) (In Japanese only)
 Started marketing of development tools of information systems "aslead"
<https://www.nri.com/jp/news/newsrelease/1st/2017/cc/1019>
 aslead (In Japanese only)
<https://aslead.nri.co.jp/>

Innovation Management - Data

▶ Environmental innovation

Environmental innovation						
Overview	Significant Reduction in CO2 Emissions Due to Shared Online Services					
	The usage of Shared Online Services leads to drastically reduced environmental impact. When multiple companies use a single system jointly, they can markedly reduce power consumption, CO2 emissions and costs, more so than when each company independently developed their own system. Estimates show that THE STAR, a back-office system for retail brokerage firms, enables the user to lower its CO2 emissions by 73.9%.					
Effects of environmental innovation	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Sales ratio of Shared Online Services	%	19.0	22.0	23.0	21.0	20.0
	Coverage	a	a	a	a	a

▶ Social innovation

Social innovation						
Overview	Community development through consulting					
	There are about 700 researchers in our consulting division, which is one of the top consulting institutions in Japan in terms of the number of researchers as well as quality. Diversity of our consultation services to business, local authorities and governments of emerging/developing economies are all directly relevant to solutions for critical social issues. that is, social innovation.					
Effects of social innovation	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Sales ratio of consulting	%	6.8	6.7	7.2	7.7	8.2
	Coverage	a	a	a	a	a

Quality of Information Systems - Management Approach

Material issues of NRI related to this management approach

"Information security / system management"

NRI's approach to material issues

Information systems are widely and deeply ingrained in modern society in a variety of ways, and have become indispensable infrastructure for our convenient and comfortable lives.

They are also cornerstones in the realization of new systems and services, and contribute greatly to societal innovation.

On the other hand, when an information system fails, it has a large impact on economic activity and civic life.

Since its establishment, the NRI Group has consistently focused on the quality of its information systems, from design through to maintenance and operation, with an emphasis on information services not stopping unexpectedly.

In addition, all possible measures have been taken in providing backup and business-continuity systems in case of an emergency information system failure.

Priority activities / Medium- to long-term targets

The NRI Group provides total support, extending to maintenance and Operation, for the systems that we produce for a variety of business sectors, including the securities, banking, insurance, distribution, and communications industries.

As well as develop a high-quality system within the time and for the cost agreed with the client, another important role for the NRI Group is ensuring the quality of our maintenance and operation of the system once it is up and running.

From this perspective, in order to increase the reliability of our information systems, we at the NRI Group are directing our efforts towards the following priorities:

- Quality management in the development of information systems
- Quality management in the maintenance and operation of information systems
- Increasing the reliability of the data centers that support the systems' operation

Progress / Achievements / Challenges

NRI acquired certification for ISO9001 Quality Management System Standards in January 2002, which apply to information systems construction projects of a certain size or greater.

In addition, in order to successfully guide projects building large and complex information systems to completion, we have established a project supervision system that systematically carries out risk management and project support.

NRI has obtained ISO20000 and ISO27001 certification, which are international standards for IT service management, for all of the five data centers it owns and manages.

Data center results

Furthermore, Management and Operation certification (M&O Stamp of Approval), which is a global standard for data-center operation prescribed by Uptime Institute, a nongovernment organization in the United States, has been obtained for three data centers (Tokyo Data Center I, Yokohama Data Center II, Osaka Data Center II), ensuring a global standard in terms of high reliability. The Tokyo No. 1 data center was the first data center in Japan to acquire the certification (acquired December 2014).

KPI

	FY2014	FY2015	FY2016	FY2017	FY2018
ISO9001 Certification Status	Acquired	Acquired	Acquired	Acquired	Acquired
ISO/IEC 20000, ISO/IEC 27001 Certified Data Centers	5	5	5	5	5
ISO/IEC 27017 Certification Status	-	-	-	-	Acquired
Data Centers with M&O Stamp of Approval	1	2	2	3	3
Failure Response Drills in Data Centers	n/a	approx.2,800	approx.2,900	approx.3,400	approx.4,600
Overall Operational Drills with Staff Involved in Data Center Operations	5	5	5	5	5
Coverage	c	c	c	c	c

Link Files

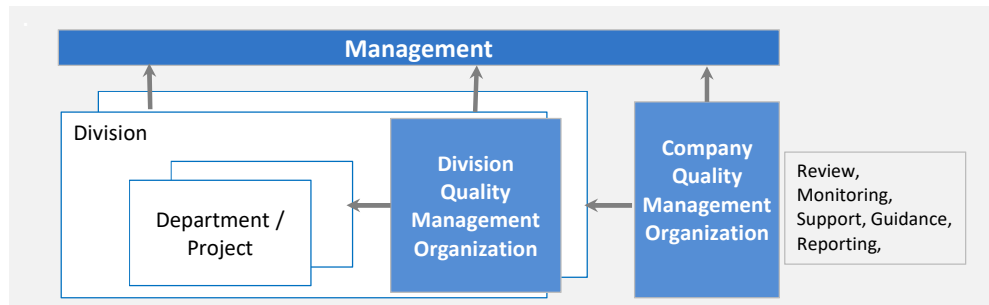
NRI JOURNAL: Keeping the Supply Chain Moving
<https://www.nri.com/en/journal/sustainability/2017/01>

Quality of Information Systems - Data

► Management structure for improving the quality of information systems

Management structure for improving the quality of information systems

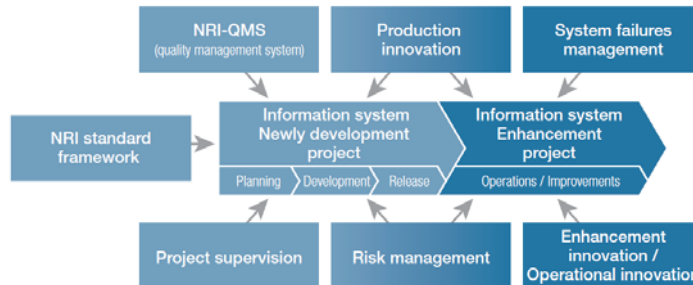
Each business division is responsible for quality control when implementing projects. Moreover, in addition to supervising and promoting such activities company-wide, as organizations providing separate support, the Quality Management Division and the Digital Transformation Systems Development Innovation Division set objectives and formulate plans relating to quality, and also build quality management systems, provide standard guidelines and advise on projects. We are also actively engaged in resolving issues concerning the improvement of productivity, based on the idea that "improvements in quality improve productivity, which leads to further improvements in quality."



► Initiatives for improving the quality of information systems

Project support system for improving the quality of information systems

Each division is responsible for quality management over system development, maintenance and operations, and consulting services projects. In addition, NRI has an organization which proposes and supports quality management activities for each division.



NRI-QMS* (Quality management system)

This is a quality management system built on the basis of know-how cultivated over many years of quality improvement activity. It involves the company having established internal rules, guidelines and models for business processes to ensure quality for individual projects, and is also a mechanism that seeks continuous improvement in quality through periodical reviews of the NRI-QMS itself based on customer satisfaction surveys and audit results. NRI has obtained ISO 9001 certification for quality management systems for applicable information system construction projects that require a minimum prescribed amount of labor.

* QMS: an abbreviation of "Quality Management System."

NRI Standard Framework

These are guidelines that containing standard processes for projects, as well as the activities and tasks to be carried out in each process, so that project quality and productivity increase through effective and efficient design and development in accordance with internal rules, project management, and review meeting audits taking place. These guidelines are shared with all employees through the intranet. They include tools and checklists to help improve quality and productivity, as well as samples, creation guides and case-studies for the deliverables (documents) that should be created in each process, and play a role in instilling practical know-how in the company.

Quality of Information Systems - Data

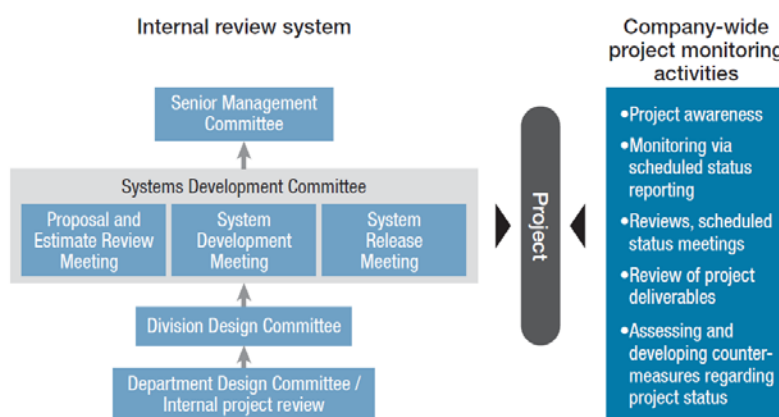
Project supervision

In order to successfully build large-scale and complex information systems, for projects involving building new information systems, we support each business division from both the "monitoring function" and "promotion and support function" sides.

Separate from the "management" required for the implementation and success of each project, we are aiming for improved project quality by promoting "project supervision activities" that support early detection and responses for problems. We constantly monitor the status of each project and provide assistance for project-manager tasks through support activities aimed at risk avoidance/mitigation, while also providing guidance on improving development processes and deliverables to enhance quality.

Furthermore, in order to understand and evaluate the risks relating to the quality, delivery, and income/expenditure for each project and respond appropriately, we conduct various review meetings in accordance with our internal rules at each critical juncture for the projects, including the proposal, estimate, construction, and release stages. There are three levels for the review meetings: company, division, and department, and the size, characteristics, and difficulty of the information system being built will determine the review meetings allocated to it. Each review meeting is not merely a process-checking opportunity; it is a place for a company expert who is well versed in areas such as project management, quality control, and information technology to ensure high quality is realized by conducting a rigorous examination down to the details of the system and also provide appropriate guidance and support to the person in charge of the project, including advice and know-how.

The risks associated with each project are divided into five levels of impact, which are reported to the management meetings, and immediate or mid-to long-term measures are taken as required.



Production innovation

NRI has been building and maintaining systems by selecting the appropriate combination of technologies from the variety of technologies available to meet the needs of our customers. Based on that experience, we are endeavoring to improve productivity from the following perspectives.

One is not only utilizing new functions when adopting new technologies, but also forming a group of experts for each technology to quickly acquire the expertise to ensure the quality and productivity of development using new technologies. Another is making progress with improvements in productivity that focus on shared processes that are not technology-dependent in the maintenance and operation of the many systems NRI supports that apply various technologies from various time periods. We are aiming for "Production Innovation" by combining multiple policies in these two areas.

Information system failure management

NRI has created a company-wide system for reducing information system failures, with focused initiatives that have reduced the incidence of failures.

At present, we are working to improve the quality of the system by appropriately implementing measures in the event of a failure along with measures to prevent recurrence, by establishing common rules throughout the company to ensure that action focusing on disaster reduction targeting the specific challenges at each location is continuously being taken.

We manage failure impact levels in five stages according to the impact range of the failure, and have established reporting procedures for each failure impact level and created a mechanism that shares information without delay after a failure's occurrence. Failures that do occur are subject to deep and thorough analysis to clarify the root causes and allow relevant improvements to be made. We also have prepared a training curriculum on how to analyze failures and are working to improve the abilities and awareness of our employees and partners.

Enhancement service reforms

We will continue to support our customers' business, from the start of operation of information systems until they are retired. During that time, by improving functions according to business changes, system revisions, or advances in technology, a highly cost-effective system can be used for a longer period of time. NRI believes that it is important to continue to improve functionality while maintaining stable operation of information systems, and refers to the postoperation process commonly called maintenance as "Enhancement."

Enhancement is a task that continues for a long period of time, and is characterized in that the losses from any unaddressed problems and benefits from improvements are both large. Therefore, in order to promote Kaizen improvement activities throughout the company, we have established the slogan of "Enhancement Service Reforms," and we are continuing activities to create and realize a Kaizen improvement plan for each system every fiscal year.

Quality of Information Systems - Data

► Quality management in the maintenance and operation of information systems

Overview of quality control

	<p>In order for created information systems to be utilized effectively, stable system operation is indispensable. The NRI Group has been offering reliable-quality system operation services 24 hours each day, 365 days each year for many years. NRI's Data Center Service Division has built an IT service management system called "System Operation ITSMS" based on that accumulated experience and ITIL*, and has been working to obtain ISO 20000 Certification, an international standard for IT service management, for the information systems it is entrusted with in its data centers. In accordance with the System Operation ITSMS, we are working to improve the quality of system operation and IT services by utilizing the results of customer satisfaction surveys and failure records.</p> <p>* ITIL: an abbreviation of "Information Technology Infrastructure Library." A systematic standardization of business processes and methods for performing the operation and management of information systems. A registered trademark of AXELOS Limited.</p>
Policy	<p>We provide high quality data-center facilities and operation services to all internal and external customers.</p>
ISO/IEC 20000 Scope	<p>1. Data-center system operations management, system monitoring and data-center facility management</p> <p>Relevant Locations</p> <ul style="list-style-type: none"> • Yokohama Center • Tokyo Data Center I • Yokohama Data Center I • Yokohama Data Center II • Osaka Data Center • Osaka Data Center II • Otemachi Cloud Control Center • Operating Office (The Landmark Tower) • Nakanoshima Cloud Control Center <p>2. IT service management systems supporting the provision of customer-oriented IT general control services and service desk services in the Operations Service Promotion Department, the Data Center Service Division</p> <p>Relevant Locations</p> <ul style="list-style-type: none"> • Sapporo ITSM Center • Yokohama Nomura Building
Efforts to improve operations quality and reduce system failures	<p>In operation services for information systems, obstacles such as equipment failure, processing delays from sudden increases in data amounts, or malfunctions due to improper operation cannot be completely avoided. The system operation department is working on a variety of initiatives aimed at reducing these obstacles to increase productivity, including the strengthening of collaboration with the information system construction department, promoting standardization, automation, and labor-saving of operational tasks, and improving operator skills.</p>
Strengthening Collaboration with the information systems construction department	<p>In order to improve the quality of information system operations, NRI is strengthening its approach with focus on operational quality from the systems construction stage.</p> <p>Firstly, we are collaborating with the information system construction department and moving forward to standardize the operational tasks to ensure stable and efficient systems operation. Items relating to operations have been established in the NRI Standard Framework as a part of the outcome. Furthermore, we have also started training employees in the system construction department to carry out systems design with consideration on operational quality.</p> <p>Secondly, in the event of a failure, the operation department cooperates with the information system construction department in the effort to clarify its cause and to take countermeasures. We also cooperate with the departments in charge for other systems, where there are concerns of similar failures, in order to establish countermeasures to prevent the occurrence of such failures.</p>
Promotion of Standardization, Automation, and Labor-Saving for Operations Tasks	<p>NRI is promoting automation in order to eliminate failures due to human error, such as task omission or procedural errors in the operation of information systems. We are using our own proprietary "Senju Family" operation management tool to make progress with automation, labor-saving, and mistake-reduction in systems operation, while at the same time achieving advance prevention of failures and prompt and appropriate responses if they do occur by standardizing tasks using other tools and leveraging collections of failure-response case-studies.</p>
Promotion of Kaizen Improvement Proposal	<p>NRI gathers more than 1,000 cases of proposals each year aimed at improving the quality of systems operations from employees of NRI and partner companies engaged in the operations of information systems. Awards are given to especially outstanding proposals. These proposals are reflected onto improvement activities, incorporating opinion from employees with thorough knowledge of the system operations.</p>
Operational Skill Improvements aimed at Automation and Labor-Saving	<p>In order to operate information systems stably, skill improvement of operators who operate the computers and network equipment is an important factor. In particular, as automation and laborsaving— progress, it will be necessary for operators to acquire a high level of expertise to be able to cope with various failures with fewer people. Accordingly, NRI conducts group and e-learning training for operators to improve their skills and awareness. Furthermore, to promote the desire of operators to improve and to have them acquire skills of a certain level or higher, a proficiency assessment system to judge proficiency through examination has been introduced since 2005. Silver or Gold certifications are awarded depending on the skills and support improving operator skills and motivation.</p>

Quality of Information Systems - Data

► Increasing the reliability of the data centers that support the information systems' operation

Overview

The stable operation of information system requires not only the quality of the information system itself, but also the quality of the data center that operates and manages the information system. In order to ensure stable operation of information systems, and to provide safe and secure quality of services, NRI visualizes the risks related to data center services, conducting training for each type of issue that could be anticipated.

Furthermore, global-standard Management and Operation certification (M&O Stamp of Approval) relating to data center equipment and facility operation prescribed by Uptime Institute* has been obtained for three data centers, (Tokyo No. 1, Yokohama No. 2, and Osaka No. 2), providing an objective appraisal of global standard in terms of high reliability. Tokyo No. 1 data center was the first data center in Japan to acquire the certification (acquired December 2014).

*Uptime Institute: A United States private organization that provides research, education, and consulting services for data center design, construction, and operation with the aim of supporting improved data center performance and efficiency. As one of the world's leading independent organizations, it operates globally through locations worldwide (United States, Mexico, Costa Rica, Brazil, UK, Spain, UAE, Russia, China, Taiwan, Singapore, and Malaysia), creating tier standards for data center equipment and overseeing M&O certification.

M&O Stamp of Approval

December 2014 Tokyo Data Center I (Updated in December 2016 and December 2018)
February 2016 Yokohama Data Center II (Updated in February 2018)
December 2017 Osaka Data Center II



References

Global quality standards for data center operation - meaning of M&O Stamp of Approval and efforts of NRI - (In Japanese only)
https://www.nri.com/-/media/Corporate/ip/Files/PDF/knowledge/publication/it_solution/2016/09/ITSF160903.pdf

Tokyo Data Center I acquires M&O Stamp of Approval for the first time in Japan (In Japanese only)
<https://www.nri.com/-/media/Corporate/ip/Files/PDF/news/newsrelease/cc/2014/141225.pdf>
Yokohama Data Center II acquired M&O Stamp of Approval
https://www.nri.com/-/media/Corporate/en/Files/PDF/news/info/cc/2016/160425_1.pdf
Uptime Institute LLC
<https://uptimeinstitute.com/>

► Issuance of SOC2 report

Issuance of SOC2 report

It is now a standard practice for global IT service companies to issue SOC2 reports. SOC2 reports are reports based on guidance published by the American Institute of Certified Public Accountants (AICPA) ("Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, based on Confidentiality or Privacy"), that evaluate the internal controls other than financial reporting, such as security and availability of subcontracted companies on the basis of criteria, such as trust services.

As is the case with SOC1 report relevant to financial statements, the opinion of external auditors, the audit results, and a certificate of confirmation from the subcontracted company will be attached.

NRI was the first in Japan to issue SOC2 report in 2012. In issuing the reports, not only did we receive a guarantee of safety and reliability meeting United States standards; we also received third-party assurance that we comply with the safety standards of the Financial Information Systems Center (FISC).

(Note) SOC is an abbreviation of "Service Organization Control"

► Risk management on information systems

Risk management on information systems

As advance preparation for emergencies, the NRI Group has created an "NRI Group Contingency Plan" containing the basic response system and procedures in the event of an emergency situation.

Risk Management in Information Systems in the Maintenance and Operation Phase

In the event of a large-scale system failure, we will promptly set up an emergency response headquarters to coordinate with the relevant divisions and customers.

Based on the circumstances of the failure, we will implement measures such as disaster recovery, investigation of point of origin, disclosure of information, and analysis of preventive measures.

Risk Management in Data Centers

NRI's data center has developed a "Data Center Contingency Plan" to support the important data of customers.

We regularly carry out comprehensive inspections and crisis response training to ensure the interlocking of facilities that is specifically assumed the action at the time of a crisis, such as large-scale earthquake disasters and system-related power supply facility failures.

Quality of Information Systems - Data

► Certification for management system related to services provided by NRI Group

ISO9001	Company	Acquisition date	Acquisition object
	NRI	January 2002	Systems design and development planning and subcontracting for projects with anticipated workloads above a certain size
	NRI System Techno	September 2001	System maintenance, operation and development for subcontracted projects

ISO/IEC 20000	Company	Acquisition date	Acquisition object
	NRI	March 2008	IT service management systems supporting the provision of customer-oriented IT general control services and service desk services in the Operations Service Promotion Department, the Data Center Service Division
		April 2009	Data-center system operations management, system monitoring and data-center facility management
	NRI Data i Tech	December 2007	IT infrastructure total support service
		October 2008	Integrated desktop services provided to Nomura Securities Co., Ltd.

► NRI Group's information communication on quality management of information systems

Book of lectures	Book name	Publisher	Issued date
	IT Road Map 2019 Edition "Information and communication technology will change after five years!" https://www.nri.com/ip/knowledge/book/lst/2019/o_book202	Toyo Keizai Inc.	March 2019
	IT Navigator 2019 Edition https://www.nri.com/ip/knowledge/book/lst/2018/o_book198	Toyo Keizai Inc.	December 2018
	Illustrated artificial intelligence https://www.nri.com/ip/knowledge/book/lst/2018/artificial_intelligence	SB Creative Corp.	October 2018
	Introduction to Bitcoin [technology] for realizing robust system development and operation https://www.nri.com/ip/knowledge/book/lst/2018/bitcoin	Gijyutsu-Hyoron Co., Ltd.	July 2018
	Digital capitalism https://www.nri.com/ip/knowledge/book/lst/2018/digital_capitalism	Toyo Keizai Inc.	May 2019
	Final edition EV shift-once every 100 years of a major transformation https://www.nri.com/ip/knowledge/book/lst/2018/eva_shift	Toyo Keizai Inc.	April 2018

Periodical	Publication name	Frequency of issue
	IT Solutions Frontier (In Japanese only) https://www.nri.com/ip/knowledge/publication/cc/it_solution	

Information Security - Management Approach

Material issues of NRI related to this management approach

"Information security / system management"

NRI's approach to material issues

As information systems penetrate into every corner of economic activity and civic society, the risks associated with information security, such as cyber-attacks targeting social infrastructure, companies or government offices, or large-scale data-breaches, are growing all over the world.

