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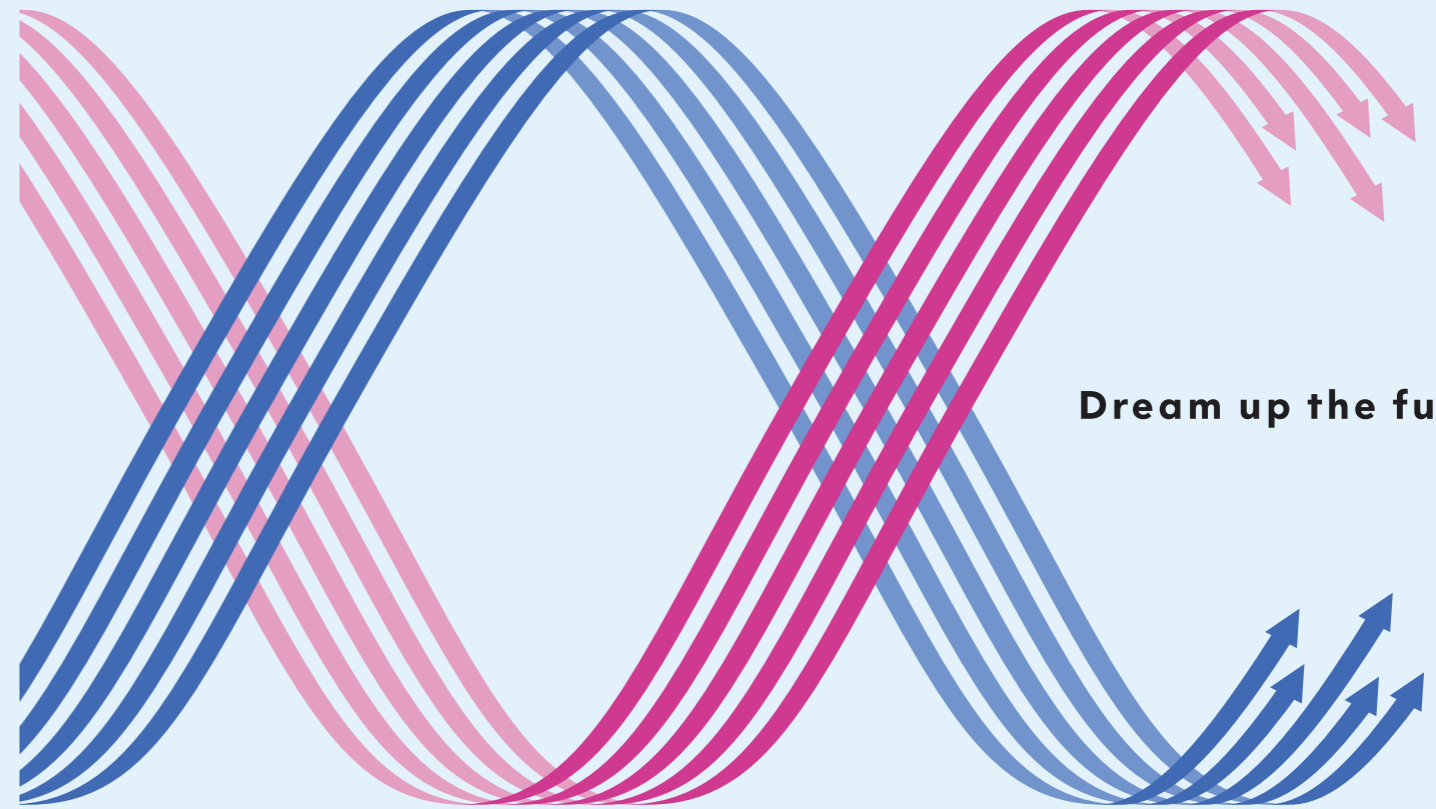
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NRI  
Integrated Report 2019



# Integrated Report 2019

(Year ended March 31, 2019)



**Dream up the future.**

Nomura Research Institute

**Nomura Research Institute**

## 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.



### 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 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.

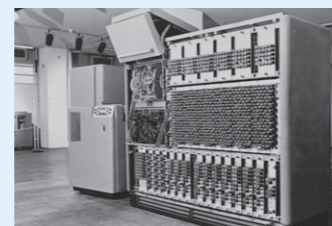


The founding prospectus of former Nomura Research Institute (Produced by Nomura Securities in 1962)

#### 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.



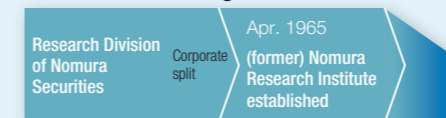
The commercial computer (UNIVAC-120) adopted by Nomura Securities

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

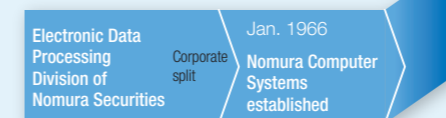
#### The History and Mission of NRI

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



**"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.

## NRI Sustainability Management

### •The Long-term Management Vision

“Vision2022”  
Vision statement



#### 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

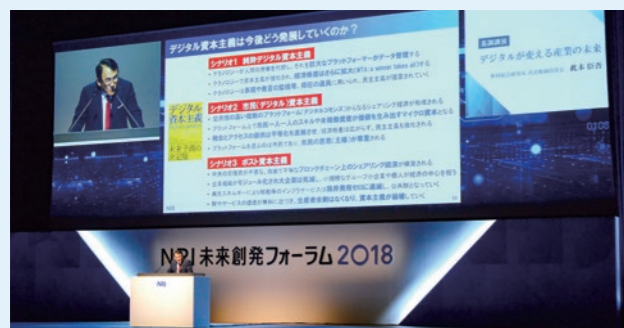
## Examples of Activities to Co-create Social Value

### 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

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



### 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

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

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



### 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)

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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)
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Categorization for NRI's Disclosure Information

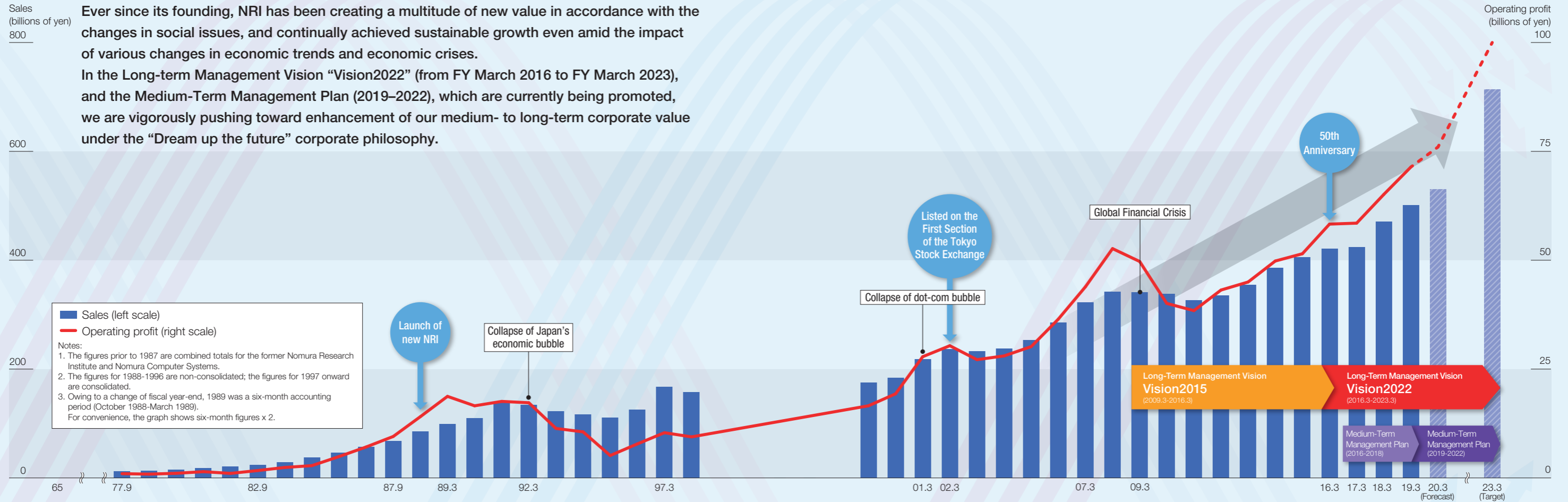


**Cautionary Note on Forward-Looking Statements:**

- 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.

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.



■ Sales (left scale)  
 — Operating profit (right scale)

Notes:  
 1. The figures prior to 1987 are combined totals for the former Nomura Research Institute and Nomura Computer Systems.  
 2. The figures for 1988-1996 are non-consolidated; the figures for 1997 onward are consolidated.  
 3. Owing to a change of fiscal year-end, 1989 was a six-month accounting period (October 1988-March 1989). For convenience, the graph shows six-month figures x 2.

**NRI's History**

<p><b>1965</b> Former Nomura Research Institute, Ltd. founded as Japan's first private-sector think tank</p>  <p>Former Nomura Research Institute founded</p>	<p><b>1966</b> Nomura Computing Center Co., Ltd. founded (Name changed to Nomura Computer Systems Co., Ltd. in 1972)</p>  <p>Nomura Computing Center founded</p>	<p><b>1967</b> New York Office established  <b>1972</b> London Office established  <b>1976</b> Hong Kong Office established  <b>1984</b> Singapore Office established  <b>1988</b> Former Nomura Research Institute and Nomura Computer Systems merged  <b>1994</b> NRI Pacific Inc. founded                  Taipei Representative Office established</p>	<p><b>1995</b> Seoul Branch established  <b>1997</b> Manila Branch established</p>  <p>Former Nomura Research Institute and Nomura Computer Systems merged</p>	<p><b>2000</b> NRI Secure Technologies, Ltd. founded  <b>2001</b> Listed on the First Section of the Tokyo Stock Exchange                  NRI Data i Tech, Ltd. founded                  NRI Cyber Patent, Ltd. founded  <b>2002</b> Nomura Research Institute Shanghai Limited founded                  Nomura Research Institute (Beijing), Ltd. founded  <b>2007</b> NRI Social Information System Services, Ltd. founded  <b>2008</b> Dallas Office established                  Moscow Branch established</p>	<p><b>2009</b> NRI BPO Services, Ltd. founded (Name changed to NRI Process Innovation, Ltd. in 2010)  <b>2010</b> Nomura Research Institute (Dalian), Ltd. founded  <b>2011</b> Nomura Research Institute Consulting and Solutions India Private Limited founded  <b>2012</b> Nomura Research Institute Financial Technologies India Pvt. Ltd. founded                  NRI System Techno, Ltd. founded  <b>2013</b> Nomura Research Institute Thailand founded</p>	<p><b>2014</b> DSB Co., Ltd. joined NRI Group                  Nomura Research Institute Holdings America, Inc. founded                  Nomura Research Institute IT Solutions America, Inc. founded  <b>2015</b> 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</p>	<p><b>2016</b> Cutter Associates, LLC joined the NRI Group                  ASG Group Limited joined the NRI Group                  NRI digital, Ltd. and NRI Retail Next, Ltd. founded  <b>2017</b> Nomura Research Institute Australia Pty Ltd. founded                  SMS Management &amp; Technology Limited joined the NRI Group  <b>2018</b> Nvantage India Private Limited founded</p>
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**NRI's Evolution of Consulting and IT Solutions**

<p><b>Consulting-related events</b></p> <p><b>1970</b> Forecasted the number of visitors to the Japan World Exposition held in Osaka (a pioneer in research &amp; consulting business in Japan)  <b>1984</b> System Clinic Service launched (a pioneer in system consulting business in Japan)</p>	<p><b>1970</b> Forecasted the number of visitors to the Japan World Exposition held in Osaka (a pioneer in research &amp; consulting business in Japan)  <b>1984</b> System Clinic Service launched (a pioneer in system consulting business in Japan)</p>	<p><b>1978</b> Started recommendation activities of the world's five big think tanks including NRI (hereafter annually through 1995)  <b>1989</b> Organized Pension Management Study Group (affected Japan 401K scheme later)</p>	<p><b>1994</b> Launched corporate website sixth in Japan  <b>1995</b> Center for Cyber Communities Initiative (CCI) established with Keio University                  Cyber Life Club cybermall launched (a pioneer in online shopping business in Japan)</p>	<p><b>1997</b> Conducted the first Survey of 10,000 Consumers (hereafter conducted every three years)  <b>2000</b> Advocated the concept of Ubiquitous Networking (a new information technology paradigm)</p>	<p><b>2003</b> Started sending CIO aides to government organizations, including Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries etc.</p>	<p><b>2007</b> Established Tsinghua-NRI Chinese Research Center                  Insight Signal, advertising effectiveness measurement service launched  <b>2011</b> Recommendation activities and others for Great East Japan Earthquake recovery efforts</p>	<p><b>2012</b> Provided comprehensive support, from designing the service to the system architecture, for Shiseido's integrated online beauty service "watashi+"  <b>2014</b> Assisted the rollout of "NISA" system, from design to system construction</p>
<p><b>IT Solution-related events</b></p> <p><b>1970</b> Launched Nomura Securities' "Integrated Online System"  <b>1974</b> STAR, a shared online service for retail brokerage firms launched</p>	<p><b>1970</b> Launched Nomura Securities' "Integrated Online System"  <b>1974</b> STAR, a shared online service for retail brokerage firms launched</p>	<p><b>1979</b> Launched a new ordering system for SEVEN-ELEVEN JAPAN CO., LTD.  <b>1987</b> I-STAR, a shared online system for wholesale brokerage firms launched</p>	<p><b>1987</b> Famicom Trade System in Nomura Securities launched (a pioneer in contemporary home trading services)  <b>1988</b> International VAN service between Japan and United States launched</p>	<p><b>1993</b> T-STAR, a shared online system for asset management firms launched  <b>1997</b> BESTWAY, an over-the-counter sales system for mutual funds launched                  e-Cash experiment with Japanese commercial banks (Japan's first electronic money trial)</p>	<p><b>1999</b> Online trading system for an online brokerage firm launched  <b>2000</b> Bizmart, an electronic commerce support system launched (Support for B2B transactions)</p>	<p><b>2001</b> TRUE TELLER, text-mining solution launched                  Full-scale offshore development in China  <b>2004</b> e-JIBAI, compulsory automobile liability insurance system launched</p>	<p><b>2012</b> Launched Value Direct (for online banking)  <b>2016</b> TRAINA, AI solution launched</p>



## 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



## 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

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

### •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.

## Long-term Management Vision “Vision2022” Vision Statement



<b>Share</b>	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 <b>future society together with our clients.</b>
<b>Next</b>	<b>With the mentality of being ahead of the times</b> we pioneer globally, digitally, and <b>into the realm of the future</b> , to create new business models for the next generation.
<b>Values</b>	We refine our strengths and <b>create value</b> by providing various types of services to <b>clients and to society</b> , 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.

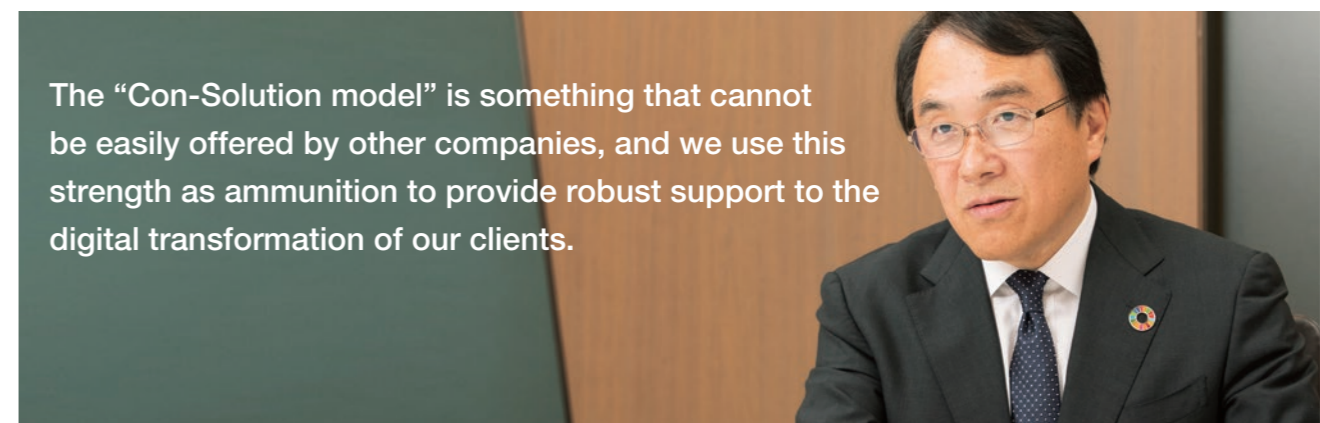
\*Creating Shared Value

### 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.



The “Con-Solution model” 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.

### 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.

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.

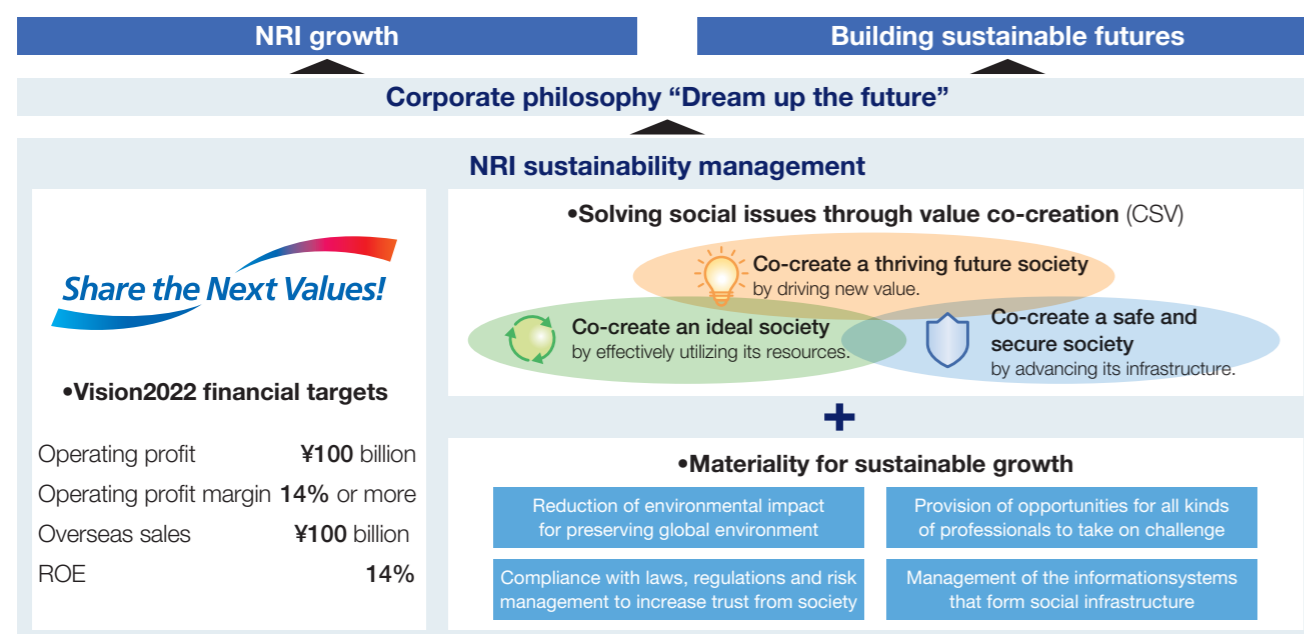
In our Business Platform Strategy, with a focus on the financial sector, we will further expand shared online services that NRI has fostered over many years, such as THE STAR and BESTWAY, for the nonstrategic areas of our clients. For our clients who will be entering the financial services business from 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

#### 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.

### NRI Sustainability Management Policy



### NRI's 3 Social Values

	Key NRI Initiatives	Related SDGs
<p><b>Co-create a thriving future society</b> by driving new value.</p>	<p><b>Business model transformation</b></p> <ul style="list-style-type: none"> <li>- DX consulting &amp; analytics</li> <li>- D2C, DX for financial services</li> <li>- Cross-sector cooperation, new market entry support</li> </ul> <p><b>Policy proposals for society &amp; systems</b>, information &amp; knowledge sharing to promote global discussion &amp; action in all sectors</p>	<p><b>Economic development that inspires feelings of fulfillment</b></p> <p>8 ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 10 REDUCED INEQUALITIES, 17 PARTNERSHIPS FOR THE GOALS</p>
<p><b>Co-create an ideal society</b> by effectively utilizing its resources.</p>	<p><b>Business process transformation</b></p> <ul style="list-style-type: none"> <li>- Strategy/Operations/System Consulting</li> </ul> <p><b>Resource optimization with ASP</b></p> <ul style="list-style-type: none"> <li>- “THE STAR”, “BESTWAY” and other proprietary business platform solutions</li> </ul>	<p><b>Sustainable production and consumption</b></p> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 7 AFFORDABLE AND CLEAN ENERGY, 8 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 17 PARTNERSHIPS FOR THE GOALS</p>
<p><b>Co-create a safe and secure society</b> by advancing its infrastructure.</p>	<p><b>IT infrastructure transformation</b></p> <ul style="list-style-type: none"> <li>- Cybersecurity business</li> <li>- Cloud &amp; Data Center managed services</li> </ul> <p><b>Stable service operation</b></p> <p><b>Disaster prevention &amp; reduction policy recommendation &amp; Disaster recovery support</b></p>	<p><b>Strong, flexible infrastructure to support social development</b></p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS</p>

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





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



**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.

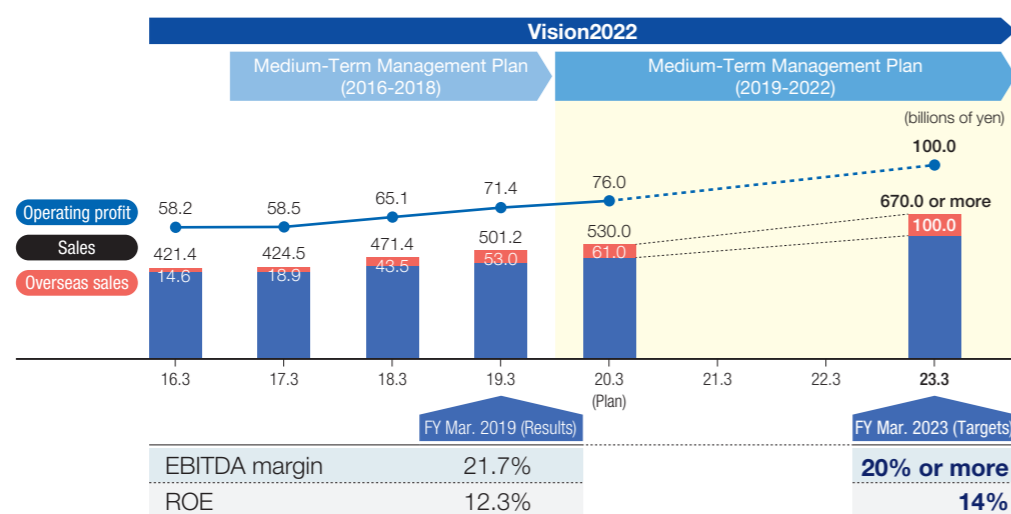
NRI has also been promoting constructive dialogue with stakeholders, briefing them of our efforts toward the continued enhancement of NRI's corporate value in an easily understood manner. It includes presenting our medium- to

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.

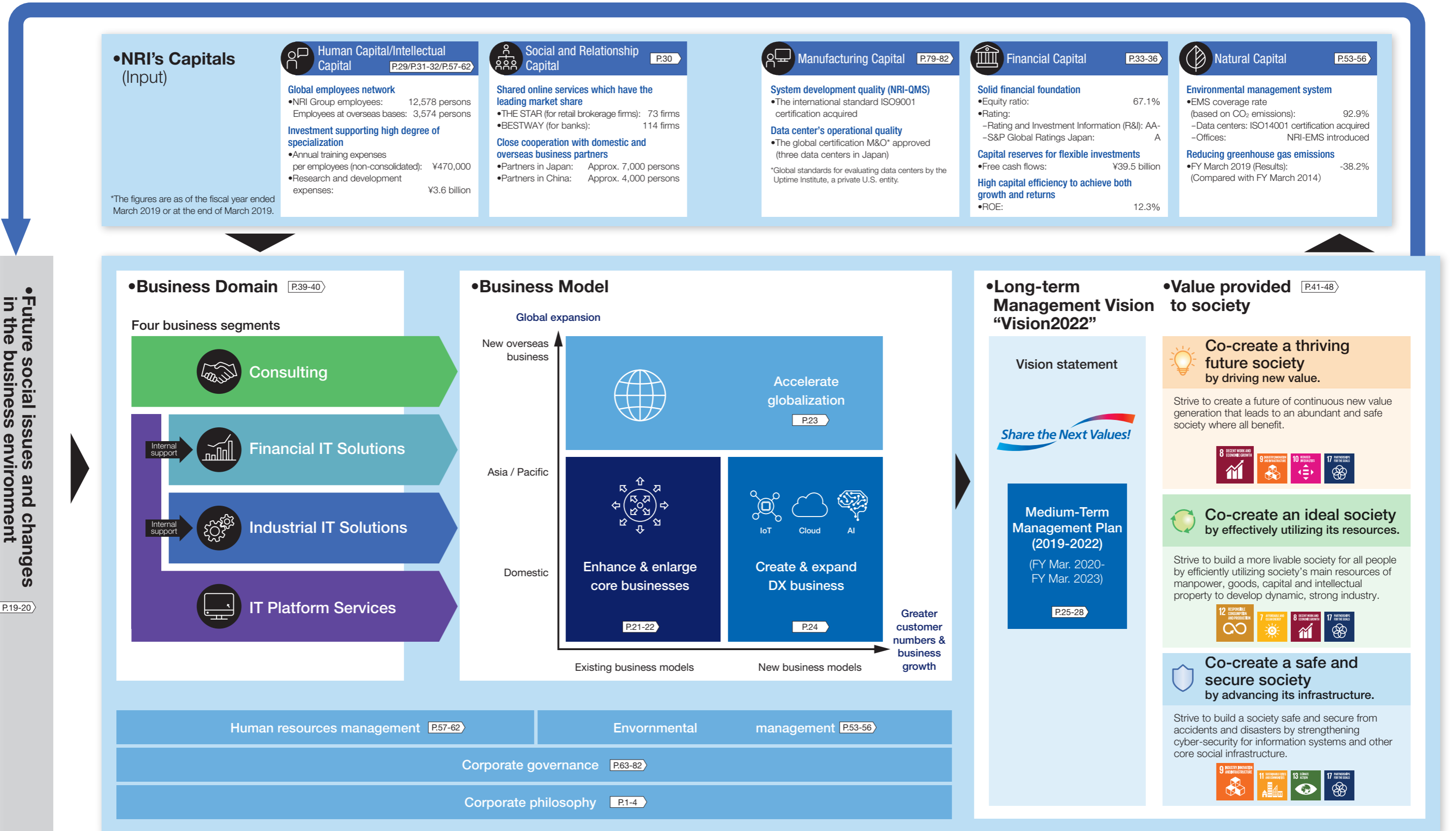
We ask for your continued understanding and support.

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



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.

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.



# Changes to the Business Environment Surrounding NRI

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.