The NRI Group operates important information infrastructure that supports society, such as that for finance and logistics. In order to maintain service continuity and protect this valuable information, we are engaged in a variety of efforts to prevent information security failures in advance. In addition, in the unlikely event an information security failure does occur, we have implemented measures to minimize any impact.

Priority activities / Medium- to long-term targets

Recognizing information security risk as an issue that should be addressed at the highest level in terms of technology and systems, the NRI Group has taken the following key measures:

- Advance prevention of information security failures
- Creation of a solid governance system for information security

Progress / Achievements / Challenges

Advance prevention of information security failures

In order to reduce the risk of a client's business data being leaked, we have established rules for each project concerning access to the live system environment and the removal of business data, which are continuously improved using the PDCA cycle.

In addition, system responses are in place as preventive measures against cyber-attacks, and include the use of antivirus software, encryption for hard disks, and a variety of security devices, and we are also promoting systematic activity to collect and evaluate vulnerability and attack information in advance and enable prompt and appropriate responses.

Creation of a solid governance system for information security

A Chief Information Security Officer has been appointed, along with managers and personnel responsible for information security in all business divisions and group companies, to establish an information security management system for the whole organization.

In addition to promoting information security measures, we are continuing our activities to enable rapid and more secure responses to emergencies, such as information security failures and cyber-attacks.

KPI	unit	FY2014	FY2015	FY2016	FY2017	FY2018
		About 12% decrease	About 1% increase	About 11% decrease	About 11% decrease	About 27% increase
Number of information security failures (year-on-year)		0	0	0	0	0
Number of major information security failures		0	0	0	0	0
Costs incurred due to major information security failures millions of yen		0	0	0	0	0
	Coverage					

Link File	Sustainability Topics: Protecting Our Motorized Society from Cyber-attacks
	https://www.nri.com/en/journal/sustainability/2017/12
	Cultivating future security professionals for a resilient infrastructure https://www.nri.com/en/journal/sustainability/2019/02

Information Security - Data

Information security policy

Information security policy	
	Nomura Research Institute, Ltd., and its group companies declare that the NRI Group shall observe all applicable laws and ordinances and shall fully recognize the roles that companies offering information services should play. The NRI Group has established a framework of advanced information security management that can serve as a social model to enable its companies to continue to be worthy of customer and public trust.
Applicable scope	NRI Group
Reference	Declaration of Information Security Measures https://www.nri.com/en/site/security_declare

Information security management

Governance system for the information security	
	<p>NRI has appointed a Chief Information Security Officer, who has developed a system of information security management for our organization as a whole. All business divisions and Group companies have appointed an information security manager and information security person-in-charge (PIC), who have developed a mesh structure that allows security measures to be undertaken on a cross-organizational basis. As well as furthering the implementation of our information security policies, this structure will enable us to respond swiftly, accurately, and reliably in the event of cyber-attacks and other security emergencies.</p> <p>The NRI Group contains specialist organizations that conduct surveys and research of the latest information technologies, as well as NRI SecureTechnologies, Ltd. that engages exclusively in information security business. We will draw on their technology, know-how and knowledge when preparing and implementing our information security policies.</p> <p>We have appointed an information security manager and an information security PIC at each of our overseas and domestic Group companies, who are directing the development of an effective information security system and the drafting of an information security enhancement plan at their company. In addition, the NRI Group has set certain information security protection standards, and engages in improvement drives designed to meet those standards.</p>
	<pre> graph TD subgraph Planning_and_promotion [Planning and promotion] CISO[Chief Information Security Officer] ISD[Information Security Department] ISPC[Information Security Promotion Committee] CISO -- "Review of information security activities" --> ISD ISPC --- ISD ISPC --- ISD end subgraph Practice [Practice] HD[Head of Division] HOD[Head of Department] EMP[Employee] ISO1[Information security officer] ISO2[Information security officer] HD --- ISO1 HOD --- ISO2 EMP --- ISO2 end HQ[Headquarters organization (General Affairs Department, Legal and Intellectual Property Department, Integrated Risk Management Department etc.)] NST[NRI Secure Technologies] NWS[NRI Workplace service] ISPC -- support --> HQ ISO1 -- support --> NST ISO2 -- support --> NWS </pre>
Officer in charge	Chief Information Security Officer : Susumu Nishimoto Senior Managing Directors
Responsible committee	Information Security Promotion Committee

Maintenance of rules

	<p>In response to laws and regulations related to information security and the advance of information technologies, we establish or revise management rules as appropriate, including the Information Security Management Rules, Confidential Information Management Rules, Personal Information Management Rules, Specific Personal Information Management Rules, and Information Asset Management Rules.</p> <p>In addition, we have prepared operating procedures, guidelines, manuals, etc. for each of these management rules to ensure that consistent and effective information security management is conducted.</p>
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Training and awareness on information security

	<p>NRI conducts ongoing information security education to raise the awareness of information security, instill regulations, and improve the quality of security during design and development. In addition to conducting specific training tailored to the particular characteristics of our Divisions and Group companies, we arrange training for our overseas offices that can be undertaken in English and/or Chinese. We also actively incorporate group training and e-learning methods into our training programs.</p>					
Number of information security training participants	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Training for new employees	no. of person	337	350	355	392	515
Training on response to cyber-attacks	no. of person	141	44	129	78	83
Personal information training	no. of person	6,292	5,711	5,807	5,997	6,116
Security training for temporary employees	no. of person	1,544	1,516	1,535	1,641	1,695
	Coverage	b	b	b	b	b-
Security training for overseas offices	no. of person	900	2,359	2,438	2,597	2,739
	Coverage	d	d	d	d	d

Information Security - Data

► **Measures to prevent occurrence of information security failures**

Information security in client's information system

In order to reduce the risk of business data being leaked, we have established rules for each project concerning access to the live environment and the removal of business data, which are continuously improved using the PDCA cycle. For example, for projects that handle large amounts of personal information or projects that store information that would have a large impact on the client in the event of a leak, the oversight departments conduct individual inspections to confirm that operation is taking place in accordance with the rules.

In addition, the oversight departments also check the validity of any initiatives concerning handling of any data alteration from cyber-attacks, or system service suspensions.

Audits undertaken to ensure the security of clients' systems	Object	FY2014	FY2015	FY2016	FY2017	FY2018
Verification assessments conducted of project security rules	no. of audits	245	231	269	230	165
Audits of public Web system	no. of audits	34	49	37	84	77
Audits of responses to cyber-attacks, and corrections	no. of audits	130	130	128	145	148
Audits of live productions and development management, and corrections	no. of audits	137	130	155	10	11
Surveys of the use of AWS* ¹ and making any corrections	no. of audits	28	14	14	30	48
Surveys of the use of BPO* ² operations and making any corrections	no. of audits	35	3	3	1	3
Coverage		c	c	c	c	c

*1 Amazon Web Service. The collective name for the online services provided by Amazon.com.

*2 Business Process Outsourcing. An organization contracts an external specialist company to perform some of its business processes.

Strengthening management of information security at our business partners

To ensure that our partner companies provide the same level of security as we do, the NRI Group requires them to sign confidentiality agreements and memoranda on the handling of personal information. In addition, NRI requests that they comply with its Security Guidelines, and also conducts regular checks on these companies by performing assessments of all aspects of their management of security and privacy.

Assessments of business partners	FY2014	FY2015	FY2016	FY2017	FY2018
Number of companies conducting audits	over 100*	83	87	81	76
Coverage		c	c	c	c

* Including overseas.

Measures for domestic group companies

The NRI Group conducts regular information security assessments and supports improvement activities.

	Object	FY2014	FY2015	FY2016	FY2017	FY2018
Audits of public Web system	no. of audits	12	8	4	28	24
Audits of responses to cyber-attacks, and corrections	no. of audits	93	96	99	107	19
Audits of live productions and development management, and corrections	no. of audits	104	5	7	4	6
Surveys of the use of AWS* ¹ and making any corrections	no. of audits	57	9	5	58	22
Surveys of the use of BPO* ² operations and making any corrections	no. of audits	n/a	6	6	3	2

*1 Amazon Web Service. The collective name for the online services provided by Amazon.com.

*2 Business Process Outsourcing. An organization contracts an external specialist company to perform some of its business processes.

Measures for overseas group companies

The NRI Group conducts regular information security assessments and supports improvement activities.

	FY2014	FY2015	FY2016	FY2017	FY2018
No. of rollouts of information security packages for overseas offices	n/a	14	15	16	17
Audits of public Web system	n/a	3	4	7	3
Audits of responses to cyber-attacks, and corrections	n/a	10	16	14	4

Company-wide responses to cyber-attacks

The NRI Group uses system-based defences against cyberattacks, such as installing anti-virus (anti-malware*¹) software, hard drive encryption, and installing different security measures (such as firewalls, IDS*², and network behavior analysis technology*³). With cyber-attacks, however, it is the attackers who have the upper hand, and NRI is well aware that just system responses alone are not enough for defense, and to that end it is putting in place a Computer Security Incident Response Team (CSIRT*⁴). A CSIRT acts like a fire extinguisher, denying further success to any attack that does in fact strike a system. It collects, evaluates a shares information on vulnerabilities and attacks, and takes action that is organized, swift, and appropriate. We also conduct for our employees education and training, such as ongoing real-life training against phishing emails.

*1 Malware, or "malicious software," is a software program that upon infecting a computer automatically takes remote control of that computer, either stealing data that it stores or causing it to attack other computers.

*2 IDS: Intrusion Detection System. A system for detecting unauthorized access to a computer or system.

*3 Network behavior analysis (NBA) technology: Malware used in a phishing attack is often produced to target a specific company alone, which means it may not be possible for general anti-virus software to detect and eliminate it.

NBA technology works by running software suspected of being malware in a highly restricted environment called a "sandbox."

Checks are then made to see if the software is engaging in behavior such as information exploitation or preparatory activity to that end, and if it is, it is eliminated.

*4 CSIRT: Computer Security Incident Response Team. This is the entity (a team) that takes the appropriate response when it receives notice of a computer security incident. Alternatively CSIRT refers to the functions of that entity.

Managing human error

We have implemented layer upon layer of defenses designed to prevent email-related problems, such as installing software that prevents emails being sent to the wrong recipients, applying rigorous management of emails being sent to multiple destination, and encrypting attachment files. In projects involving the handling of highly sensitive information, we sometimes also require employees to get their supervisor's approval before sending certain emails.

Information Security - Data

► Policies for minimizing the impact of information security failures

Policies for minimizing the impact of information security failures

The NRI Group has rolled out a centralized information security failure management system. A feature of this system is that a failure is not just reported one-way from where it has occurred - the system employs interactive communication, which allows decisions to be made based on a bigger picture formed from a range of perspectives. As well as achieving swift and appropriate responses to an individual failure, this feature helps to extend the take-up of improvement policies throughout the company. We have put in place a response system (which includes a Crisis Management Committee) based on the scenario of a cyber-attack. We have also drafted a Contingency Plan and conduct response training drills, helping us to be prepared for unexpected situations.

► Certification on Information Security Management System (ISMS*¹)

ISMS certification acquired Name of company, office, or division

Yokohama Center
 Tokyo Data Center I
 Yokohama Data Center I
 Yokohama Data Center II
 Osaka Data Center
 Osaka Data Center II

Operation office (Yokohama Landmark Tower)
 Nakanoshima Cloud Control Center

Systems Consulting Division (partial business)
 Data Center Service Division (partial business)
 Cloud Service Division (partial business)*²
 Insurance Solution Division (partial business)
 NRI SecureTechnologies
 NRI Cyber Patent
 NRI System Techno (partial business)
 DSB Co. (partial business)

*1 Certification based on JIS Q 27001 (ISO/IEC 27001)

*2 Certification based on ISO/IEC 27017 Cloud Service Security Management System

► Personal data protection

Policy for personal data protection

NRI has a Personal Data Protection Statement, and it has made its Privacy Policy available to the public. In accordance with the Statement and Policy, our employees comply with the Act on the Protection of Personal Information Held by Administrative Organs; the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures (the "My Number Act"); and other relevant laws and regulations. NRI demonstrates flexibility in its responses to changes demanded by the public, such as keeping abreast of rules and guidelines on the protection of personal information issued by regulatory authorities by the Personal Information Protection Commission.

Applicable scope

NRI

References

Personal Data Protection Statement (Applicable scope: NRI)
<https://www.nri.com/en/site/security>
 Privacy Policy (Applicable scope: NRI Group)
<https://www.nri.com/en/site/privacy>

► Management on protection of personal information

Governance System for the Protection of Personal Information

We entrust a "Personal Information Protection Manager" with the responsibility and authority to implement and operate the personal information protection management system.

The "Personal Information Protection Auditor" is appointed by the President & CEO, and is in an impartial and objective position independent of the Personal Information Protection Manager with the responsibility and authority to conduct audits and make reports.

The "Personal Information Protection Education Manager" assists the Personal Information Protection Manager, and has the responsibility and authority to implement education initiatives for employees and report on the same.

Officer in charge

This role is assumed by Chief Information Security Officer.

Maintenance of rules

Included in the "Maintenance of rules" section of "Information security management".

Training and awareness on protection of personal information

Included in the "Training and awareness on information security" section of "Information Security Management."

Information Security - Data

Personal information held by NRI

We have introduced a "Personal Information Management Register System," and are aware of the status of personal information with respect to its registration, use, or disposal. In addition, the oversight departments conduct yearly checks regarding whether personal information is being handled properly or not.

The personal information in our possession includes information concerning company directors, employees, and temporary staff, persons in charge of our corporate clients, persons in charge of our business partners (outside contractors and suppliers), and participants in NRI Group events.

Personal information held by clients may also be handled in system processing.

Point of contact for external inquiries

Both external inquiries and general inquiries are handled by the public relations department.

Strengthened Personal Information Protection Management for Partner Companies

When partner companies handle personal information held by NRI, we request that they enter into a "Confidentiality Agreement" and "Memorandum of Understanding on the Handling of Personal Information" and also comply with our "Security Guidelines."

► Risks related to protection of personal information

Percentage of Personal Information or Customer Information Used for Secondary Purposes (Internal or Commercial Purposes)

Not applicable.

While the NRI Group may handle personal information held by a corporate client, the NRI Group does not directly possess or use said information.

Number of Requests for Submission of Personal Information from Government or Legal Authority, and Response

Not applicable.

While the NRI Group may handle personal information held by a corporate client, the NRI Group does not directly possess or use said information. Accordingly, clients make decisions about and respond to any customer personal information protection issues, including requests from the government.

Status of Countries and Regions at Risk of Government Control over the Protection of Personal Information in Information Systems

We understand the situation in each country and region, and take appropriate measures.

Number and Details of Violations relating to the Protection of Personal Information, and Measures Taken

None have occurred.

► Acquisition of Privacy Mark*

Acquisition of Privacy Mark

NRI

NRI Netcom, Ltd.

NRI Data iTech, Ltd.

DSB Co, Ltd.

* Certification based on JIS Q 15001

Environmental Management - Management Approach

Material issues of NRI related to this management approach

"Response on climate change", "Consumption of sustainable energy", "Recognize responsibility and protect the environment", and "Show consideration for environments in our supply chain"

NRI's approach to material issues

The rapid development and widespread use of information technology has meant that the amount of electricity consumed by information and communications technology (ICT) businesses as a whole, as well as the CO₂ emissions this represents, has become a serious global issue. Taking responsible action to help prevent global warming has therefore become a pressing obligation for the ICT sector.

The NRI Group is actively working to solve global environmental problems from both approaches of "Green by NRI" and "Green of NRI".

Green by NRI refers to our contributions to help reduce impacts on environment by improving the efficiency and productivity of both our clients' businesses and societal systems through the services and policy proposal activities we provide.

As an example of the great impact of "Green by NRI" activities, by expanding the provision of "Shared Online Services" that utilize one information system in multiple companies, the amount of CO₂ emissions is greatly reduced as measured by society as a whole.

Green of NRI refers to the NRI Group's efforts to further mitigate our own environmental impact by making NRI's data centers, office buildings and IT equipment more energy efficient and through environmental measures such as energy saving efforts of each of our employees.

As an example of the great impact of "Green of NRI" activities, we are promoting the reduction of energy consumption by raising the environmental performance of the data center which accounts for about 80% of the electricity consumed in the business to the world's highest level.

Priority activities / Medium- to long-term targets

The NRI Group has engaged continuously in efforts to reduce greenhouse gas emissions, from moving our systems to a new data center with better environmental performance, to moving our main offices, including our Head Office, to office buildings with better environmental performance. As a result, we have achieved the 2022 environmental goal we established 2015 six years early, in 2017.

The new environmental goal* we have established is one that adheres to the international request for measures against global environmental issues, with a standard meant to help achieve the "below 2°C" increase in world average temperature that is the goal of the Paris Agreement.

[Newly Established Environmental Goal]

NRI Group greenhouse gas emissions (Total of Scope1+Scope2): 55% reduction by 2030 (as compared to 2013)

In addition to the aforementioned goal, we have also established some indices: "renewable energy utilization rate at data centers," to expand our use of green energy as a data center business, and "set environmental goal ratios (36% by 2030) for main clients towards the achievement of the 'below 2°C' goal," aimed at reducing the greenhouse gas emissions that arise from business operations in the supply chain as a whole. (NRI commits to engage 70 % of its suppliers and vendors by emissions to set science-based targets by 2023)

* Goal aimed towards the achievement of "below 2°C":

Numerical value was set based on the goal-setting standards of "Science Based Targets (SBT)," an international initiative that ask companies to set greenhouse gas emissions reduction goals in line with scientific evidence, towards the achievement of the "below 2°C" increase in world average temperature that is the goal of the Paris Agreement.

Environmental Management - Management Approach

Progress / Achievements / Challenges

KPI	The status of achievement of environmental goals is as follows.						
	<ul style="list-style-type: none"> FY2013 (base year): 108 thousand t-CO₂ FY2018: 66 thousand t-CO₂ Reduction rate 38.2% 						
	NRI's efforts in helping to prevent global warming have been appraised highly by CDP, an international non-profit organization that assesses and rates companies on their disclosure of climate change information. In 2015 NRI was entered on CDP's climate disclosure leadership index (CDLI) for that year.						
		unit	FY2014	FY2015	FY2016	FY2017	FY2018
	Greenhouse gas emissions (compared to FY2013)	%	7.9	19.8	26.9	30.0	38.2
Share of renewable energy in data centers	%	0.1	0.1	0.1	0.1	0.1	
Supplier's environmental target setting ratio (Category 1, 2, and 11 of Scope 3)	%	n/a	n/a	n/a	4.6	18.1	
Coverage		a	a	a	a	a	

Link Files	<p>Message from the Sustainability & Responsibility Committee Chair https://www.nri.com/en/sustainability/environment/message</p> <p>Green by NRI</p> <ul style="list-style-type: none"> Significantly reducing CO₂ emissions from the use of shared online services Policy proposal activities to boost data center energy efficiency Contribution to mitigating environmental impact through consulting activities <p>https://www.nri.com/en/sustainability/environment/Green_by_NRI</p> <p>Green of NRI</p> <ul style="list-style-type: none"> Data centers that boast advanced environmental performance Energy conservation and environmental impact reduction activities in offices Environmental training for executives and employees <p>https://www.nri.com/en/sustainability/environment/Green_of_NRI/data_center</p> <p>https://www.nri.com/en/sustainability/environment/Green_of_NRI/saving</p> <ul style="list-style-type: none"> Environmental activities by executives and employees (In Japanese only) <p>https://www.nri.com/jp/sustainability/environment/Green_of_NRI/activities</p> <p>NRI Green Bond</p> <p>https://www.nri.com/en/sustainability/environment/greenbond</p> <p>Participation in a Program to Protect Asian Elephants</p> <p>https://www.nri.com/-/media/Corporate/en/Files/PDF/ir/library/AR2017e.pdf#page=51</p>
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Environmental Management - Data

► Environmental policy

Environmental policy	
	Environmental policy NRI has established the NRI Group Environmental Policy and Biodiversity Action Agenda for all NRI directors and employees. To ask its business partners, such as external contractors and suppliers, to engage in activities that take into consideration the environment, social and governance (ESG), NRI has a procurement policy containing the clause "practice of ESG procurement."
Applicable scope	All directors, officers and employees of NRI Group
References	NRI Group Environmental Policy https://www.nri.com/en/sustainability/environment/policy Biodiversity action agenda https://www.nri.com/en/sustainability/environment/biodiversity NRI Group Procurement Policy https://www.nri.com/en/company/partner

► Environmental management system

Environmental management structure	
	At the direction of the President & CEO, the NRI Group has formed the Sustainability & Responsibility Committee and the Social Value Creation Committee as organizations responsible for sustainable operation, including climate change issues, and presents sustainability initiatives and management proposals to the Senior Management Committee and the Board of Directors several times during the year.
Officer in charge	Kenji Yokoyama Senior Corporate Management Director
Responsible committee	Sustainability & Responsibility Committee

Status of introduction of environmental management system (EMS)

	NRI has acquired ISO14001 certification, an international standard on environmental management systems, for its data centers which are considered to be main sources of CO ₂ . As for NRI offices, we are introducing NRI-EMS, an environmental management system unique to NRI, starting from the fiscal year ended March 2016. In the fiscal year ending March 2019, China's Zhiming Group was added to the scope of NRI-EMS, and four new bases were added. In FY 2019, we will continue to consider introducing it to other overseas bases.		
		unit	FY2018
EMS Coverage (based on CO ₂ emissions)		%	92.9
Data centers	(ISO 14001 introduction rate 100%)	%	72.2
Office	(NRI-EMS introduction rate 84%)	%	19.8
Overseas bases	(NRI-EMS introduction rate 21%)	%	0.9
	Coverage		a

Environmental audit

	NRI conducts internal audits several times a year with respect to ISO14001 for its data centers and NRI-EMS for its offices, and is continuously improving the EMS PDCA cycle.
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Environmental disclosure

	NRI is promoting the proactive disclosure of environmental information, mainly through its Sustainability & Responsibility Committee. Since FY2014, we have also acquired environmental information assurance from third-party organizations, and are endeavoring to provide highly accurate environmental information in accordance with international standards such as GHG protocols. By these NRI's efforts, in 2015 NRI was entered on CDP's climate disclosure leadership index (CDLI) for that year, an international non-profit organization that assesses and rates companies on their disclosure of climate change information.
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Environmental training

	NRI has been pursuing NRI Green Style activities in order to raise environmental awareness of each director and employee, as well as engage in business operations that are environmentally friendly. In FY 2018, we will participate in ESG (environmental, social and governance) e-learning tests, and activities to participate in forest improvement activities * in Tadami Town, Fukushima Prefecture, which have been continuously implemented since FY 2016, and in Takao Forest, Hachioji City, Tokyo. We carried out family participatory environmental experience activities at the Natural School. Moreover, we designated ESG as an important assessment target in an internal incentive scheme titled "Dream up the Future Award", a scheme intended to spotlight activities that contributed to establishing and developing the NRI Group as the "Company Creating Future Society".
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* In March 2016, NRI donated to a development project named "Tadami Experience and Observation Forest of Heavy Snow Forestry" in Tadami-machi.