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



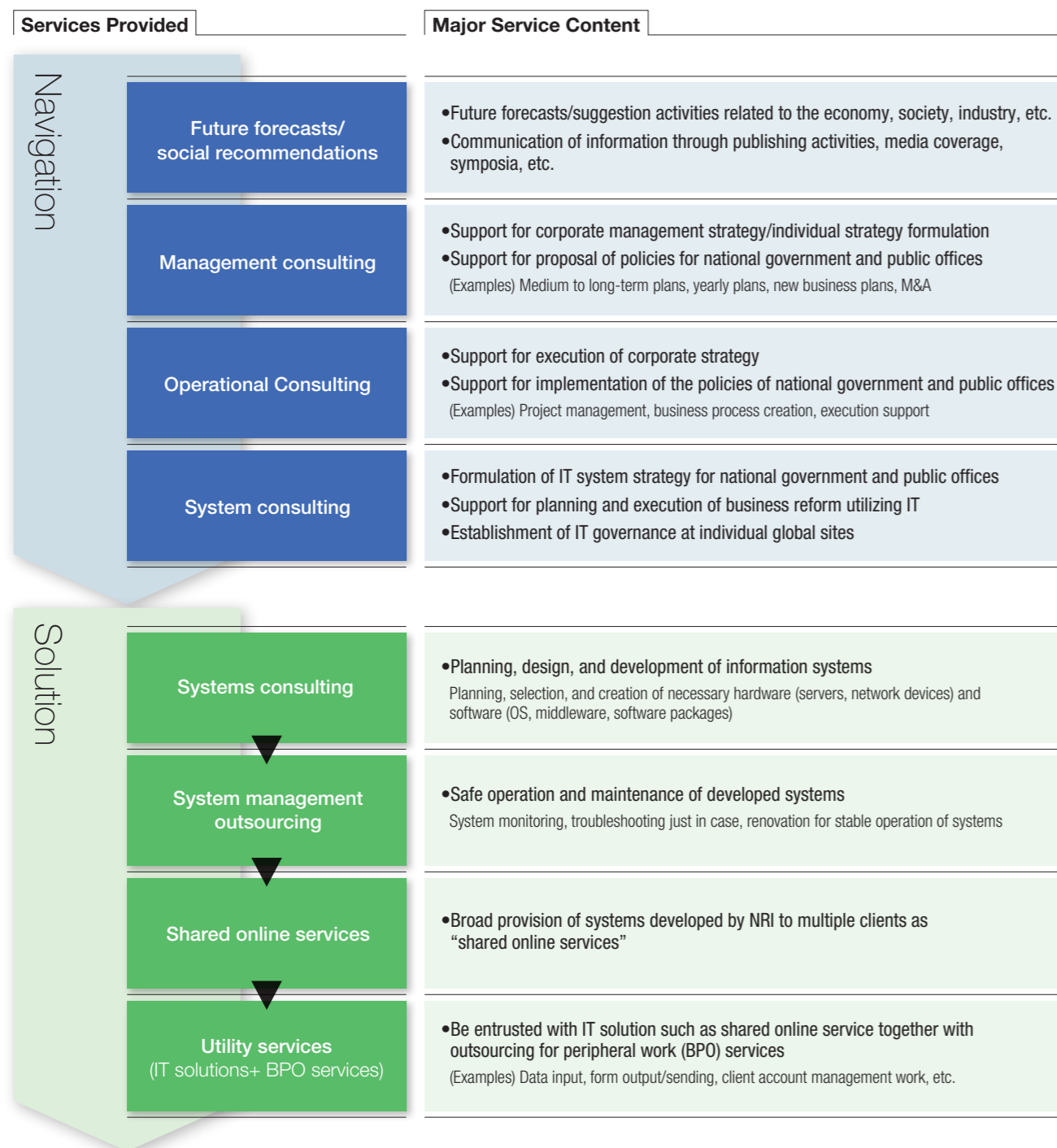
\* "DX Report: Overcoming of '2025 Digital Cliff' Involving IT Systems and the Full-fledged Development of Efforts for DX" by the Ministry of Economy, Trade and Industry

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

Risks	Response measures	Risks	Response measures
<p><b>Influence of varying demand for IT investment</b></p> <p>Possibility of income rapidly decreasing due to economic fluctuations and the update cycle of IT investment</p>	<ul style="list-style-type: none"> <li>• <b>Expanding DX projects directly linked with management issues that are not affected by economic fluctuations</b> <ul style="list-style-type: none"> <li>▶ 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</li> </ul> </li> <li>• <b>Building a stable income structure via the expansion of shared online services</b> <ul style="list-style-type: none"> <li>▶ 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)</li> </ul> </li> </ul>	<p><b>Intensification of price competition and other aspects of the competitive environment</b></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"> <li>• <b>Focus on providing services with high added-value instead of price competition</b> <ul style="list-style-type: none"> <li>▶ 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</li> </ul> </li> <li>• <b>Shared online services build superiority with the largest market share</b> <ul style="list-style-type: none"> <li>▶ Provide complete and definite operation and cost reduction benefits while maintaining added-value such as swift handling of legal system changes</li> </ul> </li> </ul>
<p><b>Bottlenecks in development human resources</b></p> <p>The possibility of bottlenecks to expanding revenue due to insufficient development resources caused by a sudden increase of orders</p>	<ul style="list-style-type: none"> <li>• <b>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)</b></li> <li>• <b>Control the turnover rate by providing employees with opportunities for growth and establishing the human resources system and labor environment</b> <ul style="list-style-type: none"> <li>▶ As a result, also ensure reserve resources to handle increased demand</li> </ul> </li> <li>• <b>Maintain good trading relationships with excellent cooperating companies in Japan and overseas, and enable production that overcomes the limitations of NRI's resources</b> <ul style="list-style-type: none"> <li>▶ Conclude "e-partnership agreements" with highly specialized cooperating companies to continue improving quality and productivity together</li> </ul> </li> <li>• <b>Implement company-wide human resource management that transcends business segments, based on order trends</b></li> </ul>	<p><b>Delays in responding to technical innovation</b></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"> <li>• <b>Invest research and development expenses in a stable manner and continue investment in technology</b> <ul style="list-style-type: none"> <li>▶ Identify trends in cutting-edge technology through industry-academia collaboration with MIT and Stanford University</li> <li>▶ Be the first to gain knowledge in new technology through proof of concepts (PoC) testing with industry-leading clients</li> </ul> </li> <li>• <b>Enhance cultivation of human resources with a high degree of specialization that can understand and utilize new technologies</b> <ul style="list-style-type: none"> <li>▶ Enrich training courses and internal certification systems in order to cultivate advanced human resources that can lead business in the field of DX</li> </ul> </li> </ul>

## 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.



### 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

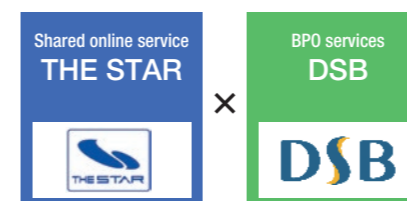
 <p>Launched in 1974</p> <p><b>THE STAR</b> Back-office solution for retail brokerage firms</p> <p><b>73 firms</b></p>	 <p>Launched in 1997</p> <p><b>BESTWAY</b> Back-office solution for mutual fund sales at banks</p> <p><b>114 firms*</b> <small>*Including life insurance firms, non-life insurance firms, and investment trust firms, etc.</small></p>
 <p>Launched in 1987</p> <p><b>I-STAR</b> Back-office solution for wholesale brokerage firms</p> <p><b>28 firms</b></p>	 <p>Launched in 2012</p> <p><b>Value Direct</b> Online banking system</p> <p><b>18 firms</b></p>
 <p>Launched in 1993</p> <p><b>T-STAR</b> Back-office solution for asset management firms</p> <p><b>78 firms</b></p>	 <p>Launched in 2015</p> <p><b>e-BANGO</b> My Number management services</p> <p>No. of My Number stored <b>Approx. 16 million cases</b></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		<b>ASG Group</b> (made a Group company in 2016) <b>IP</b> 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	<b>Brierley+Partners</b> (made a Group company in 2015) <b>IP</b> 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.
		<b>Cutter Associates</b> (made a Group company in 2016) <b>IP</b> 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		<b>NVANTAGE</b> (established in 2018) <b>IP</b> 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.

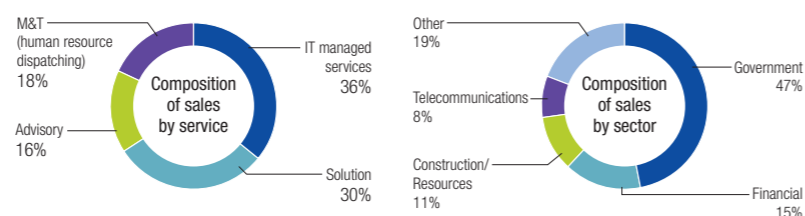
### Expanding Our Business Base in Australia

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

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

## 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

<b>DX2.0</b>	<b>Business model transformation</b>	<b>Build cross-industry platforms that seeks ecosystems</b> •Establishing services and providing functionality in particular fields
<b>DX1.0</b>	<b>Process transformation</b>	<b>Digital front office</b> <b>Digitalize actions for end users</b> •Helping customers execute D2C strategies •CRM, digital marketing, etc.
		<b>Digital back office</b> <b>Digitalize actions within customer companies</b> •SCM reforms such as inventory optimization •Operational efficiency improvements using AI, RPA, etc. •Industry standard business platforms, etc.
	<b>Infrastructure transformation</b>	<b>Enhance infrastructure such as cloud, security</b> •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
 <b>Bit Realty, Inc.</b> Established: June 26, 2017 Capital: ¥495 million (Kenedix: 80.1%; NRI: 19.9%)	<ul style="list-style-type: none"> <li>•With <b>Kenedix, Inc.</b>, established a joint venture for operating an investment-type crowdfunding platform related to real estate and infrastructure investment</li> <li>•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</li> </ul>
 <b>KDDI Digital Design Inc.</b> Established: December 15, 2017 Capital: ¥7 billion (KDDI: 51%; NRI: 49%)	<ul style="list-style-type: none"> <li>•With <b>KDDI CORPORATION</b>, established a joint venture for assisting digital transformation at companies</li> <li>•Assistance for everything from planning business strategies and validating their commercialization to building and operating the network infrastructure and developing the required systems</li> </ul>
 <b>Technium CO., LTD.</b> Established: January 9, 2018 Capital: ¥300 million (DMG MORI: 66.6%; NRI: 33.4%)	<ul style="list-style-type: none"> <li>•With <b>DMG MORI CO., LTD.</b>, established joint venture for assisting the high level utilization of production facilities in factories, etc. using digital technologies.</li> </ul>
 <b>NDIAS, Ltd.</b> Established: December 3, 2018 Capital: ¥100 million (DENSO: 50%; NRI Secure: 50%)	<ul style="list-style-type: none"> <li>•<b>DENSO CORPORATION</b> and NRI Secure established a joint venture in the automobile cybersecurity business</li> <li>•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</li> </ul>
 <b>JAL Digital Experience Co., Ltd.</b> Established: February 4, 2019 Capital: ¥475 million (JAL: 51%; NRI Group: 49%)	<ul style="list-style-type: none"> <li>•With <b>Japan Airlines Co., Ltd. (JAL)</b>, 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</li> </ul>

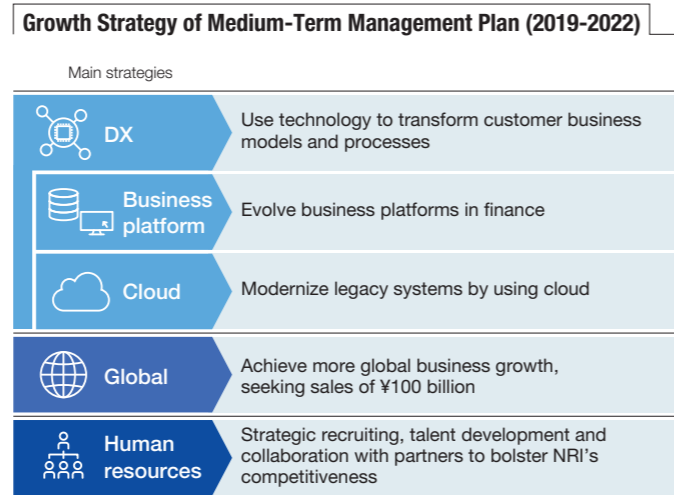
Our Medium-Term Management Plan (2019-2022) is the last four-year plan toward the final goal of our “Vision2022” Long-term Management Vision, and is also the NRI growth strategy for creating a sustainable future society.

**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



**DX Strategy**

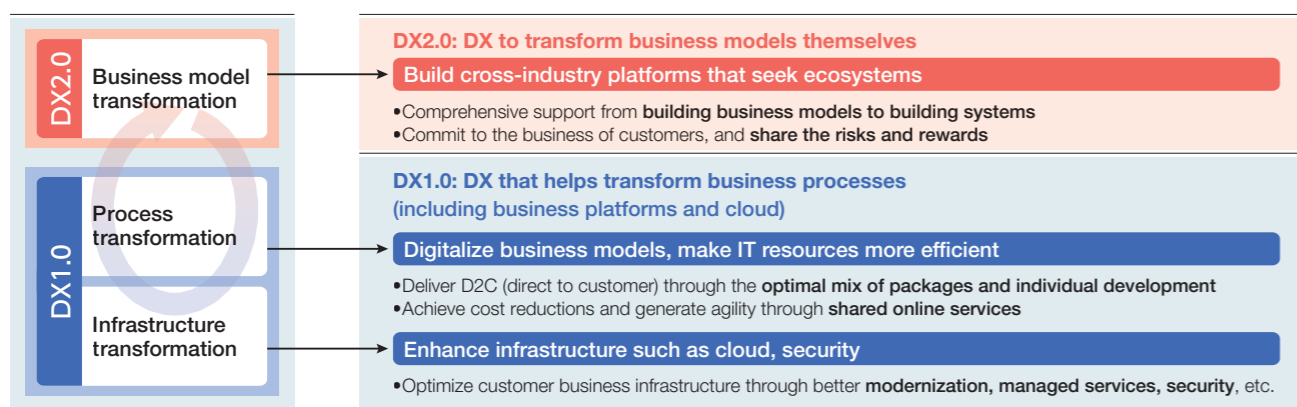
**•Becoming a DX Partner for Continuous Business Expansion**

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.

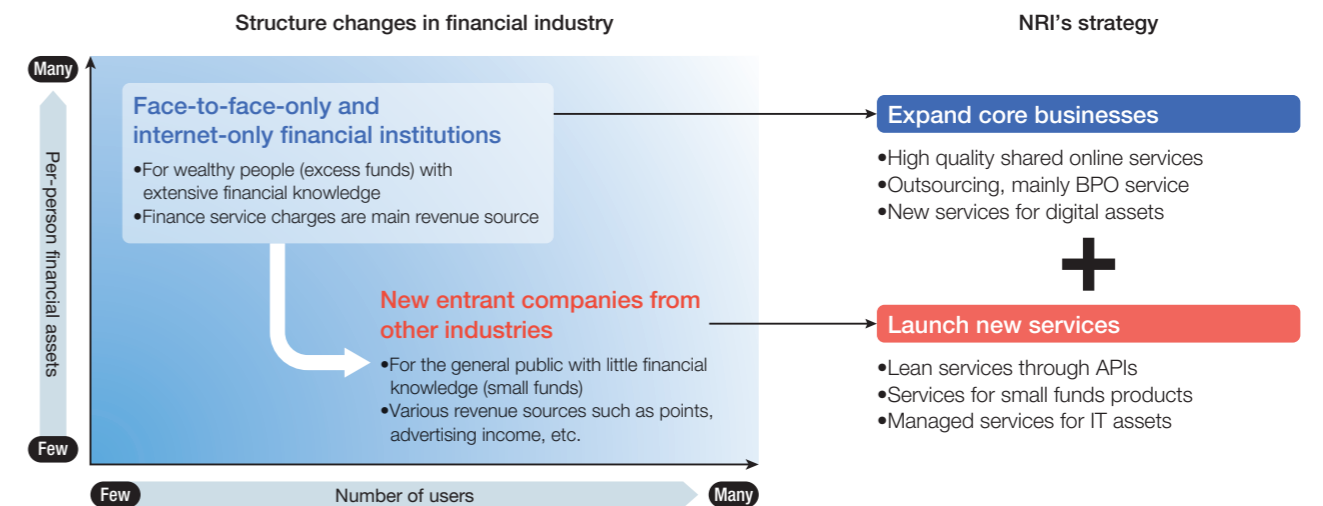
**Business Expansion in DX Strategy**



**•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.

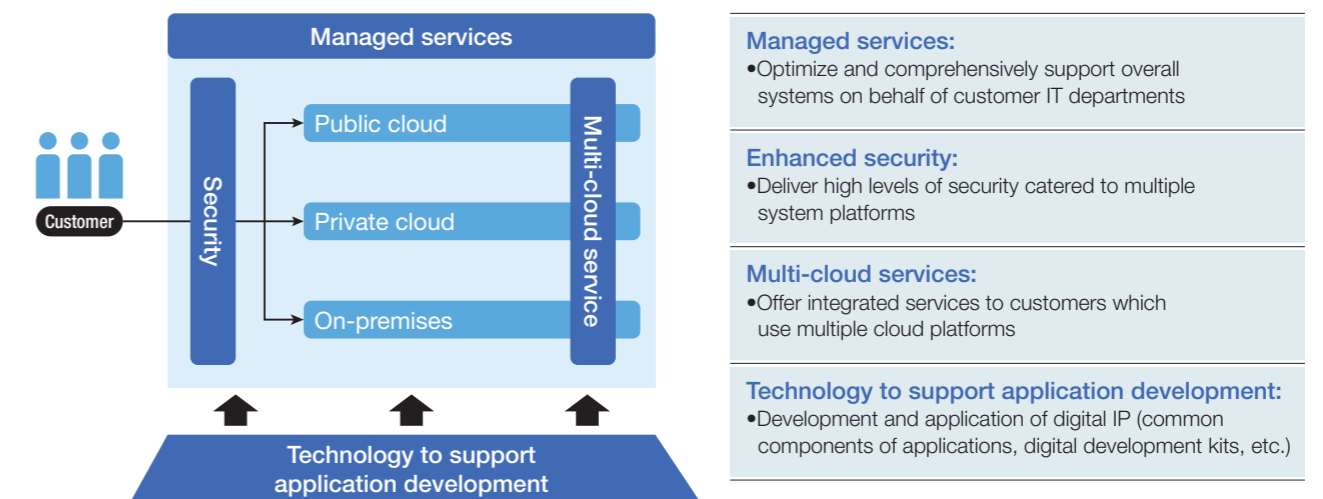
**Business Platform Strategy**



**•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**

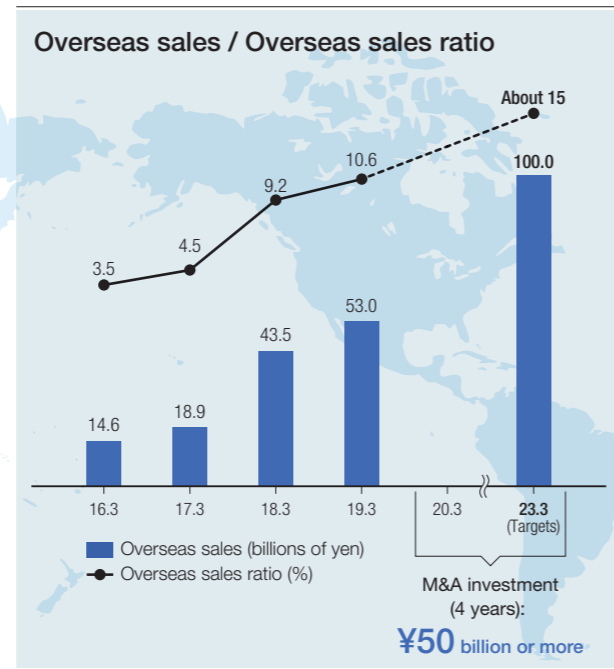
- Acquire **high added value IP** of companies with advanced technologies and expertise

**Asia, Europe**

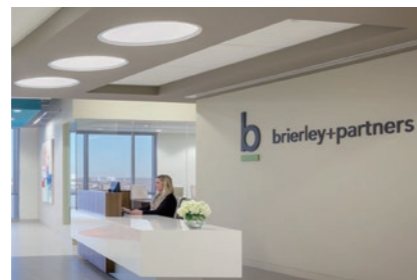
- Further expand consulting for Japanese and local companies in locations throughout Asia
- Expand **outsourcing business** geared toward financial institutions, with NVANTAGE at the core

**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



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

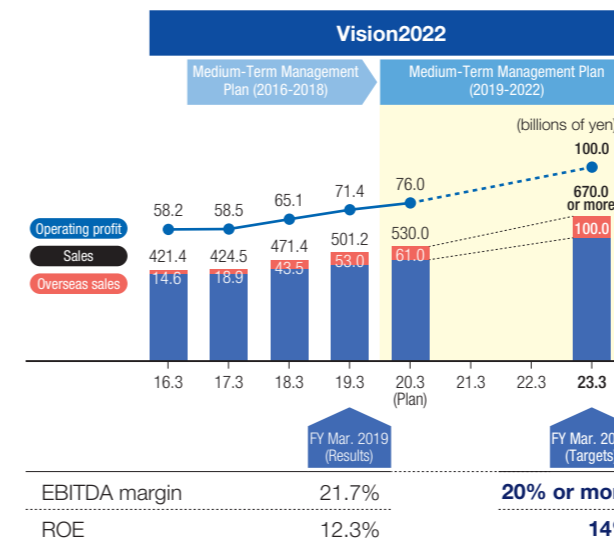
<b>Bolster hiring</b>	<ul style="list-style-type: none"> <li>• <b>Increase of 1,000 employees or more (non-consolidated) over four years</b></li> <li>• <b>Bolster new graduate hiring:</b> Bolster promotions, etc.</li> <li>• <b>Bolster mid-career hiring:</b> Further improve systems of working conditions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

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

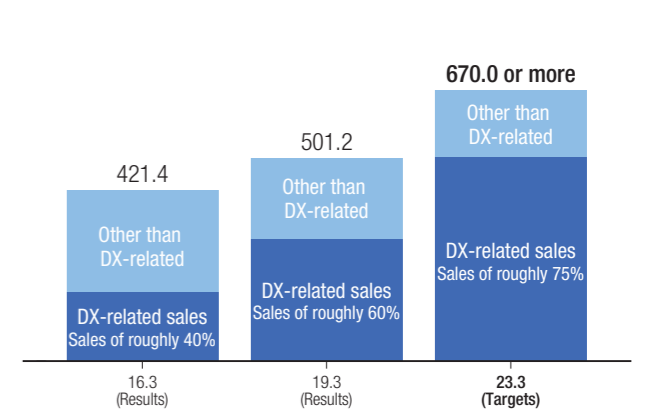
In the Medium-Term Management Plan (2019-2022), we have disclosed new numeric targets for DX-related sales in order to expand our DX business, in addition to existing financial targets such as net sales, operating profit, operating profit margin, and ROE. We aim to increase the ratio of net sales that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



#### Definition of DX-related sales

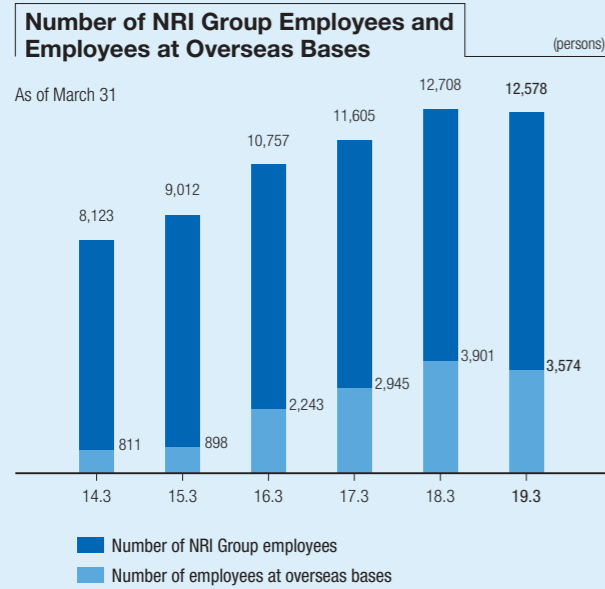
- |                              |  |
|------------------------------|--|
| <b>DX-related</b>            | <ul style="list-style-type: none"> <li>• Business platforms such as THE STAR, BESTWAY, T-STAR, etc.</li> <li>• DX consulting &amp; analytics, D2C assistance, CRM, digital marketing</li> <li>• Improved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

## 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.



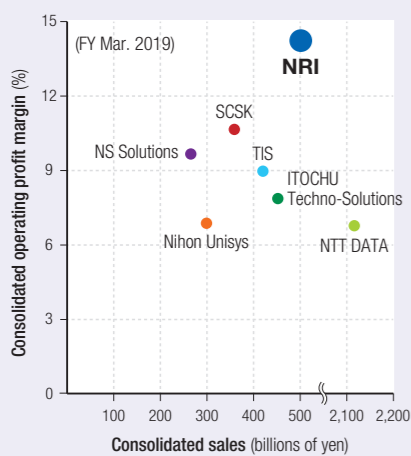
(Non-consolidated data) As of March 31	17.3	18.3	19.3
Information Technology Engineers Examination (Advanced)* <sup>1</sup>	6,398	6,608	6,726
IT Coordinator	187	197	207
Project Management Professional	255	292	299
ITIL Manager/Expert/Intermediate	70	70	70
Chartered Member of the Securities Analysts Association 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* <sup>2</sup>	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).

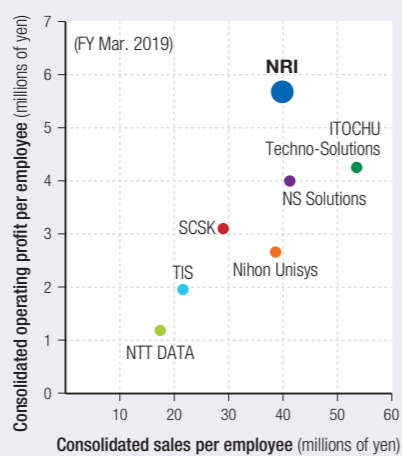
### Outcomes High Levels of Profitability and Productivity

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.