Breaches of environmental laws and regulations

	Not applicable.
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Environmental Management - Data

► Environmental mass balance

Environmental mass balance of NRI Group		unit	FY2014	FY2015	FY2016	FY2017	FY2018	Assurance
INPUT	Energy consumption							
	Electricity* ¹	1,000kWh	174,209	155,010	143,253	136,518	127,773	✓
	Kerosene* ³	kl	29	20	35	32	0	✓
	Diesel* ³	kl	56	279	103	112	128	✓
	City gas* ³	1,000m ³	473	407	311	569	628	✓
	Cooling, steam, heat* ³	1,000GJ	88	88	87	100	85	✓
	Total	1,000GJ	1,837	1,655	1,529	1,492	1,390	✓
	Water consumption							
	Water works* ³	1,000m ³	163	231	200	201	212	✓
	Paper rehous use							
Business paper* ³	t	263	258	217	213	190	✓	
OUTPUT	Greenhouse gas emissions							
	Electricity* ¹	1,000t-CO ₂	92	79	72	68	60	✓
	Gas, kerosene, cooling, steam, heat	1,000t-CO ₂	7	6	6	6	6	✓
	Total	1,000t-CO ₂	99	86	78	75	66	✓
	Drainage for business* ²							
	Volume of wastewater	1,000m ³	50	40	40	35	37	✓
	Waste paper* ³							
	Whole waste	t	280	305	284	269	193	✓
	Final disposed volume	t	0	0	0	0	0	✓
	Recycling rate	%	100	100	100	100	100	✓
	Industrial wastes* ⁴							
	Whole waste	t	508	566	666	2,365	1,414	✓
	Final disposal volume	t	28	52	22	75	41	✓
Recycle rate	%	95	91	97	97	97	✓	
Coverage			(notes-2)					

Notes:

1. Past figures are shown as figures for which impacts due to important acquisitions, etc. have been recalculated according to "The Greenhouse Gas Protocol:

A Corporate Accounting and Reporting Standard – Chapter 5. Tracking Emissions Over Time."

2. Data coverage is as follows.

*1 NRI Group

*2 NRI Group companies with a Head Office in Japan

*3 NRI Group's Data Centers

*4 NRI Group Data Centers and Buildings

Climate Change - Data

► Governance for climate change

Governance system	
Officer in charge	Kenji Yokoyama Senior Corporate Management Director
Responsible committee	Sustainability & Responsibility Committee
Incentives for management on climate change	<p>To ensure certain operation of the NRI Group environment management system, NRI encourages employees to obtain various external qualifications related to climate change such as ISO14000 internal auditor and energy manager qualifications. For employees who obtain such qualifications, the NRI Group provides examination fees and also recognizes their achievement in employee performance assessments.</p> <p>To realize the NRI Group corporate statement "Dream up the future," NRI has a program for commending employees who contribute to enhancing the prestige of the NRI Group and achieving its vision every year. This program recognizes not only employees who are involved in activities to disseminate information for social recommendations and the development of new business and technologies but also employees who contribute to improving corporate value through ESG (environmental, social, governance) and sustainability activities.</p>
Risk management on climate change	<p>The NRI Group defines the possibility of detriment to the Group's capital due to an unforeseen circumstance that occurs in business operations, or something that prevents the preservation or improvement of enterprise value due to a phenomenon that hinders business operations as business operational risk.</p> <p>The NRI Group has appointed a Risk Management Director and established a Risk Management Supervisory Bureau in order to establish an internal controls system and aim for continual improvement. Furthermore, at the direction of the President & CEO, the Integrated Risk Management Committee has been established and conducts appropriate inspections of the status of the entire company's internal controls. The Integrated Risk Management Committee reports several times a year to the Board of Directors. Supervisory bureaus have been established for each of the main risks that accompany business activities, and when necessary, deliberations take place at specialist meetings, with the supervisory bureaus taking measures for appropriate responses in collaboration with business departments.</p> <p>With respect to responding to ESG issues, including climate change risk, in addition to the Integrated Risk Management Committee and at the direction of the President & CEO, the Sustainability & Responsibility Committee, which mainly promotes sustainable management, and the Social Value Creation Committee, which promotes CSV (Creating Shared Value) operation, have also been established. These three bodies work in a triangle-structure to promote and engage in management strategies for not only ESG risks, but also ESG opportunities.</p> <p>With respect to climate-related risks (including business continuity risk due to a natural disaster or similar), the Sustainability & Responsibility Committee, which has responsibility for business-foundational ESG, undertakes management to control the impact of the burden on society. The NRI Group has identified the materialities on which it should engage, and one of the 4 materialities is "the creation of a future society with a low environmental burden." In alignment with the relevant materialities, climate change risk is managed by setting and publishing external environmental targets for each of the themes of "response to climate change," "sustainable energy consumption," "environmental responsibility and preservation," and "supply-chain environmental consideration." Furthermore, as foundational climate change management, PDCA has been implemented, with ISO14001 introduced in all 5 data centers and NRI's original environment management system (NRI-EMS) introduced in major offices.</p>
Response to CDP	NRI responded to the survey of the international non-profit organization CDP, which evaluates and ranks information disclosure on corporate climate change from FY 2015, and in 2015 NRI was entered on CDP's climate disclosure leadership index (CDLI) for that year.

► Climate-related targets

Climate-related targets																																	
Object	Greenhouse gas emissions based on FY 2013 (Scope 1 and Scope 2 are targeted)																																
Target	By FY 2030, NRI Group will reduce greenhouse gas by 55% compared to FY 2013.																																
Target year	FY 2030																																
Progress	<table border="1"> <thead> <tr> <th></th> <th>unit</th> <th>FY2013</th> <th>FY2014</th> <th>FY2015</th> <th>FY2016</th> <th>FY2017</th> <th>FY2018</th> </tr> </thead> <tbody> <tr> <td>CO₂ emissions (Scope1+2)</td> <td>1,000t-CO₂</td> <td>108</td> <td>99</td> <td>86</td> <td>78</td> <td>75</td> <td>66</td> </tr> <tr> <td>Reduction rate (compared to base year)</td> <td>%</td> <td>(Base year)</td> <td>8.3</td> <td>19.8</td> <td>26.9</td> <td>30.0</td> <td>38.2</td> </tr> <tr> <td></td> <td>Coverage</td> <td>a</td> <td>a</td> <td>a</td> <td>a</td> <td>a</td> <td>a</td> </tr> </tbody> </table>		unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CO ₂ emissions (Scope1+2)	1,000t-CO ₂	108	99	86	78	75	66	Reduction rate (compared to base year)	%	(Base year)	8.3	19.8	26.9	30.0	38.2		Coverage	a	a	a	a	a	a
	unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018																										
CO ₂ emissions (Scope1+2)	1,000t-CO ₂	108	99	86	78	75	66																										
Reduction rate (compared to base year)	%	(Base year)	8.3	19.8	26.9	30.0	38.2																										
	Coverage	a	a	a	a	a	a																										

Climate Change - Data

► Climate-related risks

Risks due to changes in regulations

The world has accelerated towards zero-emission. The government of each country including Japan has started discussion on introducing and strengthening carbon pricing.

However, the amount of renewable energy generation in Japan is currently in the 10% range. Even with 22-24% which is the government's target of energy mix of power sources in 2030, the amount of renewable energy generation is not as high as what other countries generate.

It is predicted that Japan will be relying on fossil fuels to some extent.

Therefore, if a high carbon tax, as expected by the IEA, is introduced to realize long-term targets for emission reduction, Japan's electricity prices are expected to rise, and the NRI Group, which owns data centers, also costs risk of increasing.

In addition, IT companies in the United States and Europe are turning to zero-emission, which we believe to be a competitive risk.

Therefore, the NRI group joined RE 100 and is working on securing all electricity with renewable energy in 2050.

Risks due to physical impacts

The NRI Group's business (consulting and system developments) is labor-intensive business, and labor costs are the largest cost item. Therefore, if climate change occurs and the number of working days decreases due to heavy rain or intensifying typhoons, new personnel will be needed. Increasing of the labor costs would be a risk for the NRI Group.

In addition, the NRI Group has been increasing its workforce in emerging countries such as India.

If the temperature rises and the risk of infectious diseases increases, there is a risk that the cost for promoting the health of employees will increase as a whole company.

In response to the above, NRI is working to reduce risks by actively relocating offices and introducing telework as measures to strengthen BCP.

► Climate-related opportunities

Climate-related opportunities

The NRI Group has provided Shared Service which could significantly reduce power consumption, CO₂ emissions, and costs by sharing the same system among multiple companies.

In addition, as the NRI Group joined RE100, it has set a goal of achieving a 36% renewable energy utilization rate by FY 2030 and 100% by FY 2050.

Such low carbon and zero-emission services are expected to increase demands in the future, and we believe that this will be a business opportunity for the NRI Group.

► Action to mitigate climate change

Mitigating climate change through products and services

Shared Online Services:

Amid concerns over rising power usage by the IT services industry as a whole, NRI has formulated a business plan intended to reduce power usage by the IT activities of the entire value chain, including client companies. Specifically, growing NRI's shared online service revenues will likely serve to curb the carbon dioxide emissions of society as a whole.

Data indicates that using NRI's shared online service can allow our clients to cut their CO₂ emissions by around 70%, compared to if they build and operate their own systems independently.

	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Green revenues	100 millions	790	927	978	1,001	987
(revenues from shared online services)	of yen					
Sales ratio	%	19.5	22.0	23.1	21.2	19.7
	Coverage	a	a	a	a	a

Greenhouse Gas Emissions - Data

▶ Greenhouse gas emissions

GHG emissions (Scope1, Scope2)	unit	FY2014	FY2015	FY2016	FY2017	FY2018	Assurance
Direct GHG emissions (Scope1)	1,000t-CO ₂	1	1	1	1	1	✓
Japan	1,000t-CO ₂	1	1	1	1	1	✓
Overseas	1,000t-CO ₂	0	0	0	0	0	✓
Indirect GHG emissions (Scope2)	1,000t-CO ₂	97	84	77	73	65	✓
Japan	1,000t-CO ₂	95	81	74	70	62	✓
Overseas	1,000t-CO ₂	2	3	3	3	2	✓
Total emissions (Scope1+2)	1,000t-CO ₂	99	86	78	75	66	✓
Japan	1,000t-CO ₂	96	83	75	72	63	✓
Overseas	1,000t-CO ₂	2	3	3	3	2	✓
Coverage		a-	a-	a-	a-	a-	

Note: Among the scope of the coverage of Scope 2, the electricity usage is a (NRI Group), cooling, steam · heat is b (NRI Group companies with a head office in Japan).

GHG emissions (Scope3)	unit	FY2014	FY2015	FY2016	FY2017	FY2018	Assurance
Indirect GHG emissions (Scope3)	1,000t-CO ₂	134	161	112	137	120	✓
Category1 Purchased goods and services	1,000t-CO ₂	69	75	64	69	84	✓
Category2 Capital goods	1,000t-CO ₂	16	48	23	44	12	✓
Category3 Fuel-and-energy-related activities	1,000t-CO ₂	7	6	6	6	5	✓
Category6 Business travel	1,000t-CO ₂	5	6	6	7	8	✓
Category7 Employee commuting	1,000t-CO ₂	2	2	2	2	2	✓
Category11 Use of sold products	1,000t-CO ₂	33	21	9	7	6	✓
Category12 End of life treatment of sold products	1,000t-CO ₂	0	0	0	0	0	✓
Coverage		a-	a-	a-	a-	a-	

Notes: 1. Among the scope of the coverage of category 3 fuel-and-energy-related activities, the electricity usage is a (NRI Group), cooling, steam · heat is b (NRI Group companies with a head office in Japan)

2. Past figures are shown as figures for which impacts due to important acquisitions, etc. have been recalculated according to "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard – Chapter 5. Tracking Emissions Over Time."

Energy Consumption - Data

► Energy consumption

Energy consumption	unit	FY2014	FY2015	FY2016	FY2017	FY2018	Assurance
Non-renewable energy consumption	1,000kWh	172,648	187,270	172,912	172,906	160,866	
Electricity	1,000kWh	174,209	155,010	143,253	136,518	127,773	✓
Kerosene	kl	29	20	35	32	0	✓
Diesel	kl	56	279	103	112	128	✓
City gas	1,000m ³	473	407	311	569	628	✓
Cooling, steam, heat	1,000GJ	88	88	87	100	85	✓
Renewable energy consumption	1,000kWh	92	72	82	621	743	
Coverage		a	a	a	a	a	

► Data center energy consumption

Data center energy consumption	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Data center energy consumption	1,000kWh	137,661	117,712	108,598	103,815	98,550
Renewable energy consumption	1,000kWh	92	72	82	75	72
Percentage used	%	0.1	0.1	0.1	0.1	0.1
Scope of data center coverage	%	100	100	100	100	100

Resource Use, Waste - Data

► Water resources

Water use	unit	FY2014	FY2015	FY2016	FY2017	FY2018	Assurance
Water use (total)	1,000m ³	163	231	200	201	212	
Water works	1,000m ³	163	231	200	201	212	✓
Recycled water	1,000m ³	-	-	-	-	-	
Coverage		b	b	b	b	b	

Waste water	unit	FY2014	FY2015	FY2016	FY2017	FY2018	Assurance
Waste water (total)	1,000m ³	50	40	40	35	37	✓
Coverage*		c-	c-	c-	c-	c-	

* c-: The scope of the coverage is NRI Group's data centers

► Paper resources

Paper use	unit	FY2014	FY2015	FY2016	FY2017	FY2018	Assurance
Paper use (Business paper)	t	263	258	217	213	190	✓
Coverage		b	b	b	b	b	

Waste paper	unit	FY2014	FY2015	FY2016	FY2017	FY2018	Assurance
Waste paper (total)	t	280	305	284	269	193	✓
Recycle rate	%	100	100	100	100	100	✓
Coverage		b	b	b	b	b	

► Waste

Waste disposed	unit	FY2014	FY2015	FY2016	FY2017	FY2018	Assurance
Waste disposed (total)	t	508	566	666	2,365	1,414	✓
Recycle rate	%	94.5	90.7	96.6	96.8	97.1	✓
Coverage*		b-	b-	b-	b-	b-	

* b-: The scope of the coverage is NRI Group data centers and buildings

NRI Green Bond (3rd Unsecured) Data

Project status				
NRI acquired the trust beneficiary right of the Yokohama Comprehensive Center (Yokohama Nomura Building), which will use NRI Green Bond funds in April 2017, and has started using it as a lessee				
KPI	Field	Item	Unit	FY2018
	Environment	Industrial waste volume	t	9.5
		Recycling rate	%	65.3
	Social	Occupational safety and health: Number of serious occupational accidents (including subcontractors)		0
	Governance	ESG related disputes (including subcontractors)		0
	Local community contribution	Actions taken for dialogue and interaction with the local community		
Winter illumination will be held from November 14, 2018 to February 17, 2019.				

Environmental evaluation of target facilities						Assurance
Yokohama Center (Yokohama Nomura Building)		Unit	FY2016	FY2017	FY2018	
INPUT	Energy resources use					
	Electricity	1,000kWh	-	3,086	3,912	✓
	City gas	1,000m ³	-	269	394	✓
	Cooling, steam, heat	1,000GJ	-	15	15	✓
	Total heat	1,000GJ	-	62	77	✓
OUTPUT	Greenhouse gases emissions		FY2016	FY2017	FY2018	
	Electricity	t-CO ₂	-	1,500	1,858	✓
	City gas, cooling, steam, heat	t-CO ₂	-	1,453	1,745	✓
	Total emissions	t-CO ₂	-	2,953	3,604	✓
	Emissions per floor area	t-CO ₂ /m ²	FY2016	FY2017	FY2018	
	Emissions per employee (A)	t-CO ₂ /person	-	0.05	0.07	
			-	0.45	0.54	
Yokohama Minato Center (Dia Building)			FY2016	FY2017		
OUTPUT	Total heat from energy resources	1,000GJ	77	51		
	Greenhouse gas emissions	t-CO ₂	3,963	2,537		
	Emissions per floor area	t-CO ₂ /m ²	0.12	0.14		
	Emissions per employee (2018.3 : B)	t-CO ₂ /person	1.02	1.13		
Comparison between Yokohama Nomura Building and Dia Building			FY2016	FY2017	FY2018	
OUTPUT	Improvements in emissions per employee ((A-B) /B)	%	-	-60.6	-51.9	

Notes 1. When conducting the environmental assessment on the Yokohama Nomura Building,

a comparison was conducted with the Yokohama Dia Building that was the main transfer source.

Notes 2. Emissions per employee is calculated based on the standard use area per person of 2.5 tsubo (8.3m²) that is prescribed as the office standard for NRI

Notes 3. Because the energy resources for the Yokohama Nomura Building are electricity, city gas, and cold water and steam, total heat, greenhouse gas emissions, emissions per floor area, and emissions per employee are calculated based on these resources.

Labor Practices, Diversity - Management Approach

Material issues of NRI related to this management approach

"Diversity of human resources" and "Sound hiring practices and labor-management relations"

NRI's approach to material issues

The NRI Group believes that employees respecting each other's diverse values is the cornerstone of a workplace environment where employees can continue to work happily, sound in both mind and body, and that this is indispensable to the company's sustained growth, as it brings about improvements in the productivity and creativity of individual employees and the organization as a whole. In addition, the NRI Group has expanded its overseas business, and one in every four employees now works overseas. Therefore, we promote diversity management in line with international social norms so that our value-diverse employees can become established and active in the NRI Group irrespective of their race, ethnicity, nationality, birthplace, social status, social origin (place of birth), gender, marital status, age, language, disability status, health status, religion, thought, belief, property, sexual orientation. Regardless of gender identity and differences in job types and employment types. In addition, in order to transform this into growth potential for the company, we are working to create an environment in which employees can demonstrate their abilities fully while also valuing their own health and family life by reducing long working hours and improving work-life balance so that employees can demonstrate their creativity.

In terms of recruitment, too, each individual's various abilities, expertise, and skills are appropriately assessed and decisions made without discrimination based on gender or similar.

In addition to the regular yearly recruitment of new graduates, recruitment is ongoing throughout the year for midcareer hires and opportunities for persons with disabilities. When giving an explanation about the company during hiring, we disclose factual information based on the concept of "RJP" *.

* RJP: an abbreviation of "Realistic Job Preview." Recruitment activity carried out using the idea of communicating to job applicants the truth about both the good and bad aspects of the work, its environment, and the corporate culture.

Priority activities / Medium- to long-term targets

The NRI Group has established the following objectives and is promoting initiatives related to diversity and inclusion.