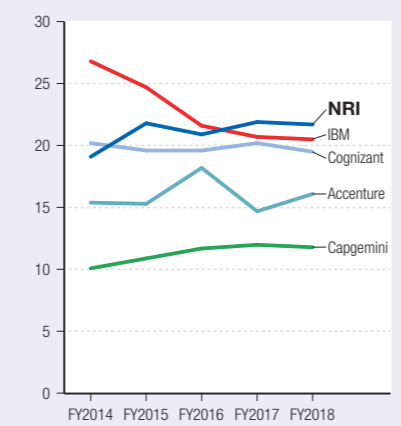
#### Industry-wide Comparison of Consolidated Sales and Operating Profit Margin



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



#### EBITDA Margin Comparison (%)



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

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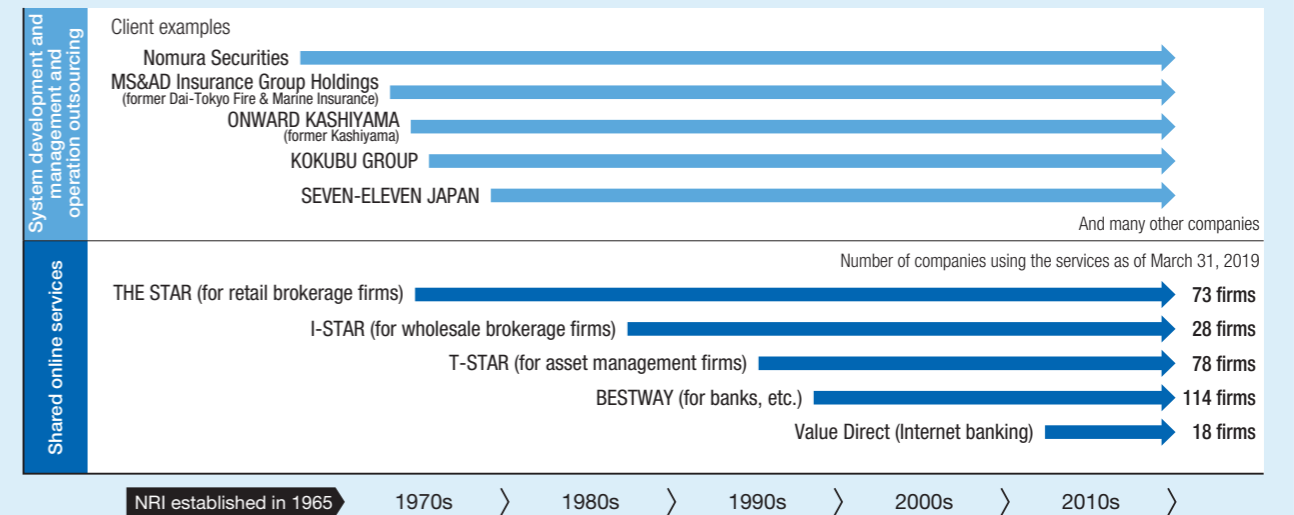
Source: Compiled by NRI from SPEEDA

## 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.

### Social and Relationship Capital Solid Client Base and Shared Online Services

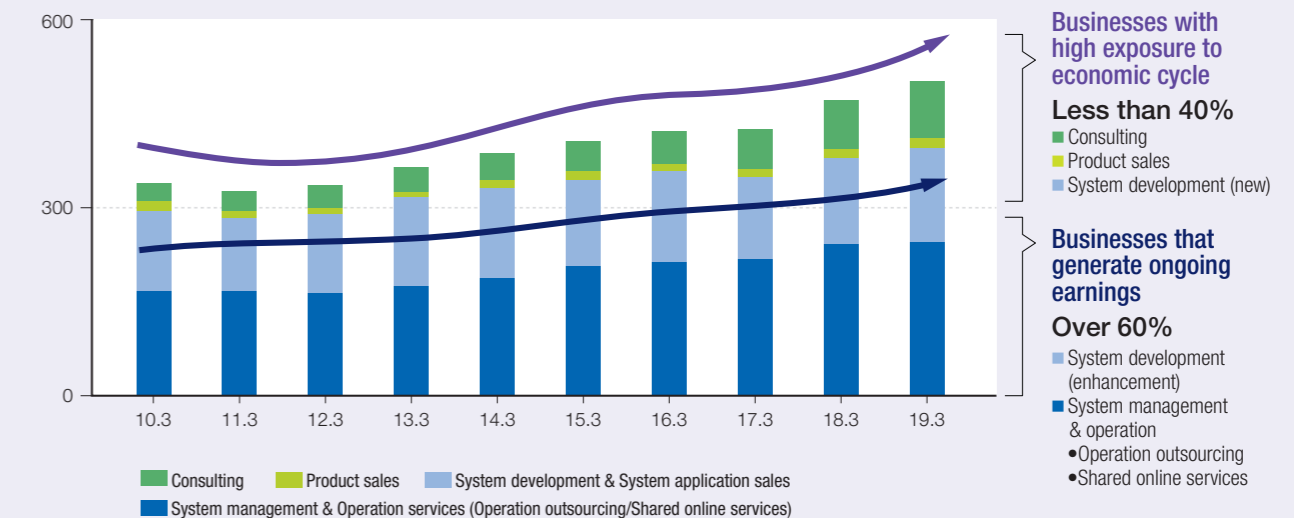
NRI has accumulated its expertise through long-term business relationships with industry leaders. Moreover, by providing shared online services based on that expertise, we have established more sustainable business relationships with more of our clients.



### Outcome Stable Profit Structure

NRI has established a stable profit structure with sustainable businesses accounting for over 60%, such as shared online services, system management and operation outsourcing as well as enhancements (maintenance and operations) in system development.

Sales (billions of yen)





## 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 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.

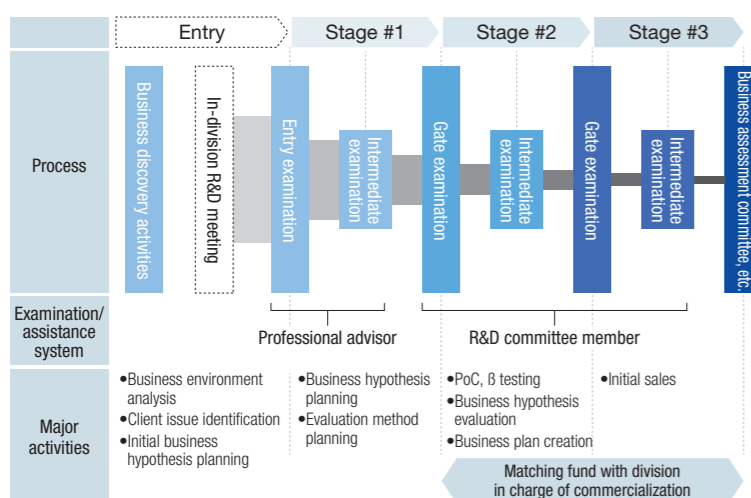
### R&D Themes and Initiative Policies

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

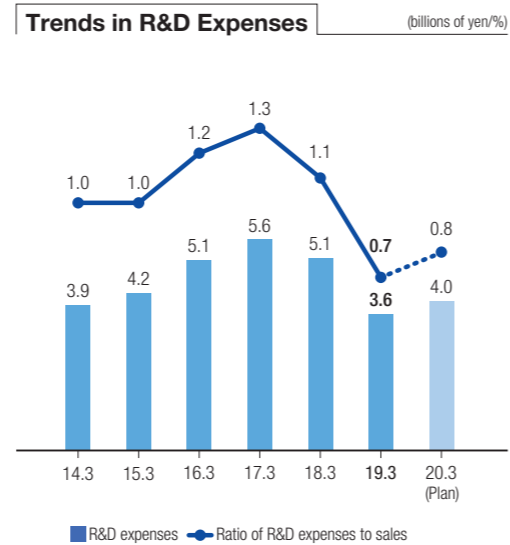
### Organizations Promoting R&D

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.



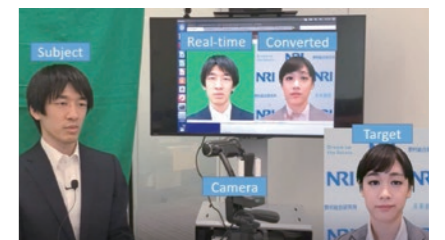
Group photo after the program



(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

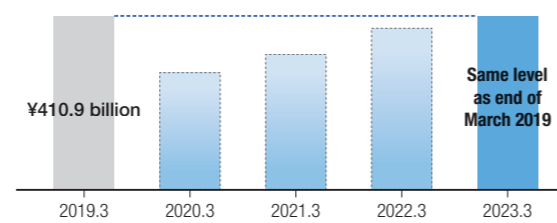
growth, and continue to maintain approximately 5% of the total issued shares as our treasury stock.

### 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).

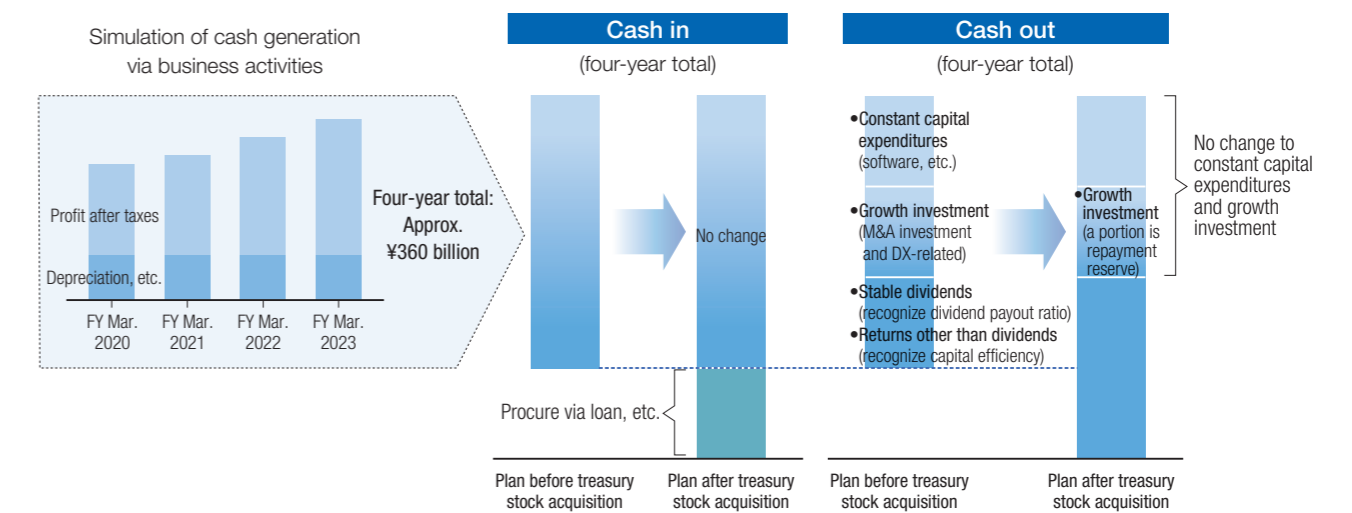
### Transition of Equity\* during the New Medium-Term Management Plan Period (simulation) (As of March 31)



\*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.

### 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

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.

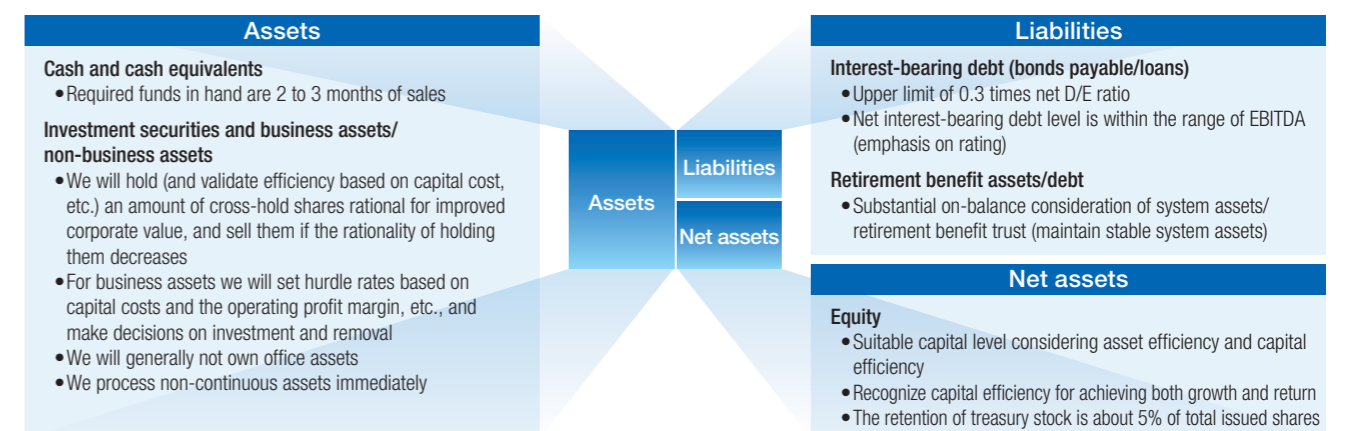
When conducting investment business, we will set a hurdle rate (6% based on yen\*) that exceeds capital costs, and make decisions upon evaluating indices such as IRR (internal rate of return) and rate of operating profit.

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

### 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



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

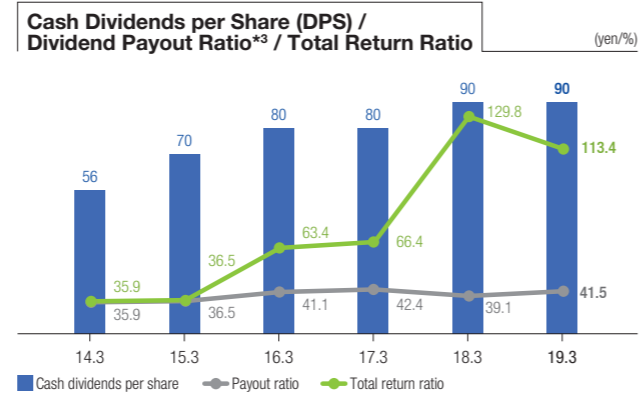
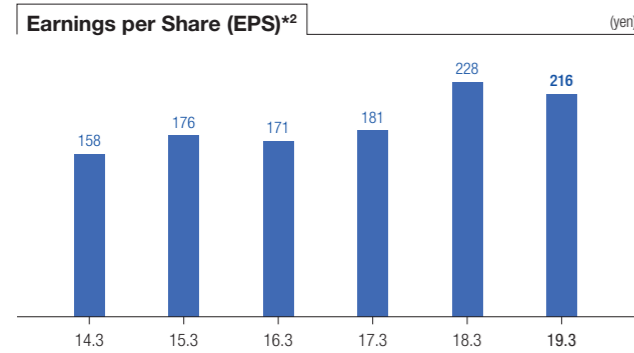
company in Japan to issue green bonds\*1 in the fiscal year ended March 2017, and also issued "Kabuki bonds" (a domestic offering of foreign currency denominated bonds) in the year fiscal ended March 2018. In the fiscal year ended March 2019, we joined the global Science Based Targets (SBTs) initiative 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.