[Action plans under the Act on Promotion of Women's Participation and Advancement in the Workplace] (Target: NRI) Term: April 2019 to March 2023

- Goals
1. Increase the percentage of female managers to at least 8.5% of all NRI managers by the end of FY2022 (appoint no less than 100 additional women to managerial positions).
 2. Increase NRI's female employee hiring rate to at least 30% of its total recruitment.
 3. Further heighten management's awareness of diversity management.

- Initiatives
1. Continue the Leader Development Program for female employees with the goal of developing them into managers.
 2. Persist with measures to attract more female student job applicants.
 3. Heighten management's awareness of their responsibilities from managerial and employee development perspectives with respect to diversity of employee characteristics and values.
 4. Carry out system reforms aimed to allow all NRI employees to select diverse work style options.

In addition, we have also established the following objectives and are promoting initiatives related to supporting work-life balance.

[5th Term Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children] (Target: NRI)

Term: April 1, 2018 to March 31, 2020

- Goals
1. Promote use of childcare-related systems while facilitating improvements that make them easier to use.
 2. Develop a workplace culture that enables diverse talents to flourish, and strive to make improvements in that regard.
 3. Further improve the working environment to bring about more satisfactory work-life balance.

- Initiatives
- 1-1. Support employees returning to work by promoting operations of the in-office nursery school that opened in June 2017. Also, hold regularly scheduled explanatory sessions regarding the nursery school.
 - 1-2. Encourage use of childcare-related systems for male employees through ongoing efforts to publicize and provide information on such systems (partner childbirth leave and childcare leave for male employees).
 - 1-3. Gain a quantitative and qualitative understanding of circumstances surrounding use of the childcare-related systems and employee preferences in that regard, through questionnaires, interviews and other such means to consider improvement measures.
 - 2-1. Prevent harassment related to matters such as childcare and nursing care by regularly implementing employment hierarchy-specific training programs and continue efforts to heighten awareness in that regard.
 - 2-2. Support employees taking care of children and those who have returned to work by providing them with greater opportunity to plan their careers. To such ends, continue to engage in initiatives to support work-life balance, encompassing elements such as training and interviews enlisting supervisors together with employees who are expecting and those who have returned to work after having taken childcare leave.
 - 2-3. Develop a workplace culture conducive to employees who are expecting and those who have returned to work after having taken childcare leave by instilling manager awareness in that regard through training and other such initiatives.
 - 2-4. Promote greater understanding of diversity by carrying out initiatives that include training sessions and round-table discussions transcending generational divides and job titles.
 - 3-1. Promote flexible working styles such that include telecommuting and utilizing various IT tools.
 - 3-2. Encourage employees to take paid leave through campaigns and other such initiatives.

Labor Practices, Diversity - Management Approach

Progress / Achievements / Challenges

NRI has been selected as a "Nadeshiko Brand" for the third consecutive year since 2016 as a listed company excellent for promoting female career.

The "Nadeshiko Brand" is a joint initiative by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, and introduces listed corporations that excel in encouraging the empowerment of women as an attractive brand for investors who focus on "enhancing corporate value in the medium- to long-term," and promotes investment alongside initiatives by the companies.

In addition, NRI was recognized by the Minister of Health, Labour and Welfare as a company that showed excellence in implementing initiatives encouraging the empowerment of women, receiving Top-Rank Eruboshi Certification (Stage 3). This certification system is based on the Act on Promotion of Women's Participation and Advancement in the Workplace that came into effect in April 2016, and evaluated NRI's achievements in each of the categories of: 1. Recruitment; 2. Continued employment; 3. Work-style, including hours, etc.; 4. Ratio of women in managerial positions; and 5. Career-path variety.

KPI	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Female managers rate*1	%	5.2	5.7	6.1	6.4	6.8
Employment continuation ratio of female / that of male*2	%	74.5	80.9	81.9	78.8	74.3
Ratio of average service years of female / that of male*3	%	78.3	78.8	80.1	79.8	78.8
Female employee hiring rate*4	%	23.5	27.6	25.6	26.7	27.6
	Coverage	c	c	c	c	c

*1 As of the beginning of each fiscal year (April 1)

*2 As of the beginning of each fiscal year and cover employees hired in the three years preceding the 9-11 fiscal year.

*3 As of the end of each fiscal year (March 31)

*4 Calculated based on total value for each year

Link Files	
	Relating the Act on Promotion of Women's Participation and Advancement in the Workplace (In Japanese only) https://www.nri.com/ip/sustainability/social/diversity_mgmt#flag2 Improving productivity through new working styles https://www.nri.com/-/media/Corporate/en/Files/PDF/sustainability/library/back_number/Sustainability_Book2018_e.pdf#page=14 Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children Main schemes of NRI for childbirth and parenting support (In Japanese only) https://www.nri.com/ip/sustainability/social/diversity_mgmt#flag3 Main schemes of NRI for nursing care support (In Japanese only) https://www.nri.com/ip/sustainability/social/diversity_mgmt#flag4

Labor Practices, Diversity - Data

Employee data

Number of employees (Consolidated)		unit	FY2014	FY2015	FY2016	FY2017	FY2018	
Overall	Total number of employees	no. of person	9,012	10,757	11,605	12,708	12,578	
	(breakdown) male	no. of person	6,980	7,980	8,375	9,285	n/a	
		%	77.5	74.2	72.2	73.1	n/a	
	female	no. of person	2,032	2,777	3,230	3,423	n/a	
		%	22.5	25.8	27.8	26.9	n/a	
Non-Japanese		no. of person	935	2,156	2,837	3,799	3,493	
		%	10.4	20.0	24.4	29.9	27.8	
	By region	Japan	no. of person	8,105	8,498	8,676	8,821	9,004
			%	89.9	79.0	74.8	69.4	71.6
		(breakdown) male	no. of person	6,439	6,678	n/a	n/a	n/a
female		no. of person	1,666	1,820	n/a	n/a	n/a	
Europe		no. of person	12	21	12	14	15	
	%	0.1	0.2	0.1	0.1	0.1		
(breakdown) male	no. of person	7	14	n/a	n/a	n/a		
female	no. of person	5	7	n/a	n/a	n/a		
Americas	no. of person	41	293	383	392	345		
	%	0.5	2.7	3.3	3.1	2.7		
(breakdown) male	no. of person	23	153	n/a	n/a	n/a		
female	no. of person	18	140	n/a	n/a	n/a		
Asia	no. of person	854	1,945	1,995	2,052	1,761		
	%	9.5	18.1	17.2	16.1	14.0		
(breakdown) male	no. of person	511	1,135	n/a	n/a	n/a		
female	no. of person	343	810	n/a	n/a	n/a		
of which China	no. of person	374	1,398	1,473	1,465	1,168		
	%	4.2	13.0	12.7	11.5	9.3		
(breakdown) male	no. of person	164	737	n/a	n/a	n/a		
female	no. of person	210	661	n/a	n/a	n/a		
Australia	no. of person	0	0	539	1,429	1,453		
	%	0.0	0.0	4.6	11.2	11.6		
(breakdown) male	no. of person	0	0	n/a	n/a	n/a		
female	no. of person	0	0	n/a	n/a	n/a		
Overseas total	no. of person	907	2,259	2,929	3,887	3,574		
	%	10.1	21.0	25.2	30.6	28.4		
(breakdown) male	no. of person	541	1,302	n/a	n/a	n/a		
female	no. of person	366	957	n/a	n/a	n/a		
Coverage			a	a	a	a		

Note: As of the end of each fiscal year

Number of employees (Non-consolidated)		unit	FY2014	FY2015	FY2016	FY2017	FY2018	
Overall	Total number of employees	no. of person	5,972	5,979	6,003	6,130	6,297	
	(breakdown) male	no. of person	4,887	4,855	4,861	4,947	5,049	
		%	81.8	81.2	81.0	80.7	80.2	
	female	no. of person	1,085	1,124	1,142	1,183	1,248	
		%	18.2	18.8	19.0	19.3	19.8	
Average age of employees		age	39.1	39.5	39.9	40.2	40.3	
	(breakdown) male	age	39.6	40.0	40.5	40.8	41.0	
	female	age	36.7	37.0	37.5	37.7	37.6	
	Average years of worked		years	13.4	13.8	14.3	14.6	14.6
		(breakdown) male	years	14.0	14.4	14.8	15.2	15.3
female		years	10.9	11.4	11.9	12.1	12.1	
Ratio of female / that of male		%	78.3	78.8	80.1	79.8	78.8	
Non-Japanese		no. of person	108	88	92	106	112	
	%	1.8	1.5	1.5	1.7	1.8		
By age	Below 30 years	no. of person	1,315	1,248	1,172	1,158	1,223	
		%	22.0	20.9	19.5	18.9	19.4	
		(breakdown) male	no. of person	951	892	847	820	858
	female	no. of person	364	356	325	338	365	
	30-39 years	no. of person	2,039	2,042	2,031	2,023	2,044	
		%	34.1	34.2	33.8	33.0	32.5	
		(breakdown) male	no. of person	1,708	1,687	1,650	1,640	1,640
	female	no. of person	331	355	381	383	404	
	40 - 49 years	no. of person	1,662	1,589	1,583	1,624	1,575	
		%	27.8	26.6	26.4	26.5	25.0	
		(breakdown) male	no. of person	1,378	1,302	1,285	1,315	1,268
	female	no. of person	284	287	298	309	307	
	50-59 years	no. of person	872	1,016	1,116	1,221	1,338	
		%	14.6	17.0	18.6	19.9	21.2	
		(breakdown) male	no. of person	775	905	1,000	1,092	1,190
female	no. of person	97	111	116	129	148		
Over 60 years	no. of person	84	84	101	104	117		
	%	1.4	1.4	1.7	1.7	1.9		
	(breakdown) male	no. of person	72	69	79	80	93	
female	no. of person	12	15	22	24	24		
By managers position level	Total number of managers	no. of person	2,353	2,427	2,501	2,607	2,733	
	(breakdown) male	no. of person	2,231	2,288	2,348	2,441	2,547	
		%	94.8	94.3	93.9	93.6	93.2	
	female	no. of person	122	139	153	166	186	
		%	5.2	5.7	6.1	6.4	6.8	
	of which general manager or higher position	no. of person	194	188	201	211	213	
	(breakdown) male	no. of person	189	182	195	204	205	
		%	97.4	96.8	97.0	96.7	96.2	
	female	no. of person	5	6	6	7	8	
		%	2.6	3.2	3.0	3.3	3.8	
Coverage			c	c	c	c		

Note: As of the end of each fiscal year, but "By managers position level" is as of the beginning of each fiscal year

Labor Practices, Diversity - Data

▶ Employment of persons with disabilities

Promoting employment of persons with disabilities

NRI has been actively working to recruit persons with disabilities. At NRI Mirai, Ltd., a special subsidiary of NRI, Health Keepers (visually-impaired corporate physiotherapists) fulfill their duties by providing relaxation services to NRI Group employees at massage rooms in place at principal offices. Office Supporters, comprising of mentally impaired persons, work actively to provide training assistance, digitize documents, deliver internal mail, keep office space in order and look after equipment and fixtures, among other diverse activities.

We will continue to promote workplace participation of persons with disabilities by discovering further employment opportunities for them.

	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Number of employees with disabilities	no. of person	108	117	119	134	136
Rate of employees with disabilities*	%	2.1	2.2	2.2	2.2	2.4
Coverage		c	d	d	d	d

Notes: 1. As of the end of each fiscal year

2. d: The scope of coverage is based on NRI and its group company to which the special subsidiary system is applied.

* Actual employment rate based on "Act on Promotion of Employment of Persons with Disabilities"

▶ Remuneration

Average annual salary

	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Employee as a whole	thousands of yen	10,892	11,560	11,514	11,660	12,217
Coverage		c	c	c	c	c

Note: Including bonus and non-specified salary

New graduates starting monthly salary

	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Master's degree	yen	251,500	251,500	251,500	251,500	251,500
Bachelor's degree	yen	221,500	221,500	221,500	221,500	221,500
Coverage		c	c	c	c	c

Note: New graduate recruitment employee who joined the first business day of April of that year

▶ Promoting diversity and inclusion

Promotion of Women's Participation and Advancement

Since FY2008, NRI has been expanding the activities of the NRI Women's Network (NWN), which are based on the three pillars of "support for female employees in developing their careers," "support for balancing work and parenting," and "fostering a better corporate culture."

Rising ratios of female employees and women continuing to work have become the norm, and in recent years NWN activities have focused on "a more professional approach broadening one's career and continuing to play an active role."

We formulated an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and in FY2016 we started a Leader Development Program and Career Design Seminars to support women's career development.

We are also continuously working on childbirth and childcare initiatives, and are proactively encouraging not only the employee undergoing the life-event, but also their supervisor, including through three-party interviews aimed at pregnant employees and their supervisors, training to support balancing work and childcare attended by employees who have returned from childcare leave and their supervisors as a pair, and our "Support for Balancing Work and Childcare Guide Book for Supervisors."

Thanks to these initiatives, NRI has continued to be selected for the "Nadeshiko Brand" since 2016 as a listed corporation that excels in encouraging the empowerment of women. The "Nadeshiko Brand" is a joint initiative by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, and introduces listed corporations that excel in encouraging the empowerment of women as an attractive brand for investors who focus on "enhancing corporate value in the medium- to long-term," and promotes investment alongside initiatives by the companies.

In addition, NRI was recognized by the Minister of Health, Labour and Welfare as a company that showed excellence in implementing initiatives encouraging the empowerment of women, receiving Top-Rank Eruboshi Certification (Stage 3). This certification system is based on the Act on Promotion of Women's Participation and Advancement in the Workplace that came into effect in April 2016, and evaluated NRI's achievements in each of the categories of: 1. Recruitment; 2. Continued employment; 3. Work-style, including hours, etc.; 4. Ratio of women in managerial positions; and 5. Career-path variety.

In addition, NRI was included in the "MSCI Japan Empowering Women Index" in July 2017. This index is one of the three ESG indices selected for passive operation by the Government Pension Investment Fund (GPIF).



2018 Constituent
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Labor-management consultation on diversity & inclusion

Through informal gatherings and group negotiations with the Nomura Research Institute Labor Union, NRI continues to engage in dialogue both regularly and irregularly on topics related to its compensation and treatment, personnel system, and work environment. These dialogues also include discussions on important matters concerning diversity management.

Labor Practices, Diversity - Data

▶ Long-term incentives

Long-term incentives for employees

In order to avoid a bias toward improvement of short-term performance, NRI has introduced an incentive system to improve long-term motivation, which includes an NRI Group employee stock ownership system, our Employee Share Holding Incentive Plan, and our retirement allowances (defined-benefit corporate pension and defined-contribution pension).

NRI Group employee stock ownership plan

This is an employee benefits system in which employees of the NRI Group (NRI and its consolidated subsidiaries) use a self-determined amount of their salary and bonus to regularly purchase shares in NRI, supporting the creation of medium to long-term assets. Employees are awarded an incentive in the form of NRI shares amounting to 10% of their contribution. In addition, the holding of NRI shares also serves as an incentive system to increase motivation to improve the performance of the NRI Group. In addition, dividends are re-invested in purchases of NRI shares after tax is subtracted.

Ratio of shares owned by the stock ownership group to the total number of shares issued by NRI: 4.20% (as of March 31, 2019)

Trust-type employee holding incentive plan

In order to provide incentives for raising NRI's corporate value over the medium and long terms, and further expand employee benefit packages, NRI adopts the Trust-type Employee Stock Ownership Incentive Plan. The Plan is an incentive plan for all of NRI Group's employees participating in NRI Group Employee Stock Ownership Group. For the Plan, NRI has set up the specific trust (the Trust) for the Stock Ownership Group with a trust bank. The Trust will take out loans to purchase in advance in amount of NRI's stock that is expected to be purchased by the Stock Ownership Group over the following three years. After that, the Trust will continuously sell the NRI stock to the Stock Ownership Group. If a substantial amount of funds from the sale of NRI stock remains in the Trust at the time it is terminated, the funds will be distributed to qualified beneficiaries as residual assets. As a result, employees will benefit from the rise in NRI's stock price over the three-year period that is a trust period, which is an incentive for medium- to long-term performance improvement.

▶ Hire and turnover

Hire and turnover		unit	FY2014	FY2015	FY2016	FY2017	FY2018
Number of hires	Total	no. of person	293	299	289	339	452
	(breakdown) male	no. of person	219	210	212	256	328
		%	74.7	70.2	73.4	75.5	72.6
	female	no. of person	74	89	77	83	124
		%	25.3	29.8	26.6	24.5	27.4
New graduate hires		no. of person	247	246	223	266	319
	Mid-career hires	no. of person	46	53	66	73	133
Number of Turnover*	Total	no. of person	213	223	237	266	284
Turnover rate*		%	3.2	3.3	3.5	3.8	3.9
	Coverage		c	c	c	c	c

Note: Fiscal year aggregate value

* Including mandatory retirees

New graduate recruitment		unit	FY2014	FY2015	FY2016	FY2017	FY2018
Number of hires	Total	no. of person	247	246	223	266	319
	(breakdown) male	no. of person	189	178	166	195	231
		%	76.5	72.4	74.4	73.3	72.4
	female	no. of person	58	68	57	71	88
		%	23.5	27.6	25.6	26.7	27.6
of which, Bachelor's degree or above		no. of person	247	246	223	266	319
	(breakdown) male	no. of person	189	178	177	195	231
	female	no. of person	58	68	57	71	88
of which, Junior college, Vocational school		no. of person	0	0	0	0	0
of which, High school, Others		no. of person	0	0	0	0	0
	Coverage		c	c	c	c	c

Note: Fiscal year aggregate value

Mid-career recruitment		unit	FY2014	FY2015	FY2016	FY2017	FY2018
Number of hires	Total	no. of person	46	53	66	73	133
	(breakdown) male	no. of person	30	32	46	61	97
		%	65.2	60.4	69.7	83.6	72.9
	female	no. of person	16	21	20	12	36
		%	34.8	39.6	30.3	16.4	27.1
	Coverage		c	c	c	c	c

Note: Fiscal year aggregate value

Continued employment 10 years after hiring		unit	FY2014	FY2015	FY2016	FY2017	FY2018
Employment continuation ratio of female / that of male* ¹		%	74.5	80.9	81.9	78.8	74.3
	Coverage		c	c	c	c	c

*1 As of the beginning of each fiscal year and cover employees hired in the three years preceding the 9-11 fiscal year.

New graduate hires retention rate after 3 years		unit	FY2014	FY2015	FY2016	FY2017	FY2018
Number of new graduates hired before 2 business years*	Total	no. of person	265	228	242	240	218
	(breakdown) male	no. of person	202	170	185	174	164
	female	no. of person	63	58	57	66	54
Number of continuing employees in the following fiscal year among ne	Total	no. of person	253	211	220	224	209
	(breakdown) male	no. of person	194	160	168	164	161
	female	no. of person	59	51	52	60	48
New graduate hires retention rate after 3 years	Total	%	95.5	92.5	90.9	93.3	95.9
	(breakdown) male	%	96.0	94.1	90.8	94.3	98.2
	female	%	93.7	87.9	91.2	90.9	88.9
	Coverage		c	c	c	c	c

* Only those who joined on April 1

Labor Practices, Diversity - Data

Employee satisfaction

Employee survey

NRI takes a multifaceted approach to assessing employee awareness, such that mainly involves gauging employee satisfaction using three methods. Such initiatives target all NRI employees working in Japan and overseas, and the method with the shortest cycle is conducted on a semi-annual basis. Internet surveys are the primary means of assessment. The items surveyed include job content, remuneration, work-life balance, career support, employee benefits, work environment, work flexibility, and overall satisfaction. The survey results act as a basis for planning human resource policies and are posted on the company intranet to serve as feedback to employees.

Employee survey results*1	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Employee satisfaction*2		-	60.3	-	80.5	-
Percentage of employees surveyed*3		-	44.2	-	37.4	-
	Coverage		d		d	

*1 The 4 points-scale of the survey is "satisfied", "rather satisfied", "rather dissatisfied", "dissatisfied". (It was 5 points-scale until last survey in FY 2015.)

*2 The percentage of the survey results above is the proportion of answers of "satisfied" and "rather satisfied".

*3 Data coverage shows the percentage of subjects surveyed (=NRI employees working in Japan) to the total number of NRI group's employees on a consolidated basis.

Work-life balance

Work-life balance supports

NRI has established a system covering durations of pregnancy and childcare that is more comprehensive than that prescribed by the Child Care and Family Care Leave Act. Shorter working hours and exemptions/limits on overtime because of childcare are available up until the end of the academic year for a child's third year of elementary school. Meanwhile, these options can be combined with other independent systems, such as shift work or work with selectable start/finish times. We have been working on initiatives to establish an environment for achieving continued balance, including introducing a "Partner Childbirth Leave System" in FY2016 for employees with partners about to give birth, and opening nurseries in our offices in FY2017. In addition to establishing systems, we are also focusing on providing information and examples to help employees select relevant systems in accordance with individual circumstances. We are also proactively encouraging a balance between work and childcare for employees, through initiatives such as three-party interviews geared to pregnant employees and their supervisors, and training to support balancing work and childcare attended by employees who have returned from childcare leave and their supervisors as a pair. In addition, we provide information through regularly held nursing seminars and our nursing-care concierge desk. NRI has been recognized as a corporation that supports child rearing based on the Act on Advancement of Measures to Support Raising Next-Generation Children, having received the certification mark (nicknamed "Kurumin") since 2007. In addition to having gained the certification for five consecutive terms, in 2018 we also received the "Platinum Kurumin" special certification granted to companies that carry out initiatives which meet even higher standards.



Utilization of work-life balance support system	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Number of employees acquiring Paid maternity leave	no. of person	12	17	13	9	13
Number of employees acquiring Pre- and post-childbirth leave	no. of person	53	73	76	56	72
Number of employees acquiring Childcare leave	no. of person	56	96	130	252	261
(breakdown) male	no. of person	9	21	60	189	194
female	no. of person	47	75	70	63	67
Number of employees utilizing shorter work hour system for childcare	no. of person	79	96	107	107	113
Childcare leave acquiring rate (breakdown) male	%	n/a	6.1	18.7	59.6	61.0
female	%	100.0	100.0	100.0	100.0	100.0
Employees returning to work after childcare leave (female)	%	96.1	97.9	97.3	97.0	96.7
Employees remaining in work after childcare leave (female)	%	95.9	92.3	91.7	93.3	92.8
Number of employees acquiring Nursing care leave	no. of person	1	1	2	3	3
Number of total days of acquiring nursing care leave	days	45	48	43	34	16
Number of employees utilizing shorter work hour system for nursing	no. of person	0	0	0	0	16
	Coverage	c	c	c	c	c

Labor Practices, Diversity - Data

► Support for diverse and flexible working styles

Measures to support diverse and flexible working styles	
	<p>For specialist professions, NRI employs a discretionary labor system in which work formats and hours are to be self-managed at the discretion of the person in question. We furthermore aim for further efficiency and productivity improvements with respect to work accomplishments in specialist professions. In addition to discretion in terms of time, this has involved putting in place a system to also allow a certain amount of discretion in terms of location, making it possible to schedule work from home or a satellite office up to a limit of 100 days per year. Moreover, in Sapporo and Fukuoka we recruit for local positions that are based on the premise of working in those locations.</p> <p>In FY2018, we introduced educational opportunities on a company-wide basis through the Coursera online learning platform, thereby enabling our employees with diverse and flexible working styles to work toward self-study at their own pace regardless of time or location.</p>
Establishment of in-office nurseries	<p>In order to support our employees returning to work at their desired timing and the development of their career plans, in June 2017, we opened the Yumeminato Hoikuen as NRI's first in-office nursery, in the Yokohama Center (Yokohama Nomura Building).</p>
Creation of a system to encourage men's participation in housework and childcare	<p>In January 2017, we introduced partner childbirth leave and established a system that makes it easier for our male employees to proactively participate in childcare. In addition to making the "Support for Balancing Work and Childcare Guide Book for Men" available to all of our employees, we have otherwise been promoting greater understanding of the company's systems relating to childcare by conducting briefing sessions introducing our in-house systems and also providing information containing child-rearing advice of our male and female employees currently raising children. We also hold round-table discussions carried out by our male employees who have taken childcare leave.</p>
Enhancement of measures to support employees returning to work	<p>Three-party interviews aimed at pregnant employees and their supervisors have been taking place throughout pregnancy periods since FY2011. We support a smooth return to the workplace by deepening understanding of the internal systems and discussing post-return working styles.</p> <p>Since FY2010, we have continued to provide training to support balancing work and childcare after an employee returns from childcare leave, which includes guidance for both female employees and their supervisors. In FY2016, we further strengthened our support, commencing "Follow-up Seminars on Balancing Work and Childcare" for employees who had undergone training to support balancing work and childcare 1-2 years earlier.</p>
Encouragement of the taking of paid leave	<p>We have been encouraging employees to schedule consecutive days off, including hot-weather leave and revitalization leave. Since FY2016, we have been achieving a rate of paid vacation days taken of not less than 70%.</p>
Telecommuting system	<p>NRI has had a system in place for some time whereby an employee can work at an NRI office that is different from their usual place of work. In March 2016, we introduced a telecommuting system to further improve the efficiency of our operations and increase productivity.</p> <p>We have also been holding campaigns promoting use of the system. In FY2017 and FY2018, NRI was a special participant in the "Telework Days" event implemented by six ministries including the Ministry of Internal Affairs and Communications, in collaboration with the Tokyo Metropolitan Government and the business community. A total of approximately 6,000 employees engaged in telecommuting during the five days of the event, and since that time more than 1,000 employees have been making use of telecommuting arrangements every month.</p>
Satellite offices	<p>NRI's main offices have "liaison centers" which are made available as satellite offices for workers with no desks at those locations.</p> <p>We also have contractual agreements with satellite offices of outside entities in order to provide our employees with efficient and flexible work arrangements.</p>
Casual wear	<p>With the objective of increasing productivity by encouraging flexible ideas from relaxed attire, the NRI Group has allowed employees to work in casual wear since 1996, under guidelines such as "wearing a business suit if you are likely to meet clients."</p> <p>In addition, since 2011, in the interests of power conservation we have relaxed the guidelines for casual wear during the Cool-Biz period from May to September, including not requiring ties to be worn in front of clients.</p>

Occupational Health and Safety - Management Approach

Material issues of NRI related to this management approach

"Sound hiring practices and labor-management relations" and "Dialogue with civil society"

NRI's approach to material issues

At the NRI Group, highly specialized personnel are major operational resources.

If a situation in which employees are unable to fully demonstrate their ability in a sound environment due to substandard occupational health and safety occurs, there is a risk that business services, such as the information systems that are important foundations for supporting society, and the provision of consulting services that are deeply involved in client operations and businesses, will be impacted due to the lower productivity and quality of deliverables. Accordingly, since FY2015, NRI has been aiming to realize "Health and Productivity Management*," which contributes to improving the Quality of Life (QOL) of employees and is striving towards achieving its goals based on the NRI Health Declaration 2022.

Healthy Operations considers the management of employee health in terms of managerial perspective and strategic implementation. The health of our employees also occupies an important position from the standpoint of the company's risk management, and we will try to proactively engage in health management as a company instead of entrusting it to individual employees. It is extremely important for both the individuals concerned and the company that employees are healthy, and Healthy Operations will bring an injection of energy into the organization in the form of active employees and improved productivity by actively pushing employees to become healthy based on that philosophy, which as a result is expected to lead to improved business performance and corporate value.

[NRI Health Declaration 2022]

Basic policy: Based on correct knowledge and recognition for their own health by each employee, the NRI Group supports active initiatives for improving long-term quality of life (QOL).

NRI is leveraging employee feedback gathered through surveys and from employee unions and is proactively working to improve employee working hours, health conditions, and the workplace environment.

* "Health and Productivity Management" is a registered trademark of the Workshop for the Management of Health on Company and Employee

Priority activities / Medium- to long-term targets

NRI prioritizes the following issues in its management of occupational health and safety issues:

1. Complying with laws and regulations on overtime work and holidays.
2. Eliminating long hours worked consecutively.
3. Ensuring that employees working long hours get seen by the occupational health physician (OHP), and having them comply with doctors' instructions.
4. Reducing the amount of night work that employees perform.
5. Pressing employees to take their paid leave, including ensuring that they are organized and disciplined about taking extended consecutive periods of leave (such as a summer break, and "recharge leave").

In addition, we set goals for the following four items on health management.

1 Reduce lifestyle-related diseases

- Manage employees' reservations and receipts for medical check-ups and health examinations, and encourage them to take these examinations
- Put in place health management rooms at our principal offices and build a framework for industrial doctors to handle cases

2 Lower stress

- Stress prevention for individual employees and teams
- Develop a system to enable employees to return to work earlier

3 Lower smoking rate

- Introduce support to help stop smoking
- Remove smoking spaces inside the office

4 Promote work-life balance

- Reduce overtime and holiday work hours
- Encourage employees to take paid leave
- Implement the frontline-driven Smart Work-Style Campaign (SWC) including: streamlining operations and meetings, as well as promoting early morning work

Progress / Achievements / Challenges

Nippon Kenko Kaigi* certified NRI as an Excellent Enterprise of Health and Productivity Management (White 500), acknowledging the Company as a large corporation participating superior health and productivity management.

Started in fiscal 2016, this certification scheme reviews companies for their business philosophy, organizational structure, system and initiative execution, assessment and improvement, compliance and risk management.

NRI acquired this certification for the second consecutive year in fiscal 2016-2018 as it met certification requirements in the Large Corporation category, which applies to large-sized corporation and medical corporations.

* An entity that aimed to bring about specific action plans in the workplace and local communities, with the goal of realizing excellence on health and productivity management. This is a collaboration between municipalities and private organizations such as business groups, medical associations and the insured.

KPI	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Total working hours per employee per year	hours/year	2,197.6	2,140.8	2,085.8	2,034.3	2,017.2
Average overtime hours per employees per month	hours	33.0	29.8	27.2	22.0	21.5
Examination rate of regular medical examination	%	100.0	100.0	100.0	100.0	100.0
Regular medical examination presence of findings rate	%	42.1	43.5	45.4	70.1	67.9
Smoking rate	%	18.9	18.5	17.0	15.9	15.2
Exercise habit rate	%	10.9	11.5	15.9	19.0	20.7
	Coverage	c	c	c	c	c

Note: All employees including managers, discretionary labor employees

Link Files	Health and Productivity Management (In Japanese only)
	https://www.nri.com/jp/sustainability/social/health_and_productivity_mgmt
	A trial run to assist health and productivity management for workers in the Marunouchi area
	https://www.nri.com/-/media/Corporate/en/Files/PDF/ir/library/AR2017e.pdf?page=49

Occupational Health and Safety - Data

▶ Occupational health and safety

Occupational health and safety policy

One of the NRI Group's core policies is to provide its employees with safe, sound workplace environments. We spare no effort in initiatives to manage our employees' working hours, for putting in place proper workplace environments, and for managing our employees' individual health.

Occupational health and safety structure

With the aim of achieving proper work environments, NRI has set up a Health and Safety Committee and also put in place a hygiene management system in each business division.

With these arrangements we are developing proper work environments appropriate to the particular business and operating processes of each business division.

Officer in charge

Chief Occupational Health and Safety Officer
Hidenori Anzai
Senior Corporate Management Director

Chief Health Officer
Yasuo Fukami

Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Corporate Administration

Responsible committee

Health and Safety Committee

Status of labor-management consultations on occupational safety and health

Through informal gatherings and group negotiations with the Nomura Research Institute Labor Union, NRI continues to engage in dialogue both regularly and irregularly on topics related to work environment and so on.

Risk management on occupational health and safety

A workforce of professionals in possession of high expertise is a principal management resource for the NRI Group. Should it happen that owing to an occupational health and safety issue an employee cannot exploit the full potential of their abilities in a sound workplace, the resulting drop in productivity and/or poorer quality of outcomes may impact on our delivery of the information systems that are important foundations underpinning the society, or of the consulting services that play an important part in our clients' management and businesses. To avoid such a situation, NRI prioritizes the following issues in its management of occupational health and safety issues:

1. Complying with laws and regulations on overtime work and holidays.
2. Eliminating long hours worked consecutively.
3. Ensuring that employees working long hours get seen by the occupational health physician (OHP), and having them comply with doctors' instructions.
4. Reducing the amount of night work that employees perform.
5. Pressing employees to take their paid leave, including ensuring that they are organized and disciplined about taking extended consecutive periods of leave (such as a summer break, and "recharge leave").

We have mechanisms in place to accurately monitor our employees' hours worked. At any time, supervisors can check online the hours that the employees in their charge are working, or the amount of leave that they have taken. In addition, managers are sent a list of employees who performed night work or holiday work the day after it has happened.

Furthermore, we are grasping the risks by thoroughly conducting industrial physician interviews with long-time workers.

Occupational health and safety situation	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Number of employee work-related deaths	-	0	0	0	0	0
Number of work accidents*1	-	1	0	2	0	2
Occupational accident frequency rate*2	-	0	0	0	0	0
Average overtime hours per employees per month*3	hours	33.0	29.8	27.2	22.0	21.5
	Coverage	c	c	c	c	c

*1 Number represents the number of either fatal accidents or incidents necessitating 4 or more days' leave due to a casualty accident

*2 Number of lost worker injuries / number of total working hours × 1 million hours

*3 All employees including managers, discretionary labor employees

Occupational Health and Safety - Data

► Health and productivity management

Overview of health management

The NRI Group is comprehensively engaged in the maintenance and improvement of employee health, including the promotion of regular checkups and follow-ups on the results, engagement by industrial physicians, the establishment of consultation desks, and the reduction of overtime work.

Promotion of medical checkups / comprehensive physical examinations

The NRI Group regularly instructs all employees to undergo a medical examination (for those under 30 years old) or a comprehensive physical examination (for those 30 years of age or older) every year, and checks whether they have or not. In addition, employees who have engaged in overtime work exceeding the company's internal standards are instructed to undergo health checkups and medical interviews every six months, with compliance with this instruction also being checked.

Establishment of office health-care rooms and engagement by industrial physicians

NRI has established health-care rooms in its main offices, and has in place a proper system for industrial physicians to engage with cases. Industrial physicians check the results of employee medical examinations and comprehensive physical examinations, as well as responding to health consultations from employees.

Stress checks based on the Health and Safety Act

From FY2016, based on the Industrial Health and Safety Act, the NRI Group introduced a web questionnaire-type stress-check to prevent employees from becoming unwell in terms of their mental health. This has encouraged employees to notice their own stress situations and talk to an industrial physician if they need to. In addition, we collate and analyze stress-check results for each organization and use the information to improve the working environments. Moving forward, we will continue to implement the program every year in accordance with laws and regulations.

Consultation desk for work problems

The NRI Group has established various PraNet (Professional Assist Network) consultation desks for employees, and is equipped with a system that can respond to all kinds of issues employees may have. In addition to the consultation desks within the company, we have several company-external consultation desks available to handle a diverse range of counselling, including consultations about work and the workplace overall, consultations on career-development and skill-development, counseling on workplace stress and health, counseling on family health and care, consultations about ethics and compliance, consultations concerning harassment.

Reduction of overtime and holiday work

NRI has established internal management standards for working hours, late-night work, and holiday work based on labor laws, etc., and engages in proper labor management. We have established a system that enables a correct understanding of employee work status, including a system that enables supervisors to check online at any time the working hours of their subordinates and how much vacation time they have taken, and the distribution of a list of employees who engaged in late-night or holiday work to management positions on the following day. In addition, we regularly check the status of each department using indicators such as a "Health Management Index," which is an index of risks such as long working hours that should be eliminated.

Reduced smoking rate

From November 2015, NRI introduced its "Quit-Smoking Support," in which the company pays 70% of the costs for treatment to quit smoking (borne by the individual). Furthermore, NRI halved the amount of office smoking spaces in October 2015, and closed all smoking areas in its major offices around the World No Tobacco Day (May 31) in FY2016.

KPI of health management	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Examination rate of regular medical examination	%	100.0	100.0	100.0	100.0	100.0
Regular medical examination presence of findings rate	%	42.1	43.5	45.4	70.1	67.9
Smoking rate	%	18.9	18.5	17.0	15.9	15.2
Exercise habit rate	%	10.9	11.5	15.9	19.0	20.7
Coverage		c	c	c	c	c

► Status of working hours and acquisition of annual paid leave

Total working hours per employee per year	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Total working hours per employee per year	hours/year	2,197.6	2,140.8	2,085.8	2,034.3	2,017.2
Coverage		c	c	c	c	c

Note: All employees including managers, discretionary labor employees

Average overtime hours per employees per month	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Average overtime hours per employees per month	hours	33.0	29.8	27.2	22.0	21.5
Coverage		c	c	c	c	c

Note: All employees including managers, discretionary labor employees

Annual paid leave*1	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Number of granted days*2	days	21.6	21.2	21.6	21.5	21.4
Number of days acquired	days	14.4	14.1	15.3	15.4	15.3
Annual paid leave acquisition rate	%	66.9	66.5	70.6	71.4	71.3
Coverage		c	c	c	c	c

*1 Average base for all employees.

*2 Excluding carryforward

Occupational Health and Safety - Data

► Mental health measures

Mental health measures	
	As measures to safeguard mental health, in addition to reducing late-night work, eliminating continuous long working hours, a thorough system of interviews with industrial physicians for workers who work long working hours, and stress checks based on the Industrial Health and Safety Act, the following initiatives are being implemented.
Establishment of consultation desks for workplace stress	Employees can bring consultations about workplace stress to the health-care rooms (staffed by industrial physicians and nurses). In addition, under the health insurance association system, employees can receive counseling via telephone, website, or in person, from a professional psychological counselor (free of charge in certain circumstances).
Obligatory interviews with industrial physicians for workers who work long working hours	At NRI, out of consideration of the impact on the mind and body of employees whose overtime working hours exceed internal standards, any such employees are required to have an interview with an industrial physician.
Stress checks	<p>Since 2016, NRI has implemented a stress check system under the provisions of Article 66, Item 10 of the Industrial Health and Safety Act for the following purposes:</p> <ul style="list-style-type: none"> • For employees to deal with stress by knowing their stress status, before too much accumulates • For employees to get advice from a doctor if they have too much stress • For the company to take any work-related measures as a result of the interviews • To make improvements in workplace environments that cause stress
Return to work support program	<p>When employees have been absent due to illness, etc., they are only allowed to return to work after a diagnosis by their doctor and a consultation with an industrial physician.</p> <p>In the case of employees who have been absent more than a set amount of time, NRI is making efforts to have them undergo re-work training that incorporates training conducted by an external professional organization to prevent any relapse, so as to avoid any further time absent from work.</p>

► Various systems provided by Nomura Securities Health Insurance Association

Nomura Health Dial 24	
	For health, medical care, nursing care, childcare, or mental health issues, experienced physicians, public health nurses, and nurses are available for free phone consultations at any time of the year, 24 hours a day. Employees can also avail themselves of a search system that finds nearby medical institutions and medical institutions that provide advanced medical care.
Special medical dial	
	When an employee or member of their family is diagnosed with a serious illness such as cancer, they are eligible for a service that provides them with a referral for a second opinion or to a specialist medical institution (free of charge in certain circumstances).
Mental health counseling service	
	They can receive counseling via telephone, website, or in person, from a professional psychological counselor (free of charge in certain circumstances).

Human Resources Development - Management Approach

Material issues of NRI related to this management approach

"Diversity of human resources"

NRI's approach to material issues

As part of its corporate philosophy, the NRI Group has stated that "continuing never-ending challenges with pride of true professionals" constitutes its action guidelines for employees. The cornerstone of the NRI Group is its "human assets." In other words, this refers to employees who are professionals possessing advanced expertise, who independently strive to pursue their own goals and are unafraid to innovate and take on difficult challenges. To achieve objectives of both NRI's long-term management vision "Vision 2022" and the Medium-Term Management Plan, we must have human assets who not only aim to achieve further growth and improve productivity in our existing specialty areas, but who also take on challenges of venturing into unknown areas of business in anticipation of future trends. To develop such human assets, the NRI Group has been strengthening systems and the business environment for developing hidden talents of highly motivated people and allowing them to produce results on the job. The Medium-Term Management Plan 2022 approaches human resource management development as a strategic issue under five conceptual themes of the growth strategy encompassing the plan's 1) DX (digital transformation), 2) business platform, 3) cloud, 4) global, and 5) human resources strategies. NRI will take steps to secure sufficient quality and quantity of human resources needed to help realize objectives of the digital transformation and global strategies in particular.

Priority activities / Medium- to long-term targets

NRI's personnel system is designed to ensure mechanisms and an environment in which diverse professionals are able to play active roles based on the three core pillars of its performance-based salary system, discretionary work system, and personnel assessment and human resources development system.

The personnel assessment and human resources development system is premised on the notion of encouraging employees to pursue expertise and diversify their fields of specialization.

This is based on the belief that by honing their skills in multiple areas of expertise employees become capable of flexibly responding to changes in the business environment in a manner that involves taking a broad-based perspective in collaborating across division lines.

Furthermore, with respect to human resources development, NRI places importance on an organic fusion of three approaches to development: training programs, self-study, and on-the-job training which plays the central role. NRI believes that providing OJT through work experience is the optimal development tool. As such, its training programs act as a means of organizing knowledge acquired through such OJT and for deepening understanding. The training programs are also positioned as means of obtaining knowledge and skills which cannot be acquired through OJT. Moreover, NRI has also established a system to support self-study for employees seeking to gain qualifications and improve their foreign language skills.

NRI's priority activities entail realizing objectives of its long-term management vision "Vision 2022" and its Medium-Term Management Plan, while furthermore engaging in initiatives which place a focus on "developing core human resources" geared to the next generation along with "developing DX (Digital Transformation) human resources" and "developing global human resources" underpinning the growth strategy of the Medium-Term Management Plan 2022.

Progress / Achievements / Challenges

With respect to developing core human resources, we are enhancing our successor candidate development initiatives which involve implementing a selective development program encompassing the four employment categories of mid-career employees, managerial track employees, section managers and general managers, in addition to elements such as training programs upon career promotion tailored to stages of careers.