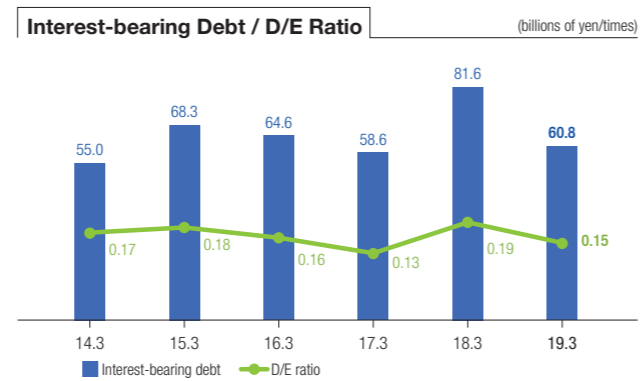
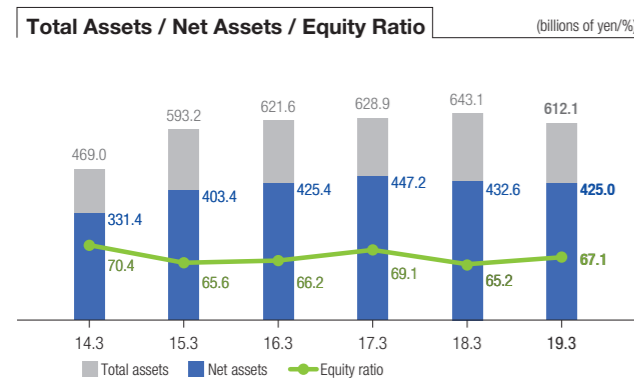
\*1 Bonds issued for procuring capital required for business that contributes to resolving environmental problems such as global warming  
 \*2 Task Force on Climate-related Financial Disclosures  
 \*3 Creating shared value

## Financial Highlights

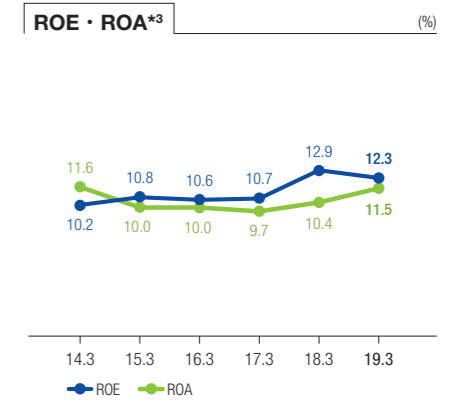
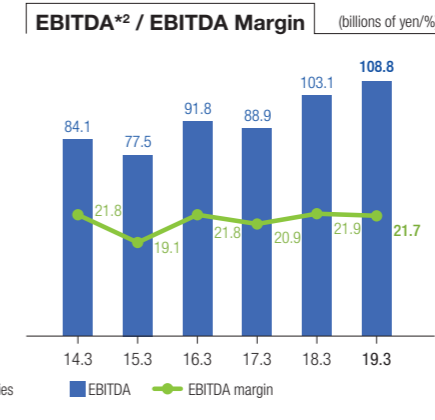
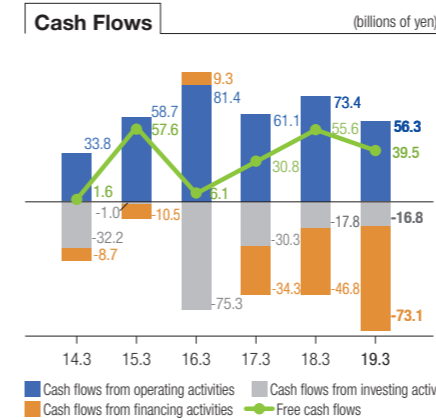
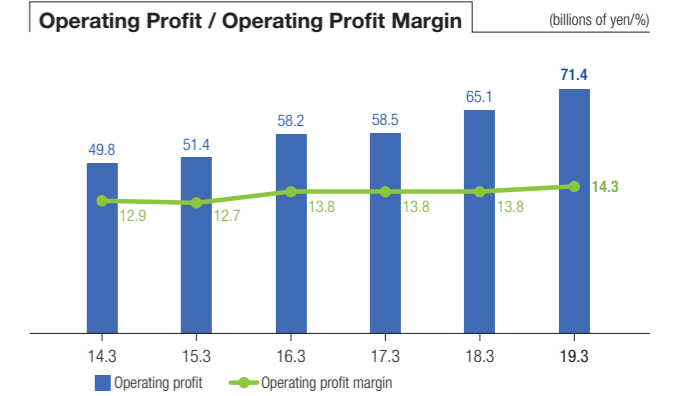
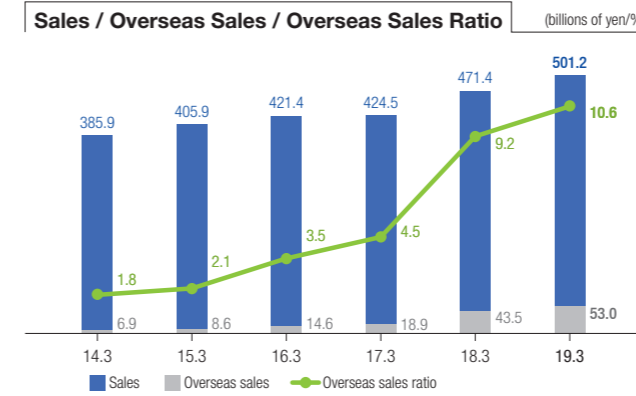
### •Shareholder Value / Returns to Shareholders



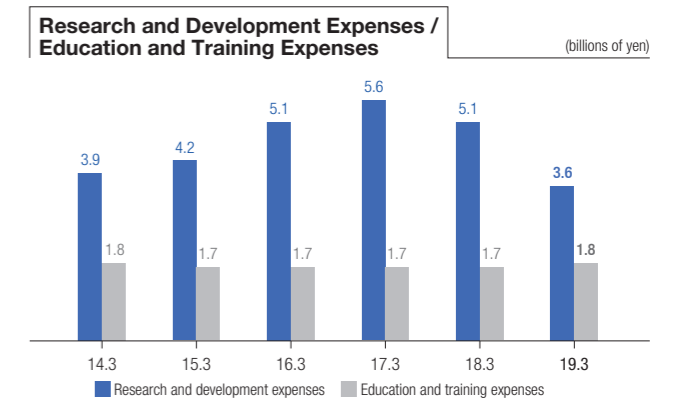
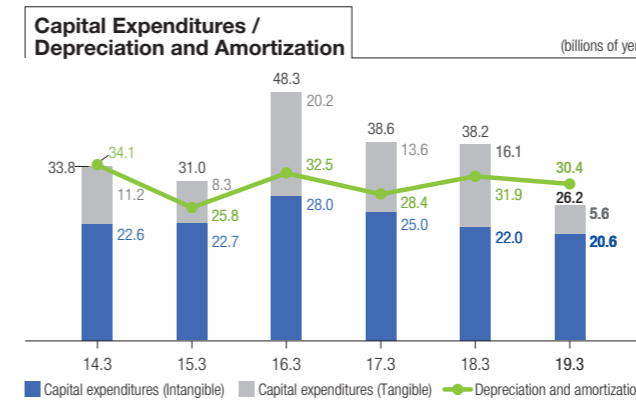
### •Financial Condition



### •Financial Results and Cash Flow Situation



### •Investment Situation



\*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.

\*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

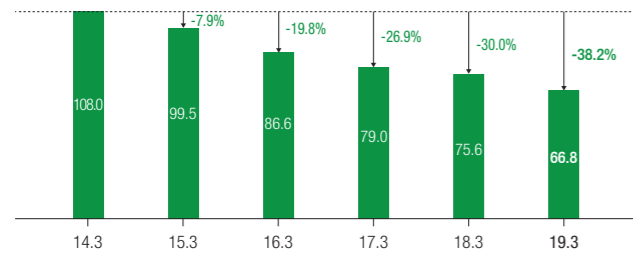
# Non-Financial Highlights

See P.87-88 for more details

## •E: Environment-related Data

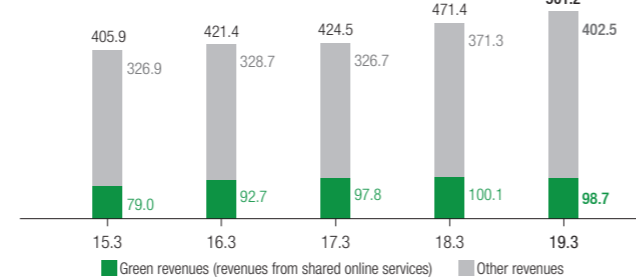
### Greenhouse Gas Emissions (1,000t-CO<sub>2</sub>) (NRI Group data)

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.



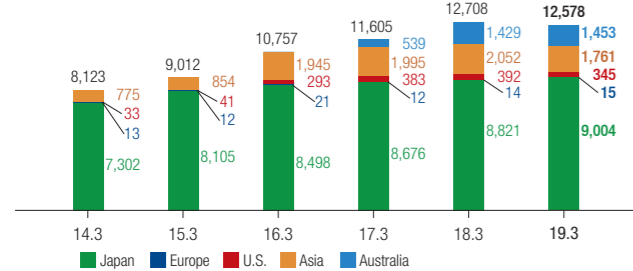
### Green Revenues (Revenues from Shared Online Services) (billions of yen) (NRI Group data)

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 CO<sub>2</sub> emissions by around 70%, compared to if they build and operate their own systems independently.

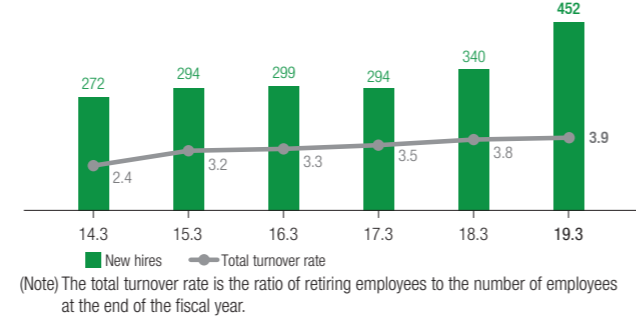


## •S: Social-related Data

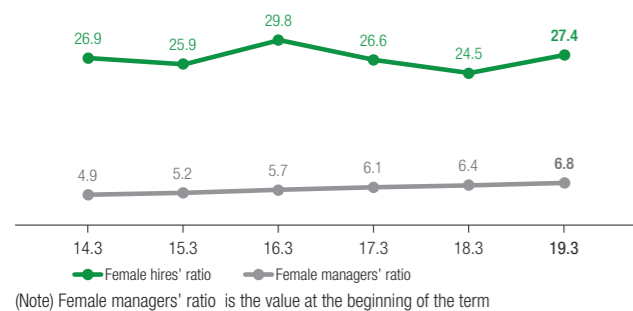
### Number of Employees (persons) (NRI Group data)



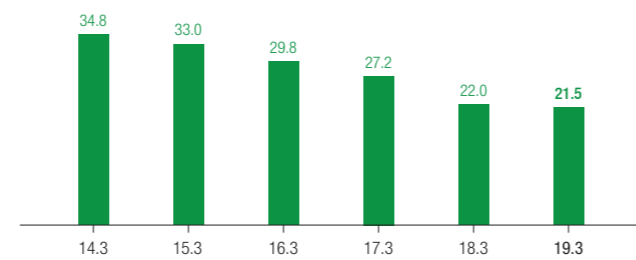
### Number of Hires / Turnover Rate (Non-consolidated data) (persons/%)



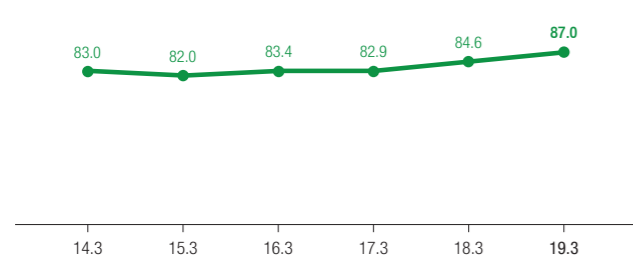
### Female Hires' Ratio and Female Managers' Ratio (Non-consolidated data) (%)



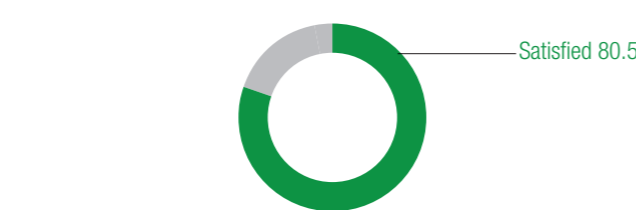
### Monthly Average Overtime Hours per Employee (Non-consolidated data) (hours)



### Client Satisfaction (Non-consolidated data) (%)



### 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.

(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)