With respect to developing DX (digital transformation) human resources, we are establishing a new training framework and accordingly enhancing recurrent education that makes it possible for employees to shift to strategic business areas, in addition to implementing our existing training programs tailored to career fields and stages of careers.

With respect to developing global human resources, we implement practical training programs that incorporate real-life experience in international business with the aim of fostering global business leaders who play active roles in establishing business foundations overseas. Under such programs we dispatch employees to our corporate customers' or NRI's overseas locations for periods of about one year, where they improve their business skills through practical experience overseas.

As of FY2018, more than 300 employees have been selected for this global training and have been dispatched to 26 cities in 16 countries.

Link Files	<p>"Education system" for nurturing human resources (In Japanese only) https://working.nri.co.jp/2019/contents/institution/institution_a.html</p> <p>"Evaluation system" making full use of human resources (In Japanese only) https://working.nri.co.jp/2019/contents/institution/institution_b.html</p> <p>NRI's Human Resources Strategy https://www.nri.com/-/media/Corporate/en/Files/PDF/ir/library/AR2018e.pdf#page=54</p>
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Human Resources Development - Data

▶ Human resources development management

Human resources development policy (Focus areas)

We regard our people as an essential management resource of the NRI Group and a wellspring of its added value across the board. The NRI Group's approach to human resources development entails drawing out talents of ambitious employees and cultivating human assets that are capable of producing results on the job. Meanwhile, professional initiatives of NRI Group employees are backed by the Group's human resources development framework. NRI's personnel system is designed to ensure mechanisms and an environment in which diverse professionals are able to play active roles based on the three core pillars of its performance-based salary system, discretionary work system, and personnel assessment and human resources development system. Of particular importance with respect to human resources development is the notion of organically fusing various aspects of the three elements: 1) on-the-job training, 2) training programs, and 3) self-study. The lack of any one of those three elements would render it impossible for an employee to achieve growth as a professional. As such, those three elements combined form the cornerstone of professional development. Of the three elements, OJT provided through work experience is the optimal development tool. As such, NRI's training programs act as a means of organizing knowledge acquired through such OJT and for deepening understanding. The training programs are also positioned as means of obtaining knowledge and skills which cannot be acquired through OJT. Our C&A (Challenge & Act) System acts as a mechanism that effectively facilitates OJT. Through the system employees are able to confirm and evaluate the extent to which they have achieved their individual targets which are precisely set at half-year intervals through interviews with their supervisors, thereby enabling employees to develop their skills and appropriately gain access to performance evaluations carried out by their supervisors. This supports the growth of employees according to their respective characters and levels of independence by having them work toward achieving their goals under a supervisor's guidance, while also facilitating communication between supervisors and their subordinates at the regularly scheduled meetings. The notion of developing human resources who are capable of rapidly addressing changes is crucial in the VUCA (volatility, uncertainty, complexity, ambiguity) and DX (Digital Transformation) eras. As such, we encourage employees to pursue expertise and diversify their fields of specialization in order to ensure that our personnel assessment and human resources development system functions effectively. This is based on the belief that by honing their skills in multiple areas of expertise employees become capable of flexibly responding to changes in the business environment in a manner that involves taking a broad-based perspective in collaborating across division lines and spearheading joint development with our customers. We have a career field system and an in-house certification system which both constitute crucial aspects of our efforts to promote human resources development.

Human resource development program

In addition to various forms of group training, our human resources development programs feature many options that include e-learning, support for gaining qualifications and foreign language study, opportunities to study abroad, researcher dispatch, and trainee arrangements. To achieve our long-term management vision "Vision 2022," we are particularly focusing our efforts on: 1) developing core human resources, 2) developing DX (Digital Transformation) human resources, and 3) developing global human resources.

1) As for developing core human resources, we implement programs to develop core human resources responsible for growth and business creation of the NRI Group, which mainly involves developing executive candidates, developing capacity of operational management, and developing the ability to create new businesses. Our selective training for senior management aims to broaden our pipeline of executive candidates with our sights set on the next stage of our long-term management vision "Vision 2022." To such ends, the training enlists a curriculum that extensively delves into studies of fundamental knowledge necessary for management personnel. Meanwhile, the curriculum also entails studies departing from a business perspective centered on profit and loss, with respect to maximizing value by coordinating business segments and optimizing company-wide operations, and also enlists a managerial perspective such that includes striking a balance between the balance sheet and P&L, and multi-stakeholder engagement. It also entails performing assessments geared to enabling individuals to develop their abilities. Our selective training for mid-career employees encompasses studies of sophisticated managerial knowledge and the business creation process, thereby departing from career development in terms of practical aspects of business, and also entails offering programs that include leadership in the DX era which is a key element of the growth strategy under the long-term management vision "Vision 2022," and cross-industry exchange that is cognizant of human resources capable of spearheading joint development with our customers.

2) As for developing DX (digital transformation) human resources, we implement programs geared to developing talent that accelerates our DX strategy, which constitutes one of the growth strategies under our long-term management vision "Vision 2022." This involves establishing venues for studying not only information technology skills but also astute business insights drawing on the latest business use cases with the aim of enhancing capabilities required in the DX era, particularly with respect to AI and analytics, block chain technology, user experience (UX) design, as well as agile software development and microservices. We lend our support to efforts that include creating forums for our employees conducive to person-to-person networking and activity, which involves establishing venues for sophisticated studies by coordinating with Japanese and overseas universities as well as outside entities such as the Japan Data Scientist Society.

We are also mounting a strategic transition to adopting a human resources portfolio approach, which is an aim of NRI in the DX era. This involves implementing reskill education whereby consultants and system engineers who are equipped with conventional abilities extend their fields of activity to the DX realm drawing on their existing skills.

3) As for developing our global human resources, we implement programs geared to developing business leaders who are capable of playing active roles on the global stage. In that regard, we are focusing our efforts particularly on our overseas training system under which we send our employees to overseas locations of our corporate customers who operate globally for periods of about one year, thereby enabling such employees to gain first-hand experience in global business. We also offer overseas study programs in order to expose employees to a wide range of teachings and insights, while enabling them to gain sophisticated professional skills. Under such programs, employees learn about international standards of corporate management by acquiring MBA degrees at overseas business schools. Opportunities to earn degrees are also popular, particularly those in computer science (MSE and MCS) and legal affairs (LLM). Moreover, under our system of short-term training abroad and overseas foreign language study, we send employees to overseas business schools and training institutions so that they can acquire skills necessary for global business. We also implement training in English that involves study of project management and data science in China and India.

Human Resources Development - Data

Self-study

Given the notion that self-study is an essential aspect of an employee's career development as a professional, we furnish various recommendations in that regard with consideration placed on aspects of personnel affairs and other such factors. For special qualifications that are closely related to NRI's business including those for information processing engineers, project management professionals (PMP) and certified securities analysts, we implement test-preparation courses for employees and provide financial assistance to help cover the costs of taking courses externally.

We also provide reimbursement and financial assistance to help cover registration costs and examination fees with respect to gaining official qualifications that contribute to our business operations, including certified public accountant and small and medium enterprise management consultant qualifications. We are also enhancing our support for qualifications related to DX (digital transformation), including those in areas such as statistics, data science, artificial intelligence, cloud computing, and agile software development.

As for foreign languages, we carry out Test of English for International Communication (TOEIC) testing for employees and provide financial assistance to help cover costs of courses at language schools.

We are also focusing on efforts in the realm of self-study making use of massive open online courses (MOOCs) such as Coursera, Udemy and Gacco in line with the growing popularity of digital learning.

It is also crucial that we shift to new digital learning approaches in conjunction with progress being made in carrying out work-style reforms.

As such, in addition to making use of MOOCs, we are promoting various reforms with respect to styles of learning in terms of shifting to digital learning environments, shifting to digital communications related to studies, and establishing educational platforms transcending time and space.

References

"Evaluation system" making full use of human resources (In Japanese c

https://working.nri.co.jp/2019/contents/institution/institution_b.html

NRI's Human Resources Strategy

<https://www.nri.com/-/media/Corporate/en/Files/PDF/ir/library/AR2018e.pdf#page=54>

Human Resources Development - Data

▶ Human resources development program

Human resources development program 1

NRI has established 22 career fields with the industry-wide Information Technology Skill Standards (ITSS) in mind in order to better make areas and levels of employee expertise clear in-house and outside the company, commensurate with the actual performance of its employees. In so doing, we have defined seven respective levels of employee expertise. This system acts as a blueprint for employees to better understand their areas and levels of expertise so that they are able to make improvements when pursuing specializations. It also forms the basis for the C&A (Challenge and Act) system for setting goals and confirming results on a semi-annual basis.

Under the system, employees are encouraged to develop their abilities upon having set goals in multiple career fields. Although it is important that employees pursue a single area of expertise, we believe that by developing employees who have multiple areas of expertise employees will result in a situation of employees maintaining a broader perspective, more flexibly responding to changes in the business environment, collaborating across division lines, and spearheading joint development with our customers.

[Career fields]

1 Corporate Strategy Consultant	12 IT Platform Specialist
2 Business Consultant	13 IT Services Manager
3 Systems Consultant	14 Security Specialist
4 Business Strategist	15 Researcher
5 Sales Representative / Marketing Manager	16 Data Scientist
6 Project Manager (Development)	17 Project Management Specialist
7 Project Manager (Enhancement)	18 Quality Control Specialist
8 Application Architect	19 Business Administration Staff
9 IT Infrastructure Architect	20 Corporate Management / Headquarters Staff
10 Application specialist	21 Systems Engineer
11 Common Application Infrastructure Special	22 Consultant

Internal certification system

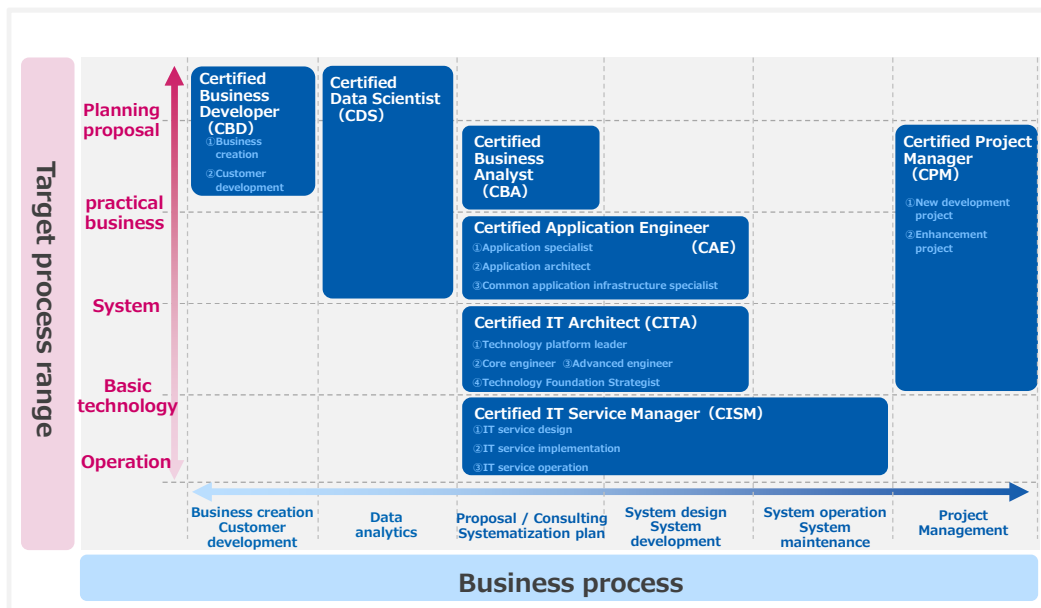
Through the granting of internal certification (NRI Certification) to employees with high levels of expertise who have refined their skills in career fields, NRI offers professional role models while also promoting the development of core NRI human resources in those fields.

NRI has established seven certifications in 16 areas and employees are able to gain multiple certifications.

Twice a year, examinations are held to select suitable NRI professional role models based on capability criteria and business performance.

Candidates for the role models receive OJT through appropriate job assignment and curriculum based training matched to the requirements of each certification.

[Internal certification system]



Human Resources Development - Data

Training program

NRI's training programs implemented company-wide are largely divided into two categories—employment hierarchy-specific training programs and career-specific training programs. The employment hierarchy-specific training programs feature content encompassing curriculum tailored to positions of employment, support for empowering female employees, and career development of longtime employees. Such content also includes the selective managerial human resources development initiatives in addition to curriculum geared to specific levels in the employment and executive hierarchies. The career-specific training programs feature content that aligns with NRI's various systems for developing its human resources. We also offer a variety of training programs to meet diverse employee needs, such that are particularly mindful with respect to developing abilities on an individual basis in a manner tailored to respective career fields and facilitating career development with sights set on employees gaining our in-house certifications. Moreover, we are stepping up efforts for developing Digital Transformation (DX) human resources and developing global human resources, such that constitute a key aspect of human resources development under our long-term management vision "Vision 2022."

In addition to its company-wide training programs, NRI's respective business divisions also develop and implement training programs of their own. We have accordingly established a robust training and development framework encompassing the business and operating processes of each business division.

[NRI Training Program]

Classification	New Talent		Mid-level		Management Group Manager (GM) · Director		
		New employee training	Professional training	Deputy chief training	Chief training	Manager training	Group Manager (GM) training
Stratified program Management personnel	Veteran Career Plan Workshop						
				Female leader training	Female manager training	Executive Inclusion Seminar	
				Mid-level selection training (Management Knowledge · Leadership · Cross-industrial interaction, etc.)	Selected manager training Selected GM training Selected director training		
Career Program Focus areas	Consulting training						
	IT skills training	Career basic training (Common / Selective)		Career practice training (By carrier field)	Career advanced training (By carrier field)		
	Other skills training						
	DX Human resource development program						
Global human resource development program							
Other	Self-study support program						
	Divisional training program (Department/Group Company/Global)					Divisional selected program	

Required Recommend Open call

Business impacts

NRI is working to expand its pool of employees who promote its strategic fields of business. To such ends, we draw our employees' attention to human resource profiles that align with NRI's growth strategy under its long-term management vision "Vision 2022," and accordingly direct employees to careers and employee development programs in that regard. Moreover, by giving greater visibility to human resource development realities and changes over time, we can better formulate long-term human resource strategies, assess our human resource portfolio and develop employees with sophisticated expertise over the short term.

Target employee

All employees

Human Resources Development - Data

Human resources development program 2

Stratified program

The NRI Group implements various training programs geared to specific stages of careers. We are also focusing our efforts on systematically developing executive candidates. This involves implementing training programs upon career promotion or job appointment, and implementing selective training programs at respective levels of the employment hierarchy, from the level of mid-career employee to that of executive officer. Furthermore, we are also focusing our efforts on initiatives to support diversity. This involves raising awareness of employees through diversity and inclusion seminars and carrying out educational campaigns, in addition to selective programs for female employees specific to respective levels of the employment hierarchy. We also implement career planning workshops that help our longtime employees continue to excel on the job.

Management Human Resource Development Program

NRI implements programs to develop its core human resources responsible for the NRI Group's growth strategy and business creation. The curriculum of these development programs consists mainly of three elements:

- 1) courses aiming to develop executive candidates, 2) courses aiming to develop proficiency with respect to managing business drawing on a managerial point of view and a company-wide perspective, and 3) courses aiming to develop the ability to create new businesses. Our selective training for senior management, particularly that involving courses aiming to develop executive candidates, aims to broaden our pipeline of executive candidates with our sights set on the next stage of our long-term management vision "Vision 2022." To such ends, the training enlists a curriculum that extensively delves into studies of fundamental knowledge necessary for management personnel. Meanwhile, the curriculum also involves studies departing from a business perspective centered on profit and loss, with respect to maximizing value by coordinating business segments and optimizing company-wide operations. It also enlists a managerial perspective such that entails striking a balance between the balance sheet and P&L, and multi-stakeholder engagement. Moreover, those selected for the program from among senior management, including executive officers, enroll in an outside business school (Nomura School of Advanced Management) supported by NRI where they work to gain managerial competency by diligently applying themselves in conjunction with other students sent by companies exemplifying Japan. The selective training for mid-career employees entails studies of sophisticated managerial knowledge and the business creation process, thereby departing from career development in terms of practical aspects of business. It also entails offering programs that include leadership in the DX (digital transformation) era which is a key element of the growth strategy under the long-term management vision "Vision 2022," and cross-industry exchange that is cognizant of human resources capable of spearheading joint development with our customers. Participants who are selected from among NRI's managerial track employees, mid-career employees and others at respective levels of the employment hierarchy engage in group training, personal work assignments, workshops and other such program activities in hopes that they will pinpoint challenges relating to NRI's management and business operations, and accordingly propose and implement solutions in that regard.

[Stratified program]

	Level and position-specific training		Management human resource development		Active women, diversity		Others		
Officer	New officer training	Executive study sessions	Executive Officer Training	Business school dispatch for managers	Female officer selection training	Diversity & Inclusion Seminar	Training to support both work and childcare	Career plan workshop	Life plan seminar
Manager	New director training	Senior management training	Director selection training	Short-term business school dispatch	Women's Leadership School				
	New manager training	Training for existing managers	Section manager selection training		Female manager training seminar				
	Managerial fourth year training		Selection training for managers						
Mid-level	Chief promotion training	Group training when joining a company	Selection training for mid-career	Cross-industry exchange training	Female leader development program				
	Deputy chief promotion training								
New Talent	Professional promotion training								

Human resource development program for Digital Transformation

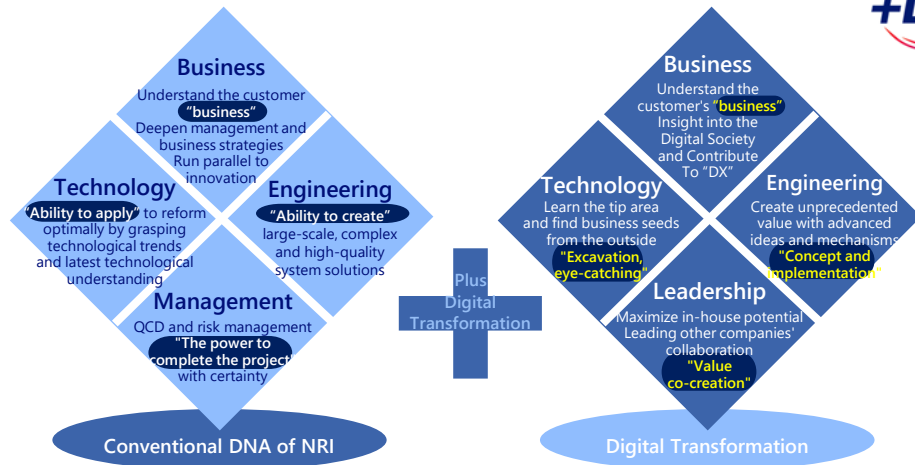
NRI implements programs geared to developing talent that accelerates its DX (Digital Transformation) strategy, which is one of the growth strategies under its long-term management vision "Vision 2022." Accordingly, we have arranged training programs that help employees gain DX skills transcending years of service at NRI in addition to our conventional training specific to an employee's years of service since joining the company. The aim of such training programs is to enhance capabilities of employees required in the DX era, particularly with respect to AI, analytics, block chain technology, user experience (UX) design, as well as agile software development and microservices. The training programs provide rich learning environments complete with diverse curricula extending beyond fundamental knowledge and IT skills, designed so that participants are able to share practical expertise, the latest business use cases, profound insights typical of NRI and astute business insights. These programs support efforts that include creating forums for our employees conducive to person-to-person networking and activity. To such ends, the programs draw on numerous academic findings and forward-looking case studies, and establish venues for sophisticated studies by actively coordinating with Japanese and overseas universities, outside entities such as the Japan Data Scientist Society, and corporations. Meanwhile, the programs are set up to provide participants with chances to acquire a greater range of highly effective skills through course curriculum designed and planned around the notion of ensuring opportunities for learning, participating, connecting, and playing active roles. We are also mounting a strategic transition to a human resources portfolio approach, which is an aim of NRI in the DX era. This involves implementing reskill education whereby consultants and system engineers who are equipped with conventional abilities extend their fields of activity to the DX realm drawing on their existing skills.

Human Resources Development - Data

Human resource development program for Digital Transformation

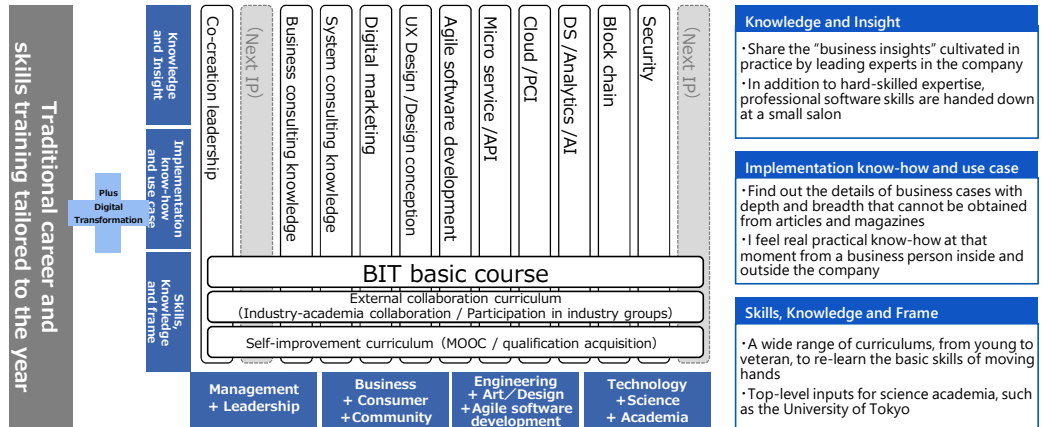
[New human resource image for Digital Transformation]

Leverage our experiences and put them to work in driving "DX"



[Human resource development program for Digital Transformation]

Add "DX" skills according to individual's career and intention



[Providing four opportunities for Digital Transformation human resource growth]

Add the essence of surviving the DX era in the learning field. Maximize opportunities for "self-learning"



- | | | | |
|---|---|--|---|
| <p>1. Opportunities for learning</p> <ul style="list-style-type: none"> In addition to simple skills and case studies, NRI will offer advanced knowledge sharing and training to learn unique insights We also offer courses that give the degree of freedom so that you can learn at your own pace depending on the situation of each person, and basics so that even inexperienced people and veterans can easily tackle Coursera, University course, Promote self-studying by acquiring qualifications | <p>2. Opportunity to participate</p> <ul style="list-style-type: none"> Opportunities for in-house and external training, as a professor / lecturer / lecturer to industry-academia collaborative universities, and for intern students From the NRI number one, build the industry's number one knowledge, develop high-quality content, and lead the development that is really necessary with the on-site skin sensation Get more learning through opportunities to teach others | <p>3. Opportunity for connect</p> <ul style="list-style-type: none"> Participated in the planning of employee training as a member of an expert meeting, and linked with the in-house Center-of-Excellence Understand what kind of human resources and projects are there and use them as the basis for collaboration It will be a place to find talented personnel, and it will be possible to search for candidates for certification and job assignments. | <p>4. Opportunities for achievement</p> <ul style="list-style-type: none"> External activities through active information dissemination such as external lectures, newspaper articles / Web articles Active as a board member or member of an industry association to build a connection to the industry Aiming to improve NRI's presence through external activities, increase own name value, and self-growth |
|---|---|--|---|

Human Resources Development - Data

Global Human Resources Development Program	<p>NRI implements many overseas programs geared to developing business leaders who are capable of playing active roles on the global stage.</p> <p>In that regard, we are particularly focusing our efforts on our overseas training system whereby we send our employees to overseas locations of our corporate customers who operate globally for periods of about one year, thereby enabling such employees to gain first-hand experience of global business.</p> <p>Meanwhile, we also offer overseas study programs in order to expose employees to a wide range of teachings and insights, while enabling them to gain sophisticated professional skills. Under such programs, employees learn about international standards of corporate management by acquiring MBA degrees at overseas business schools. Opportunities to earn degrees are also popular, particularly those in computer science (MSE and MCS) and legal affairs (LLM). Moreover, under our system of short-term training abroad and overseas foreign language study, we send employees to overseas business schools and training institutions so that they can acquire skills necessary for global business. We also implement training in English that involves study of project management and data science in China and India.</p>
Business impacts	<p>We are promoting the expansion of human resources promoting strategic fields by showing employees the image of personnel, careers, and development programs in line with the growth strategy of NRI's long-term management vision "Vision 2022".</p> <p>In addition to "recruitment" as a measure of "human resources and resource strategy" of the new medium-term management plan 2022, "employee skill conversion" is mentioned and promotes the risk to employees who can handle DX strategy.</p> <p>With regard to the three core issues of core human resource development, approximately 190 department managers since 2002, and approximately 90 section managers after the 2015 revision, have completed the selective development program, and have strengthened the pipeline of successor candidates.</p> <p>In "DX Human Resources Development," we are strengthening strategic capabilities such as AI, analytics, blockchain and agile, and promoting the realization of growth strategies by shifting personnel to strategic priority areas.</p> <p>In "Global Human Resources Development," we are promoting the expansion of NRI's global businesses by fostering global business leaders.</p>
Target employee	Senior and middle management

▶ Inputs for human resources development

Human resources development investment cost	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Total human resources investment cost	millions of yen	3,528	3,372	3,365	3,448	3,632
	Coverage	a	a	a	a	a
Human resource development capacity development investment cost per employee	thousands of yen	521	486	475	466	477
	Coverage	c	c	c	c	c
Personnel development capacity development period per employee	Hour / person	57	54	47	45	52
	Coverage*	c'	c'	c'	c'	c'

* c':NRI employees engaged in Japan and overseas

▶ Effect of human resources development

Measures of the effect of human resources development						
NRI places importance on the number of employees with professional qualifications as an index for objectively assessing investment efficiency in development of individuals with highly advanced professional skills.						
Number of employees who acquired the professional qualifications	unit	FY2014	FY2015	FY2016	FY2017	FY2018
Information processing engineer (IT strategist)	no. of person	246	279	305	328	354
Information processing engineer (System architect)	no. of person	848	876	903	949	974
Information processing engineer (Project manager)	no. of person	693	743	814	869	909
Information processing engineer (Network specialist)	no. of person	886	909	939	955	975
Information processing engineer (Database specialist)	no. of person	689	743	789	843	879
Information processing engineer (Embedded system specialist)	no. of person	33	37	40	48	50
Information processing engineer (Information security specialist)	no. of person	951	1,093	1,218	1,202	1,185
Information processing engineer (IT service manager)	no. of person	341	360	388	409	413
Information processing engineer (System audit engineer)	no. of person	317	333	342	354	360
Registered Information Security Specialist* ¹ (Successful candidates)	no. of person	-	-	-	108	242
Project Management Professional	no. of person	213	230	255	292	299
ITIL Manager / Expert / Intermediate	no. of person	53	63	70	70	70
Chartered Member of the Securities Analysts Association of Japan	no. of person	224	228	242	245	245
Certified Public Accountant Small and Medium sized	no. of person	8	10	9	9	16
Enterprise Consultant	no. of person	37	42	45	46	46
First-class Registered Architect	no. of person	12	12	11	10	10
Chief Telecommunications Engineer	no. of person	118	114	110	107	107
Number of employees who acquired NRI certification system						
Certified Business Developer	no. of person	24	25	24	18	15
Certified Business Analyst	no. of person	24	23	26	23	22
Certified Data Scientist* ²	no. of person	-	-	-	7	14
Certified Application Engineer* ³	no. of person	-	7	16	19	23
Certified IT architect	no. of person	76	70	67	65	69
Certified IT Service Manager	no. of person	27	27	28	30	33
Certified Project Manager	no. of person	95	100	96	94	93
	Coverage	c	c	c	c	c

Note: As of the end of each fiscal year.

*1 Examination started in April 2017.

*2 Certification started in October 2017

*3 Certification started in October 2015

Business and Human Rights - Management Approach

Material issues of NRI related to this management approach

"Respect for human rights" and "Dialogue with civil society"

NRI's approach to material issues

As stated in the NRI Group's Human Rights Policy, the NRI Group supports and respects international norms concerning human rights and labor, such as the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Guiding Principles on Business and Human Rights. In particular, NRI has formalized and clarified an agenda on respect for basic labor rights and the prohibition of forced labor, child labor, discrimination, and harassment.

Furthermore, the NRI Group has, in its NRI Group Procurement Policy, stated that it will engage in procurement that takes human rights into account in transactions with its business partners, including outside contractors and suppliers. In addition, NRI joined the United Nations Global Compact in May 2017, in support of the ten principles in the four areas of human rights, labor, environment and anti-corruption. Based on our own commitment from top management, NRI is committed to acting as a good member of society and striving to achieve sustainable growth by observing and practicing the ten principles and demonstrating responsible creative leadership.

Priority activities / Medium- to long-term targets

As one of the growth strategies in the long-term management vision 'Vision 2022', NRI upholds 'Dramatic expansion of globalization', and positioned the overseas human rights issue as critical business challenge. Currently, we are planning to identify human rights risk and implement human rights due diligence in FY 2019.

Progress / Achievements / Challenges

In FY 2018, We started to conduct human rights due diligence in Sustainability & Responsibility Committee.

Link Files	<p>The NRI Group's Human Rights Policy https://www.nri.com/en/sustainability/social/policies#human-rights NRI Group Procurement Policy https://www.nri.com/en/company/partner</p>
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Business and Human Rights - Data

▶ Business and human rights policy

Human rights policy	
	<p>The NRI Group has established the NRI Group Policy on Human Rights, and accordingly adheres to international standards of human rights including the International Bill of Human Rights, The International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and The Ten Principles of the United Nations Global Compact.</p> <p>Moreover, NRI also engages in procurement activities in a manner that places due consideration on human rights, and likewise calls for its business partners to engage in business activities in such a manner, as is stipulated under "Respecting ESG" in the NRI Group Procurement Policy.</p>
Applicable scope	NRI Group and business partners such as outside contractors and suppliers
References	<p>The NRI Group's Human Rights Policy https://www.nri.com/en/sustainability/social/policies#human-rights NRI Group Procurement Policy https://www.nri.com/en/company/partner</p>

▶ Business and human rights management

Chief officer in charge of human rights	
	Senior Corporate Managing Director of NRI
Responsible committee	Human Rights Education Committee
Involvement of the Board of Directors with respect to human rights (reporting, deliberation, director evaluation, reflection in remuneration)	Human Rights Education Committee reports on the policies and status of activities once every six months to the Board of Directors. In addition, any issue that requires the approval of the Board of Directors shall be properly deliberated by the Board of Directors before a decision is made.
Education and awareness	<p>With respect to NRI Group employees, the NRI Group Employees' Code of Business Conduct state that, in order to create a staff-friendly workplace, everyone's personality and individuality is to be respected, and that no speech or behavior that violates human rights is to take place.</p> <p>These rules are made known through the guidance in the "Rule Book: Fundamental Rules for Executive Officers and General Staff" which is reviewed annually. In addition, these points are brought up during training for each hierarchy level or executive training, refreshing the relevant awareness. In the event of any speech or behavior that violates human rights, the facts of the situation are investigated, after which the relevant employee is disciplined, if necessary, for the compliance violation.</p> <p>We regularly provide temporary employees with "Fundamental Rules to be Observed when Working at the NRI Group (for Temporary Employees)," and explain that human rights are to be respected and that discriminatory speech and behavior are prohibited.</p> <p>All division heads in NRI Group companies are appointed as promotion members of the Human Rights Education Committee. In addition, division heads are given and made aware of their responsibility to create staff-friendly workplaces where everyone's human rights are respected.</p>

▶ Freedom of association and the right to collective bargaining

Dialogue with labor union						
	<p>NRI has a union shop contract with the Nomura Research Institute Labor Union.</p> <p>Through collective bargaining and informal meetings, NRI frequently discusses various issues with the union, including financial benefits and aspects involving human resources management and the work environment. Findings from the annual survey of employees' attitudes conducted by the Union as well as the issues that have come to light in deliberations at the Union branch meetings and seminars are reported to NRI's executive management so as to inform its drafting of HR policies.</p>					
Number of labor union members*1	unit no. of person	FY2014	FY2015	FY2016	FY2017	FY2018
Rate of unionization*2	%	100	100	100	100	100
	Coverage*2	d	d	d	d	d

*1 As of the beginning of following fiscal year.

*2 Rate of unionization is the ratio to the target employee. (NRI adopts the union shop system)

Business and Human Rights - Data

► Human rights due diligence

Identification process of human rights risks

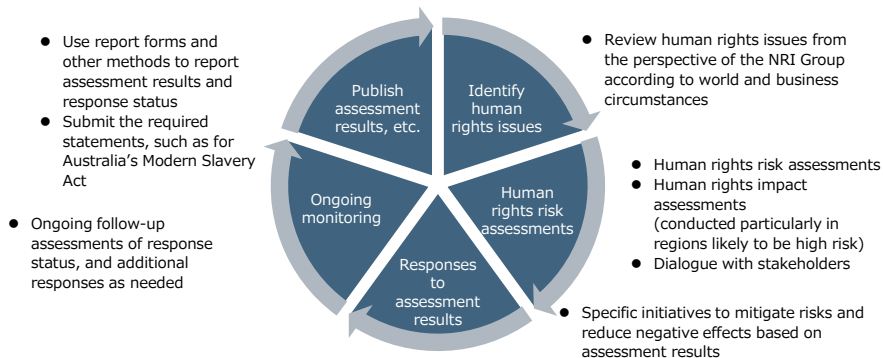
The NRI Group will promote activities for the protection, respect and redress of human rights as a company based on international norms such as the International Human Rights Code and the ILO Core Labor Standards and the Guiding Principles on Business and Human Rights.

	Up to now	Going forward
Clarification and deployment of human rights policies	Revise Group policies on human rights ↓ Translate into the actions of individuals Revise the Group Code of Conduct	<ul style="list-style-type: none"> Ongoing training for management and employees Communicate information internally and externally about human rights-related activities Explain human rights policies to business partners, request their participation in human rights activities, etc.
Human rights Due Diligence	Assessments of human rights-related risk by country (potential risk) Conduct in advance human rights due diligence (overseas partners)	<ul style="list-style-type: none"> Full-scale implementation of human rights impact assessments Addressing and monitoring specified negative effects Publish reports on assessments and what was done to address negative effects
Remedy / Remediation, relief, and rectification	Establish structures to address human rights (Human Rights Education Committee, Human Rights Team of Sustainability & Responsibility Committee, etc.)	<ul style="list-style-type: none"> Establish structures and decision-making processes to address human rights Establish grievance mechanisms Revise human rights initiatives on an ongoing basis, and respond flexibly according to circumstances

Implementation of human rights due diligence based on the UN Guiding Principles

NRI Group has established a framework for conducting human rights due diligence, in accordance with the procedures outlined in the UN Guiding Principles for Business and Human Rights.

1. Human Rights Due Diligence Cycle



2. Human Rights Risk Assessment

NRI Group conducted Human Rights Risk Assessment in collaboration with Verisk Maplecroft*¹ and Caux Round Table Japan*², which provide globally generally accepted human rights risk assessment methods, and identified the potential human rights risks that NRI Group's business activities may have on human rights.

In accordance with the industry classification of Verisk Maplecroft, this human rights risk assessment covers the software & IT services industry to which the IT service business, the main business of the NRI group, belongs, and the professional services industry to which the consulting business belongs.

The report also covers all 37 countries where NRI, consolidated subsidiaries and Tier 1 suppliers are located, and has identified potential human rights risks that these industries could cause in the covered areas.

With regard to 10 human rights risk indices which selected based on their alignment to the International Labour Organisation (ILO) core labour conventions and relevance to the industries analysed, human rights risks are evaluated with a score of 0 to 10 points and are classified into four risk levels (extreme risk, high risk, medium risk, low risk).

*1 Verisk Maplecroft is a leading global risk analytics, research and strategic forecasting company. It provides databased solutions and advice on political, human rights, economic and environmental risks to organizational resilience and sustainable procurement.

*2 Caux Round Table is a global network of business leaders aimed at ensuring business contributes to a more free, fair and transparent

Scope of the assessment

Business activities	Software & IT Services Industry: IT service business (Financial IT Solutions, Industrial IT Solutions, IT Platform Services) Professional Services Industry:
Countries and areas	Australia, Brazil, Canada, China, Denmark, Dominican Republic, France, Germany, India, Indonesia, Ireland, Italy, Japan, Luxembourg, Malaysia, Mexico, Micronesia, Mongolia, Netherland, New Zealand, Norway, Panama, Philippines, Romania, Russia, Singapore, South Africa, South Korea, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, USE, UK, USA, Vietnam
Human Rights Indices	Child labour, Decent wages, Decent working time, Discrimination in the workplace, Modern slavery, Occupational health and safety, Right to privacy, Freedom association and collective bargaining, Indigenous Peoples rights. Land property and housing

Business and Human Rights - Data

<p>Identified Human Rights Risks</p> <p>Right to privacy</p> <ul style="list-style-type: none"> It was identified as "extreme risk" in 8 countries/regions and "high risk" in 8 countries/regions as human rights risk related to Software & IT Services Industries. It was identified as "high risk" in 4 countries/regions as human rights risk related to Professional Services Industry. (Major stakeholder groups related: customers, communities) <p>Decent wages</p> <ul style="list-style-type: none"> It was identified as "high risk" in 14 countries/regions as human rights risk related to Software & IT Services Industries. (Major stakeholder groups related: Employees, Suppliers' employees) <p>Decent working time</p> <ul style="list-style-type: none"> It was identified as "high risk" in 5 countries/regions as human rights risk related to Professional Services Industry. (Major stakeholder groups related: Employees, Suppliers' employees) <p>In the future, based on the identified human rights risks, NRI will carry out human rights impact assessments that analyze and evaluate the impacts of NRI Group's business activities on human rights of stakeholders, and work to prevent and mitigate to human rights risks.</p>

► **Response to consultation and report on human rights**

System for responding to consultations and reports for employees, temporary employees and partner company employees

For NRI Group employees, temporary employees, and partner company employees, in the unlikely event that their own human rights or those of someone else have been compromised, or if they notice there may be the risk of the same, there are both internal and external reporting desks available, the contact details for which can be checked on the intranet at any time. In addition, we make efforts to inform employees of the existence of these reporting desks by including the information in their training when they join the company and also in the annually distributed booklet entitled "NRI Group Rule Book: Fundamental Rules for Executive Officers and General Staff." Furthermore, temporary employees and employees from partner companies who work at NRI Group offices (outside contractors) are provided with an explanation and materials indicating that there is a reporting desk when they first start work. With respect to consultations and reports, we promptly investigate the facts and take measures to handle situations and prevent their recurrence.



Applicable scope

NRI Group employees, temporary staff, partner companies (outside contractors) employees

System for responding to external consultations and reports (suppliers, local communities, other)

We have not established a dedicated desk for human rights complaints coming from outside the NRI Group. However, the switchboard telephone numbers and email addresses accepting general inquiries are publicly available, and the Public Relations Department of each company acts a liaison, with the relevant division providing the appropriate response.

Applicable scope

All stakeholders except NRI Group employees, temporary staff, partner companies (outside contractors) employees

Business and Human Rights - Data

► Engagement on human rights

Stakeholder dialogue	
	<p>Every year NRI holds dialogues with experts and strives to grasp ESG risks including human rights risk related to the business activities of the NRI Group.</p> <p>In FY 2017, we held dialogues with distinguished experts on human rights and ESG investors in London and Tokyo. In this dialogue, NRI was pointed out human rights risks to consider, such as digital rights, workers' rights, discrimination on gender or nationality, supply chain human rights, and community impacts. NRI intend to identify specific human rights risks, evaluate and respond to them.</p>
Reference	<p>Stakeholder Dialogues https://www.nri.com/en/sustainability/management/dialogue</p>
Multi stakeholder engagement	
	<p>Since fiscal 2012 we have taken part in the Stakeholders Engagement Program (Human Rights Due Diligence Workshop) organized by the Caux Round Table Japan. We are committed to keeping ourselves informed on human rights issues through dialogues with multi-stakeholders including companies, NGOs and NPOs, and industry and academic experts.</p>
Issues raised	<p>Key human rights issues for the ICT sector (extract)</p> <ul style="list-style-type: none"> • The potential for employees to work long hours and / or unpaid overtime when working on developing information systems • The potential threat from service shutdowns to users' activities and daily lives • The potential for damage to people's privacy from personal data breaches • The potential for damage to people's personal rights from malicious websites and / or information and communications technologies (ICT) • The risk of being unable to resist state demands to hand over personal information • The potential risk in overseas business activities of bribery and corruption involving government officials • Environmentally sensitive usage of energy and water • Exerting a positive influence on improving people's lives by bridging the information divide between communities
References	<p>2018 Stakeholder Engagement Program in Japan (In Japanese only) http://crt-japan.jp/portfolio/she-program/ 2018 Human Rights Due Diligence Workshop (Stakeholder Engagement Programme) http://crt-japan.jp/files2018/SHE/Report%20of%20Stakeholder%20Engagement%20Program%20in%20EN.pdf</p>

Corporate Citizenship - Data

▶ Corporate citizenship policy

Corporate citizenship policy	
	<p>As a member of stakeholders in the community or society, we are responsible for contributing to the development of the community and society by utilizing our resources of human, technologies, or finance.</p> <p>NRI considers our business activities and social contribution activities as an integrated activity to realize the corporate philosophy of "Dream up the future". And priority areas of social contribution activities are personal development, social development, and information publishing.</p>
References	<p>NRI Student Essay Contest (In Japanese only) https://www.nri.com/ip/news/event/1st/cc/sustainability/contest</p> <p>Career education program (In Japanese only) https://www.nri.com/ip/sustainability/edu</p> <p>Efforts of NRI Group toward reconstruction from the Great East Japan Earthquake (In Japanese only) https://www.nri.com/ip/act311</p>