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

Year	Month	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. *Members of the Board (excluding outside directors) and senior managing directors, etc.
2018	May	IT Platform Services	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.
		Financial IT Solutions	
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
2018	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
		ESG	
2018	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
		Management	Acquired new "A" rating from S&P Global Ratings Japan Inc. for expanding our global presence
2018	September	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	
		Management	
2018	October	Management	Awarded as a company with excellent disclosure (Computer Software Sector) for the second consecutive year
		IT Platform Services	
2018	November	IT Platform Services	NRI SecureTechnologies, Ltd. started a security monitoring service for information systems using blockchain technology
		Management	
		Financial IT Solutions	
2018	December	Consulting	United States subsidiary Cutter Associates bought business assets of a Swiss research company specializing in financial services for the wealthy
		ESG	
2018	December	ESG	Estimated that wealthy households in Japan number 1.27 million with net financial assets of ¥299 trillion in 2017
		ESG	
2019	January	ESG	Winners of the NRI Student Essay Contest 2018 decided
		ESG	
2019	February	Industrial IT Solutions	Joined the World Business Council for Sustainable Development (WBCSD)
		ESG	
		IT Platform Services	
2019	March	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	
2019	March	ESG	Certified as a Health and Productivity Management 500 Organization (White 500) for three consecutive years
		ESG	
2019	March	IT Platform Services	NRI's AI solution TRAINA was adopted at Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
		ESG	
2019	March	ESG	Selected as a Nadeshiko Brand for three consecutive years as a listed company with outstanding promotion of female performance and advancement
		ESG	

## 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

### 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

### IT Platform Services P.47-48

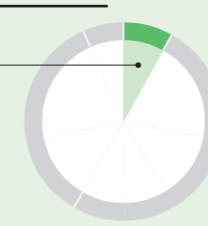
This segment provides data center operations and construction of IT platforms and networks are provided to the Financial IT and Industrial IT solutions segments within the Group. This segment also provides IT platform solutions and information security services to external clients. Furthermore, NRI conducts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

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

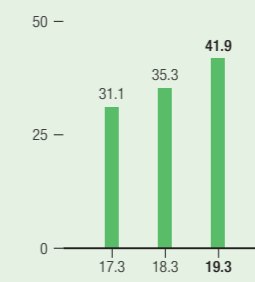
## Clients

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

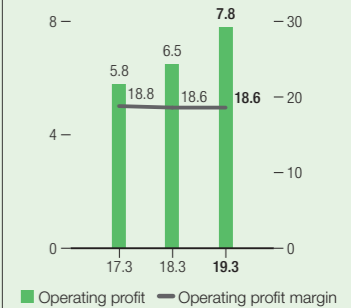
¥41.3 billion (+19.5%)



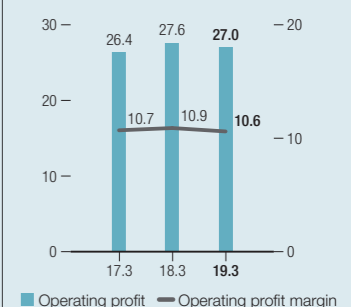
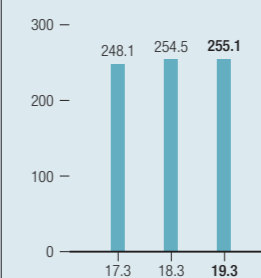
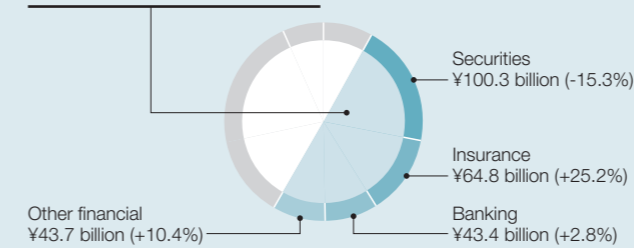
Sales including inter-segment sales (billions of yen)



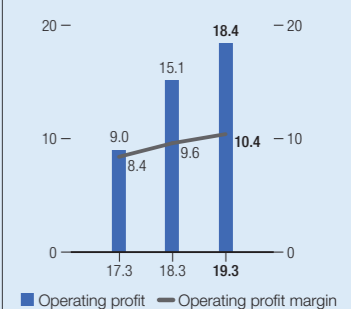
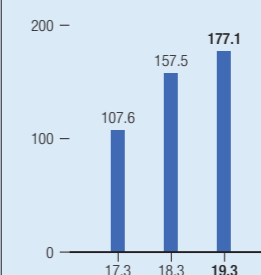
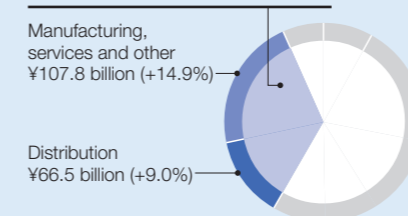
Operating profit/ Operating profit margin (billions of yen/%)



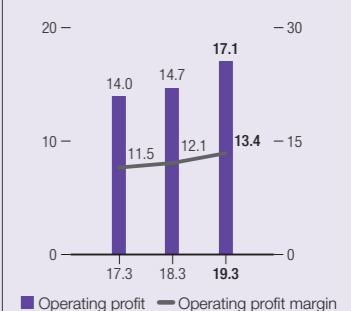
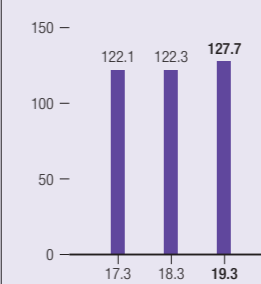
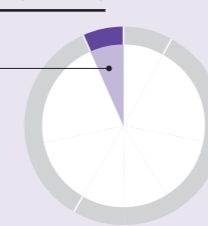
¥252.3 billion (+0.1%)



¥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

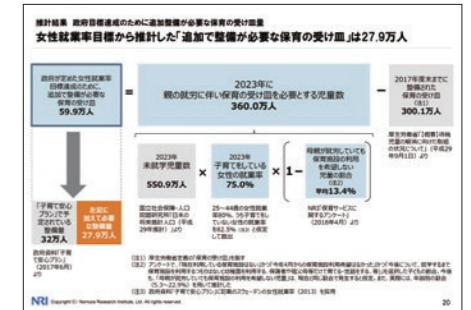
## Value Provided to Society

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.



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

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.



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

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.



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)



### 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.**

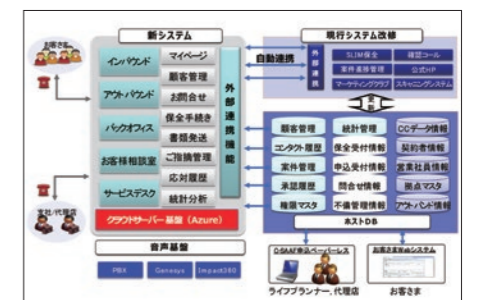
### Construction of Sony Life Insurance's customer center system on Microsoft Azure

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](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.

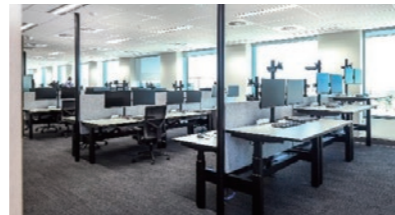
We are strengthening our relationship as a long-term business partner with industry-leading corporations such as Seven & i Holdings Co., Ltd., KDDI CORPORATION, Ajinomoto Co., Inc., Japan Airlines Co., Ltd. (with whom we established a joint venture in February 2019), and Marubeni Corporation (with whom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

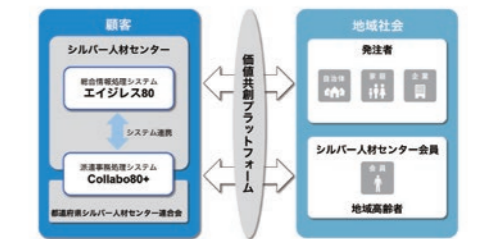
### JAL DIGITAL EXPERIENCE

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.



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"> <li>• Security evaluation for automotive on-board electronic devices and vehicles</li> <li>• Security consultation, security education, etc., for the automotive industry</li> </ul>	

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<sup>\*1</sup> 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<sup>\*2</sup> and endorsed the TCFD<sup>\*3</sup>. 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.

<sup>\*1</sup> Creating Shared Value

<sup>\*2</sup> World Business Council for Sustainable Development

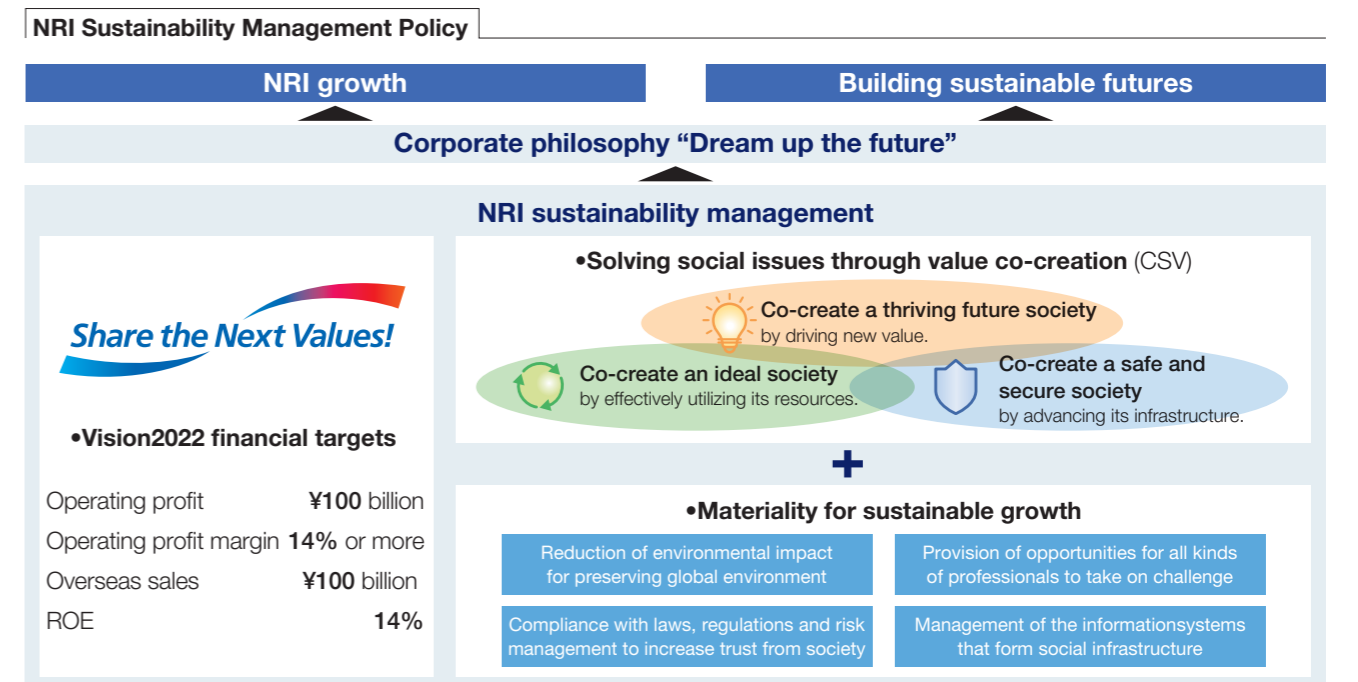
<sup>\*3</sup> Task Force on Climate-related Financial Disclosures

### •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.

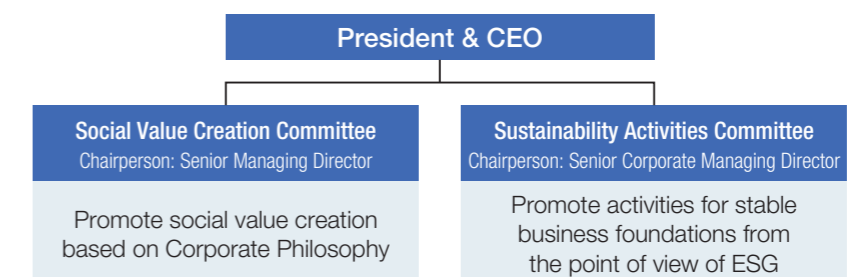
In May 2017, NRI declared our participation in the UN Global Compact and has taken action in order to achieve Sustainable Development Goals (SDGs). Furthermore, from the perspectives of management and external stakeholders, we have identified four priority issues for materiality for sustainable growth. 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.