▶ Focus areas of corporate citizenship activities

Focus areas of corporate citizenship activities 1	
	Human resources development for next generation
Relevance to business	<p>Developing personnel assuming the next generation is an activity where we can leverage rich professional resources in NRI, and at the same time the integral activity embodying "Dream up the future", NRI's corporate philosophy.</p> <p>In order to realize the NRI Group's corporate philosophy of Dream up the future, NRI believes it will be important to provide training for our young people today, who will lead our workforces in the future, and to generate a greater community ripple effect for the future. The NRI Group has developed a range of education programs for all students, from elementary school students to university students and international students, based on its know-how and tailored to the needs of each particular group. Through its Student Dialogues and Student Essay Contest it also provides forums for students to turn their minds to the future. The NRI Group also engages in collaborations with educational institutions, with its employees for example giving classes and talks at universities, and arranging for teachers to receive training at companies in the private sector.</p>
Business benefits	<p>Improving Brand Power and Reputation: Manifesting strength in personal development facilitates us earning brand power as a thinktank. Especially higher recognition from students provides us with advantage in recruiting talented individuals. In order to measure value of NRI from students' perspective, we conduct dialogues with students every year and use it as one of the KPIs.</p>
Social benefits	<p>One of the most continuously effective activities in human development activities is the "NRI Student Essay Contest," which has been held every year since 2006.</p> <p>The number of submissions for papers in 2018 is 1,444 works, totaling 15,582 works in the past 12 times.</p>

Focus areas of corporate citizenship activities 2

Focus areas of corporate citizenship activities 2	
	Social development
Relevance to business	<p>Important elements for realizing sustainable societies are (1) providing developmental support to emerging economies and developing countries whose economies and societies are in transition, and (2) helping regional communities rebuild as they work to get back on their feet after suffering a major natural catastrophe. The NRI Group's consulting skills are among the strong resources in its possession, and we use these skills to provide support with emerging countries' development and for countries recovering from disasters. Another powerful resource we possess is our IT solutions capabilities, which we utilize to support regional communities with their development. Another important activity we undertake is our contributing to society programs which help local communities.</p>
Business benefits	<p>Business Outcome in Rebuilding Regional Communities and Developmental Support: Our contributing to society programs related to social development have lead us to the consulting business and IT solution business for rebuilding regional communities and providing developmental support to emerging economies and developing countries, and to become profitable. Achievements of these activities can be measured by individual project basis, as presented in the reference case.</p>
Social benefits	<p>One of the results of social development is the donations to victims of natural disasters.</p> <p>A total of 9,134 NRI Group employees will contribute to the recovery efforts for the Great East Japan Earthquake in March 2011, for a total of 214 million of yen, including matching gifts from NRI.</p> <p>A total of 2,350 NRI Group employees contributed to the 2016 Kumamoto Earthquake recovery efforts, for a cumulative total of 35 million of yen including matching gifts from NRI.</p> <p>Contributions to victims of the heavy rainfall disaster in July 2018 will be donated by 626 Group employees, for a total of 5 million of yen.</p>

Corporate Citizenship - Data

Focus areas of corporate citizenship activities 3	
	Information communication
Relevance to business	Publication of investigation and research activities outcome is indispensable, for disseminating the social innovation that NRI promotes and receiving recognition widely from the society. Since our foundation, we have undertaken investigation and research activities in diverse fields. We use the results of these activities in our business and continue to propagate intellectual assets through periodic publications and reports, books, and events such as forums.
Business benefits	Research and Development Expense (investment for innovation): Constant information publishing through forums and events facilitates increase of NRI's recognition as a think-tank and opportunities of projects with the most advanced innovations. Achievement of the activities are regarded as return on the investment for innovation, which can be measured in terms of the research and development expense.
Social benefits	We disclose the information communication record in recent years as KPI, by which social impact of the information publishing is measured.

▶ Inputs for corporate citizenship activities

Social contribution expense		unit	FY2014	FY2015	FY2016	FY2017	FY2018
Total		millions of yen	581	687	591	561	689
By expense item	Cash contribution	millions of yen	201	348	360	272	395
	In-kind contribution	millions of yen	1	0	1	0	0
	Facility offering	millions of yen	10	4	4	4	4
	Employee activities	millions of yen	367	335	226	284	289
	Others	millions of yen	0	0	0	0	0
	Ratio to ordinary income (Non-consolidated)	%	1.10	1.24	1.06	0.96	0.89
	Coverage		c	c	c	c	c

▶ Impacts of corporate citizenship activities

Key performance indicator of corporate citizenship activities		unit	FY2014	FY2015	FY2016	FY2017	FY2018
Human resources development for next generation	Number of entries for NRI Student Essay Contest		883	2,622	3,103	1,767	1,444
	Career education support						
	Number of schools conducted		31	38	34	24	31
	Number of participants	no. of person	1,700以上	1,500以上	1,277	733	850
	Lecture to university						
	Number of schools conducted		28	32	n/a	n/a	n/a
	Number of lecturers dispatched	no. of person	52	59	n/a	n/a	n/a
	Coverage		c	c	c	c	c
Social development	Donation support for disaster-stricken areas*1	thousands of yen	19,500	16,095	39,904	13,214	16,577
	Great East Japan Earthquake disaster	thousands of yen	19,500	16,095	12,010	9,000	8,000
	2016 Kumamoto Earthquake	thousands of yen	-	-	27,894	4,214	2,960
	July, 2018 heavy rain disaster	thousands of yen	-	-	-	-	5,617
	Coverage		a	a	a	a	a
	TABLE FOR TWO*2 *3	number of meals provided locally	14,404	13,842	16,628	24,041	34,982
	Coverage		d	d	d	d	d
Transmission of information	Number of books issued		19	25	13	15	20
	Number of articles in newspapers and magazines		210	229	273	298	306
	Number of lectures given		1,088	1,161	937	962	922
	Number of appearances on television and radio		81	126	102	158	267
	Number of news releases*4		88	107	97	104	69
	Coverage		c	c	c	c	c

*1 Total value of donation from NRI group employees and matching gift by NRI.

*2 Total value of donation from eating and drinking person and matching gift of same amount by NRI.

*3 Including the amount of CUP FOR TWO started from FY 2017.

*4 The publication standard for "News Release" has been revised from FY 2018.



Translation

The following is an English translation of an independent assurance report prepared in Japanese and is for information and reference purposes only. In the event of a discrepancy between the Japanese and English versions, the Japanese version will prevail.

Independent Assurance Report

June 28, 2019

TO:

Mr. Shingo Konomoto
Chairman and President & CEO
Nomura Research Institute, Ltd.

Kenji Sawami
Engagement Partner
Ernst & Young ShinNihon LLC
Tokyo, Japan

We, Ernst & Young ShinNihon LLC., have been commissioned by Nomura Research Institute, Ltd. (hereafter the "Company") and has carried out a limited assurance engagement on the environment data and indices (hereafter the "Indicators") of the Company and its major subsidiaries and Yokohama Center (Yokohama Nomura Building) for the year ended March 31, 2019 as included in "Disclosure of Sustainability Information" on the Company's ESG Databook 2019 (hereafter the "Report"). The scope of our assurance procedures was limited to the Indicators marked with the symbol "✓" in the Report.

1. The Company's Responsibilities

The Company is responsible for preparing the Indicators in accordance with the Company's own criteria, that it determined with consideration of Japanese environmental regulations as presented in the Data in III. Method of Calculation on Scope of Data Collection and Method of Calculation for Key Sustainability Performance Indicators. Greenhouse gas (GHG) emissions are estimated using emissions factors, which are subject to scientific and estimation uncertainties given instruments for measuring GHG emissions may vary in characteristics, in terms of functions and assumed parameters.

2. Our Independence and Quality Control

We have met the independence requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants in July 2018, which is based on the fundamental principles of integrity, objectiveness, professional competence and due care, confidentiality, and professional behavior. In addition, we maintain a comprehensive quality control system, including documented policies and procedures for compliance with ethical rules, professional standards, and applicable laws and regulations in accordance with the International Standard on Quality Control 1 issued by the International Auditing and Assurance Standards Board in April 2009.

3. Our responsibilities

Our responsibility is to express a limited assurance conclusion on the Indicators included in the Report based on the procedures we have performed and the evidence we have obtained.

We conducted our limited assurance engagement in accordance with the *International Standard on Assurance Engagements: Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000")* (Revised), issued by the International Auditing and Assurance Standards Board in December 2013, *Practical Guidelines for the Assurance of Sustainability Information*, revised in December 2014 by the Japanese Association of Assurance Organizations for Sustainability Information and, with respect of GHG emissions, the *International Standard on Assurance Engagements: Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410")*, issued by the International Auditing and Assurance Standards Board in December 2013.

The procedures, which we have performed according to our professional judgment, include inquiries, document inspection, analytical procedures, reconciliation between source documents and Indicators in the Report, and the following:

- Making inquiries regarding the Company's own criteria that it determined with consideration of Japanese environmental regulations, and evaluating the appropriateness thereof;
- Inspecting relevant documents with regard to the design of the Company's internal controls related to the Indicators, and inquiring of personnel responsible thereof at the Company, Data Centers (2 centers) and Yokohama Center visited;
- Performing analytical procedures concerning the Indicators at the Company, Data Centers (2 centers) and Yokohama Center visited;
- Testing, on a sample basis, underlying source information and conducting relevant re-calculations at the Company, Data centers (2 centers) and Yokohama Center visited,

The procedures performed in a limited assurance engagement are more limited in nature, timing and extent than a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is lower than would have been obtained if we had performed a reasonable assurance engagement.

4. Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Indicators included in the Report have not been measured and reported in accordance with the Company's own criteria that it determined with consideration of Japanese environmental regulations.

GRI Standards Content Index

NRI's sustainability information disclosure is prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Sustainability Reporting Standards.

◆ General Disclosures

102 : General Disclosures		Reference	
1. Organizational profile			
102-1	Name of the organization	Integrated Report 2019 - Corporate Data / Share Information	P90
102-2	Activities, brands, products, and services	Integrated Report 2019 - Business Model	P21
		Integrated Report 2019 - NRI's Four Business Segments	P39
102-3	Location of headquarters	Integrated Report 2019 - Corporate Data / Share Information	P90
102-4	Location of operations	Integrated Report 2019 - NRI Group Network	P89
		NRI official website - NRI Group Companies and offices	(Link)
102-5	Ownership and legal form	Integrated Report 2019 - Corporate Data / Share Information	P90
102-6	Markets served	Integrated Report 2019 - Competitive Advantages of Social and Relationship Capital	P30
		Integrated Report 2019 - NRI's Four Business Segments	P39
		Integrated Report 2019 - NRI Group Network	P90
		NRI official website - Solutions & Services	(Link)
		NRI official website - NRI Group Companies and offices	(Link)
102-7	Scale of the organization	Labor Practices, Diversity - Employee data	P51
		Integrated Report 2019 - 11-year Summary Consolidated Financial Statements	P83
		Integrated Report 2019 - Corporate Data / Share Information	P90
		Annual Securities Report - 2. Business Status - Management discussion and analysis of the financial situation, management results and cash flow situation. (In Japanese only)	P17-27
		Annual Securities Report - 5. Accounting Status - Consolidated Balance Sheet. (In Japanese only)	P75-76
102-8	Information on employees and other workers	Labor Practices, Diversity - Employee data	P51
102-9	Supply chain	Supply Chain Management - Supply chain situation	P20
		Integrated Report 2019 - NRI's Value Creation Process	P17
		Integrated Report 2019 - Cooperation with Business Partner	P77
102-10	Significant changes to the organization and its supply chain	There is no material changes concerning the supply chain during the reporting period.	
102-11	Precautionary Principle or approach	Risk Management - Management Approach	P10
		Risk Management - Data	P11-14
		Client Relationship Management - Fiduciary duty	p23
		Environmental Management - Management Approach	P39
		Integrated Report 2019 - Internal Controls, Corporate Ethics and Compliance	P69
102-12	External initiatives	Sustainability Policy - Participation in the initiatives	P1
		Integrated Report 2019 - Participation in the United Nations Global Compact	P52
		NRI official website - Participation in Initiatives (In Japanese only)	(Link)
102-13	Membership of associations	Sustainability Policy - Participation in the initiatives	P1
		Integrated Report 2019 - Participation in the United Nations Global Compact	P52
		NRI official website - Participation in Initiatives (In Japanese only)	(Link)
2. Strategy			
102-14	Statement from senior decision-maker	Integrated Report 2019 - Top Message	P9
102-15	Key impacts, risks, and opportunities	Risk Management - Long-term risk	P12
		Climate Change - Climate-related risks, Climate-related opportunities	P44
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Compliance - Compliance policy	P16
102-17	Mechanisms for advice and concerns about ethics	Compliance - Compliance system	P16

GRI Standards Content Index

102 : General Disclosures		Reference	
4. Governance			
102-18	Governance structure	Corporate Governance - Corporate governance structure	P6
		Sustainability Policy - Sustainability management structure	P1
102-19	Delegating authority	Sustainability Policy - Sustainability management structure	P1
102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Policy - Sustainability management structure	P1
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholders - Stakeholder dialogue	P2
		Client Relationship Management - Client satisfaction	p23
		Integrated Report 2019 - Active dialogues with shareholders and investors	P78
102-22	Composition of the highest governance body and its committees	Corporate Governance - Members of the Board, Functions and committees	P5-9
102-23	Chair of the highest governance body	Corporate Governance - Members of the Board	P5
102-24	Nominating and selecting the highest governance body	Corporate Governance - Criteria and process for nomination of Members of the Board and Audit & Supervisory Board Members	P7
102-25	Conflicts of interest	Corporate Governance - Corporate governance policy	P6
102-26	Role of highest governance body in setting purpose, values, and strategy	Sustainability Policy - Sustainability management policy	P1
		Sustainability Policy - Sustainability management structure	P1
		Integrated Report 2019 - System and Responsibilities of the Board of Directors and the Audit & Supervisory Board	P65
102-27	Collective knowledge of highest governance body	Sustainability Policy - Sustainability management structure	P1
102-28	Evaluating the highest governance body's performance	Corporate Governance - Effectiveness of the Board of Directors	P8
102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Policy - Sustainability management structure	P1
		Materiality	P3
102-30	Effectiveness of risk management processes	Risk Management - Risk management system, Risk assessment	P13-14
102-31	Review of economic, environmental, and social topics	Sustainability Policy - Sustainability management structure	P1
102-32	Highest governance body's role in sustainability reporting	Sustainability Policy - Sustainability management structure	P1
102-33	Communicating critical concerns	Compliance - Compliance system	P16
102-34	Nature and total number of critical concerns	Compliance - Compliance situation	P17
102-35	Remuneration policies	Corporate Governance - Executive compensation	P8-9
102-36	Process for determining remuneration	Corporate Governance - Executive compensation	P8-9
102-37	Stakeholders' involvement in remuneration	–	
102-38	Annual total compensation ratio	Corporate Governance - Executive compensation	P8-9
102-39	Percentage increase in annual total compensation ratio	Corporate Governance - Executive compensation	P8-9
5. Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholders - Our stakeholders	P2
102-41	Collective bargaining agreements	Business and Human Rights - Freedom of association and the right to collective bargaining	P69
102-42	Identifying and selecting stakeholders	Stakeholders - Stakeholder dialogue	P2
102-43	Approach to stakeholder engagement	Stakeholders - Stakeholder dialogue	P2
102-44	Key topics and concerns raised	Stakeholders - Stakeholder dialogue	P2
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	Integrated Report 2019 - NRI Group Network	P89
102-46	Defining report content and topic Boundaries	Disclosure of Information - Scope of reporting / Reporting period / Independent assurance	P4
102-47	List of material topics	Materiality	P3
102-48	Restatements of information	Some of the environmental data are shown as figures for which impacts due to important acquisitions, etc. have been recalculated, and note is attached to the relevant part.	
		Climate Change - Climate-related targets	P43
102-49	Changes in reporting	There are no material changes from the past reporting period regarding reporting items and scope.	
102-50	Reporting period	Disclosure of Information - Scope of reporting / Reporting period / Independent assurance	P4
102-51	Date of most recent report	Disclosure of Information - Scope of reporting / Reporting period / Independent assurance	P4
102-52	Reporting cycle	Disclosure of Information - Scope of reporting / Reporting period / Independent assurance	P4
102-53	Contact point for questions regarding the report	Contact information	colophone
102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards Content Index	(This table)
102-55	GRI content index	GRI Standards Content Index	(This table)
102-56	External assurance	Disclosure of Information - Scope of reporting / Reporting period / Independent assurance	P75

GRI Standards Content Index

◆ Topic-specific Standards 200 : Economic / 300 : Environmental / 400 : Social

200 : Economic		Reference	
201 : Economic performance			
201-1	Direct economic value generated and distributed	Integrated Report 2019 - NRI's Value Creation Process	P17
201-2	Financial implications and other risks and opportunities due to climate change	Climate Change - Climate-related risks, Climate related opportunities	P44
201-3	Defined benefit plan obligations and other retirement plans	Annual Securities Report - 5. Accounting Status - Retirement benefits (In Japanese only)	P104-106
201-4	Financial assistance received from government	-	
202 : Market presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	
202-2	Proportion of senior management hired from the local community	-	
203 : Indirect economic impacts			
203-1	Infrastructure investments and services supported	NRI official website - Sustainability Topics	(Link)
203-2	Significant indirect economic impacts	NRI official website - Sustainability Topics	(Link)
204 : Procurement practice			
204-1	Proportion of spending on local suppliers	Supply Chain Management - Supply chain situation	P20
205 : Anti-corruption			
103	Management Approach	Compliance - Management Approach	P15
205-1	Operations assessed for risks related to corruption	-	
205-2	Communication and training about anti-corruption policies and procedures	Compliance - Anti-corruption	P17
205-3	Confirmed incidents of corruption and actions taken	Compliance - Anti-corruption	P17
206 : Anti-competitive behavior			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance - Fair competition	P18
300 : Environmental		Reference	
301 : Materials			
301-1	Materials used by weight or volume	Resource use, Waste - Paper resources	P47
301-2	Recycled input materials used	-	
301-3	Reclaimed products and their packaging materials	-	
302 : Energy			
103	Management Approach	Environmental Management - Management Approach	P39-40
302-1	Energy consumption within the organization	Energy Consumption - Energy consumption	P46
302-2	Energy consumption outside of the organization	-	
302-3	Energy intensity	-	
302-4	Reduction of energy consumption	Energy Consumption - Energy consumption	P46
302-5	Reductions in energy requirements of products and services	Climate Change - Action to mitigate climate change	P45
303 : Water			
303-1	Water withdrawal by source	Resource use, Waste - Water resources	P47
303-2	Water sources significantly affected by withdrawal of water	Not applicable	
303-3	Water recycled and reused	Resource use, Waste - Water resources	P47
304 : Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable	
304-2	Significant impacts of activities, products, and services on biodiversity	Not applicable	
304-3	Habitats protected or restored	Not applicable	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable	
305 : Emissions			
103	Management Approach	Environmental Management - Management Approach	P39-40
305-1	Direct (Scope 1) GHG emissions	Greenhouse Gas Emission - Greenhouse gas emissions	P45
305-2	Energy indirect (Scope 2) GHG emissions	Greenhouse Gas Emission - Greenhouse gas emissions	P45
305-3	Other indirect (Scope 3) GHG emissions	Greenhouse Gas Emission - Greenhouse gas emissions	P45
305-4	GHG emissions intensity	-	
305-5	Reduction of GHG emissions	Greenhouse Gas Emission - Greenhouse gas emissions	P45
305-6	Emissions of ozone-depleting substances (ODS)	Not applicable	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not applicable	

GRI Standards Content Index

300 : Environmental		Reference	
306 : Effluents and waste			
306-1	Water discharge by quality and destination	Resource Use, Waste - Water resources	P47
306-2	Waste by type and disposal method	Resource use, Waste - Waste	P47
306-3	Significant spills	Environmental Management - Environmental management system	P41
306-4	Transport of hazardous waste	Not applicable	
306-5	Water bodies affected by water discharges and/or runoff	Not applicable	
307 : Environmental compliance			
103	Management Approach	Environmental Management - Management Approach	P39-40
307-1	Non-compliance with environmental laws and regulations	Environmental Management - Environmental management system	P41
308 : Supply environmental assessment			
103	Management Approach	Supply Chain Management - Management Approach	P19
308-1	New suppliers that were screened using environmental criteria	Supply Chain Management - Supplier screening criteria	P22
308-2	Negative environmental impacts in the supply chain and actions taken	–	
400 : Social		Reference	
401 : Employment			
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Organizations covered by this report

Regarding disclosure of financial and non-financial information, in principle, it covers the NRI Group (Nomura Research Institute, Ltd. and its consolidated subsidiary). There are some non-financial information that covers a specific range, but in that case, the target scope is clearly stated separately.

Period covered by this report

This report primarily covers fiscal 2018 (April 1, 2018 through to March 31, 2019), but also describes some events from the past, some activities after April 1, 2019, and certain plans for future activities.

Guidelines referenced

- International <IR> Framework of the International Integrated Reporting Council (IIRC)
- G4 Sustainability Reporting Guidelines of the Global Reporting Initiative
- Environmental Reporting Guidelines (2018 version) of the Ministry of the Environment of Japan
- Guiding Principles for Business and Human Rights of the United Nations "Protect, Respect and Remedy" Framework
- The Corporate Human Rights Benchmark

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Disclaimer

The web version of the Report contains not only past and present facts about the NRI Group but also plans and forecasts based on information available as of June 2019, the date of publication of the ESG Databook 2019 in Japanese. Changes in assumed conditions may accordingly mean that future outcomes and events for our business activities differ from these plans and forecasts.

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