### 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.

### Initiatives for Materiality for Sustainable Growth


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"> <li>Response on climate change</li> <li>Responsibility and conservation to the environment</li> <li>Sustainable energy consumption</li> <li>Environment-conscious supply chain</li> </ul> 	<ul style="list-style-type: none"> <li>Set a New Environmental Target (reduce greenhouse gas emissions by 55% by FY March 2031 (compared to FY March 2014))</li> <li>Implemented and expanded the scope of NRI-EMS, a unique environmental management system for offices at NRI</li> <li>Relocated to office buildings with superior environmental performance; used renewable energy</li> <li>Promoted NRI Green Style Activities through e-learning courses, forest maintenance activities, etc.</li> <li>Acquired SBT Initiative certification for greenhouse gas reduction targets formulated by NRI</li> <li>Joined RE100, an initiative by corporations seeking to transition to 100% renewable energy for power used in business activities</li> <li>Declared participation in the Taskforce on Climate-related Financial Disclosures (TCFD)</li> <li>Declared participation in the Japan Climate Initiative (JCI)</li> </ul>	<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>
		<ul style="list-style-type: none"> <li>Human resource diversity</li> <li>Healthy employment and labor-management relationship</li> <li>Respect on human rights</li> </ul> 	<ul style="list-style-type: none"> <li>Developed solutions and cultivate human resources through cooperation with educational/research organizations both inside and outside of Japan</li> <li>Held the NRI Student Essay Contest (held continually since the fiscal year ended March 2007)</li> <li>Expanded actions to support the balance of work and child-rearing by male employees</li> <li>In June 2017, opened the in-office nursery Yumeminato Hoikuen</li> <li>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</li> <li>Developed a new office environment which promotes work-style reform and internal/external interactions</li> <li>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.</li> </ul>
 <p>Compliance with laws, regulations and risk management to increase trust from society</p>	<ul style="list-style-type: none"> <li>Enhancement of corporate governance</li> <li>Risk management</li> <li>Action against corrupt practices abroad</li> <li>Appropriate information disclosure to the customers</li> </ul> 	<ul style="list-style-type: none"> <li>Established the Nomination Committee, which is mainly composed of independent directors</li> <li>Changed the main members composing the Compensation Committee from external experts to independent Members of the Board</li> <li>Implemented the restricted stock compensation plan as a medium- to long-term incentive compensation plan for Members of the Board</li> <li>Held the Sustainability Dialogue in order to discuss CSR with business partners</li> <li>Held the Business Information Session for institutional investors and analysts (continued from FY March 2011)</li> <li>Held the ESG briefing in February 2019</li> <li>Established NRI Australia in order to strengthen governance in the Australia region</li> <li>In April 2019, we established the Global Headquarters for global governance.</li> </ul>	<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>
		<ul style="list-style-type: none"> <li>Management of information security and system</li> <li>Access to information society</li> </ul> 	<ul style="list-style-type: none"> <li>Enhanced project monitoring functions and held other activities to improve the quality of information systems</li> <li>Held the Production Innovation Forum and took other activities to improve company-wide quality and productivity</li> <li>Held the Safety and Security Forum and acquired certification/guarantees from third-party organizations</li> <li>Increased the level of information security measures both inside and outside Japan</li> <li>Increased the sophistication of our Computer Security Incident Response Team (CSIRT) in order to respond to cyber attacks</li> </ul>

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


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

**MSCI Japan ESG Select Leaders Index\***



2018 Constituent MSCI Japan ESG Select Leaders Index

**MSCI Japan Empowering Women Index\***



2018 Constituent MSCI Japan Empowering Women Index (WIN)

**FTSE Blossom Japan Index**



**S&P/JPX Carbon Efficient Index**



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



2018 Constituent MSCI ESG Leaders Indexes

**FTSE4Good Developed Index**  
Included for thirteen consecutive years from 2006



FTSE4Good

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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 CO<sub>2</sub> 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**



	Target for FY Mar. 2031	Target for FY Mar. 2051
<b>Scope 1+2</b>	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
<b>Scope 3</b>	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)	

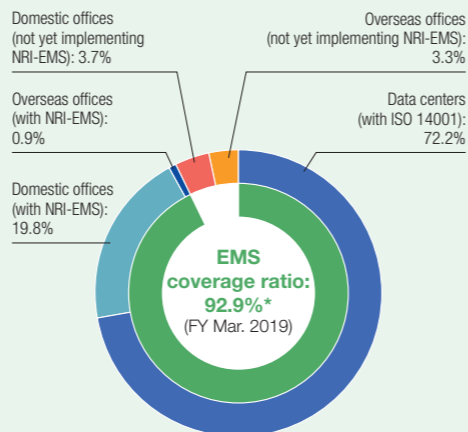
Scope: Target scope of calculation/reporting for greenhouse gas emissions by corporations

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 CO<sub>2</sub> emissions)



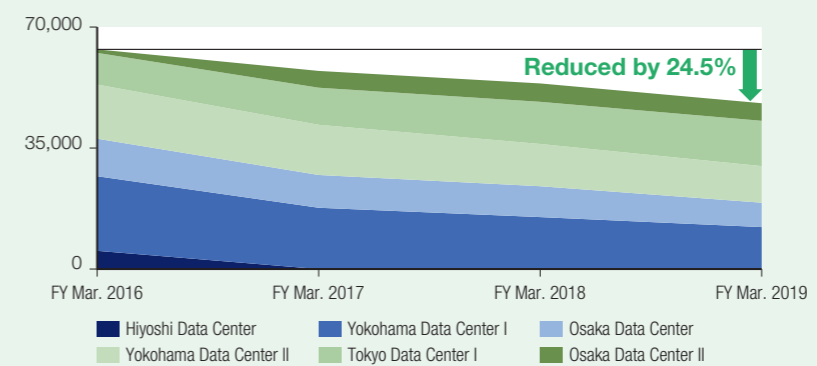
\*The figure shown for the EMS coverage ratio is the final value based on data assurance work carried out between April and June 2019 by an independent third party. For this reason, it differs slightly from the EMS coverage ratio of 92.4% that was published in Sustainability Book 2019, which was issued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

**Changes in Greenhouse Gas Emissions at Data Centers** (t-CO<sub>2</sub>)



Cold water vertical thermal storage tank at Tokyo Data Center I

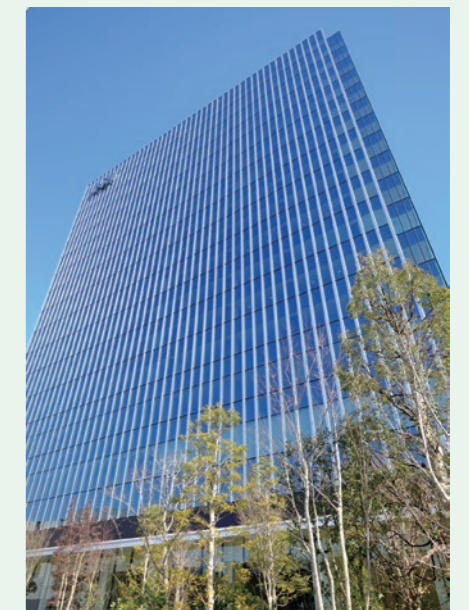
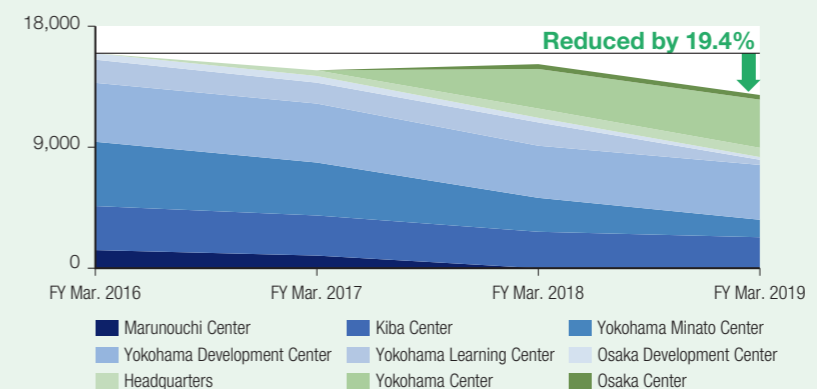
**Migration to New Offices**

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.

**Changes in Greenhouse Gas Emissions at Offices** (t-CO<sub>2</sub>)



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

**Initiatives at NRI for TCFD Final Recommendations**

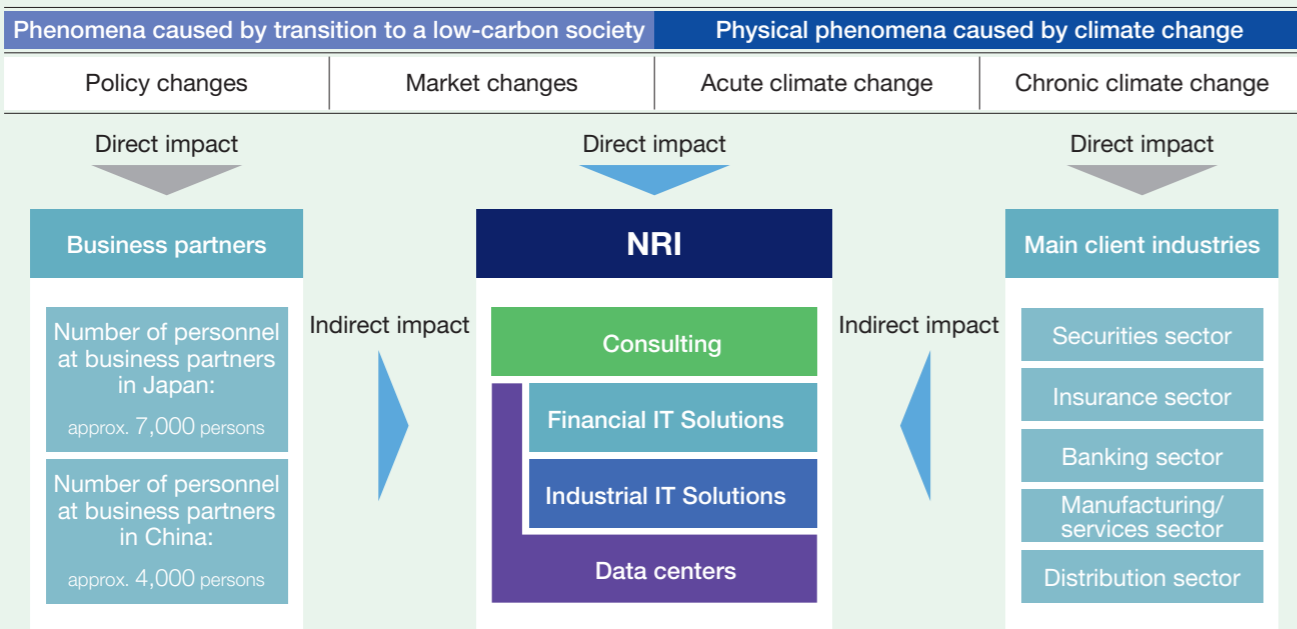
NRI established the Sustainability Activities Committee for promoting activities as the management infrastructure to support co-creating social value of sustainability management, and is implementing initiatives for sustainability management.

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	+	-
Financial IT Solutions	+	-
Industrial IT Solutions	+	+
Data centers	+	+

\*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.

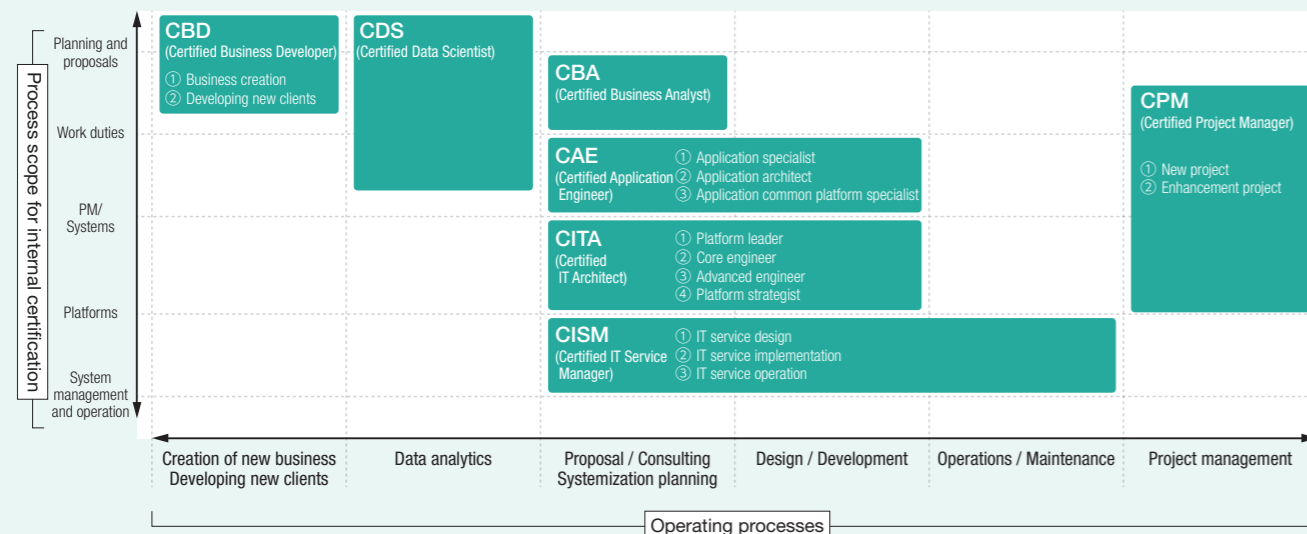
In addition to compensation for short-term performance, we have implemented incentives for medium- and long-term contribution; specifically, for the achievement of sustainable improvements in corporate value. Examples of incentives include retirement allowances, a defined contribution pension plan, employee 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.

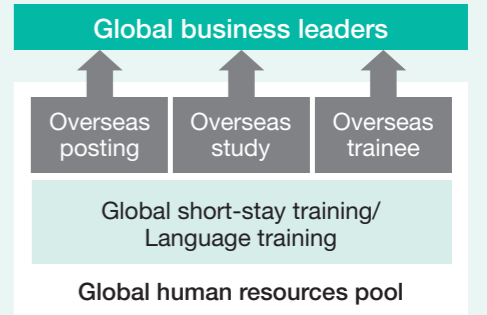
The overseas studies program is a system through which employees obtain wide-ranging knowledge and expertise as well as advanced technical capabilities. In addition to MBAs from overseas business schools, the acquisition of degrees in other fields, such as computer sciences (MSE/MCS) and law (LLM), is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

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



## 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.

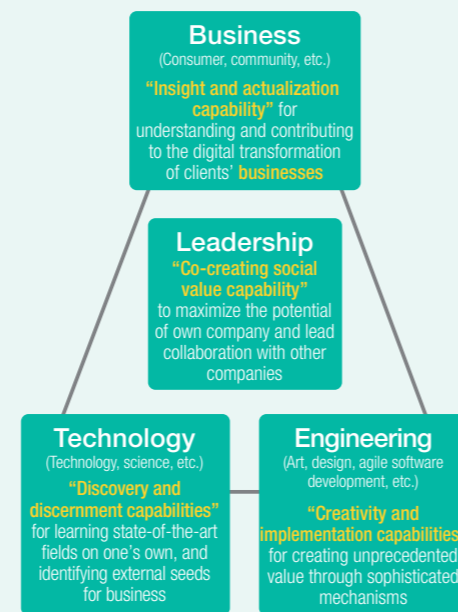
Furthermore, proactive collaboration is carried out with research bodies (graduate schools, etc.) in Japan and abroad, external organizations, such as data scientist (DS) associations, and companies. A multitude of academic knowledge and progressive cases are incorporated to establish places of learning 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.

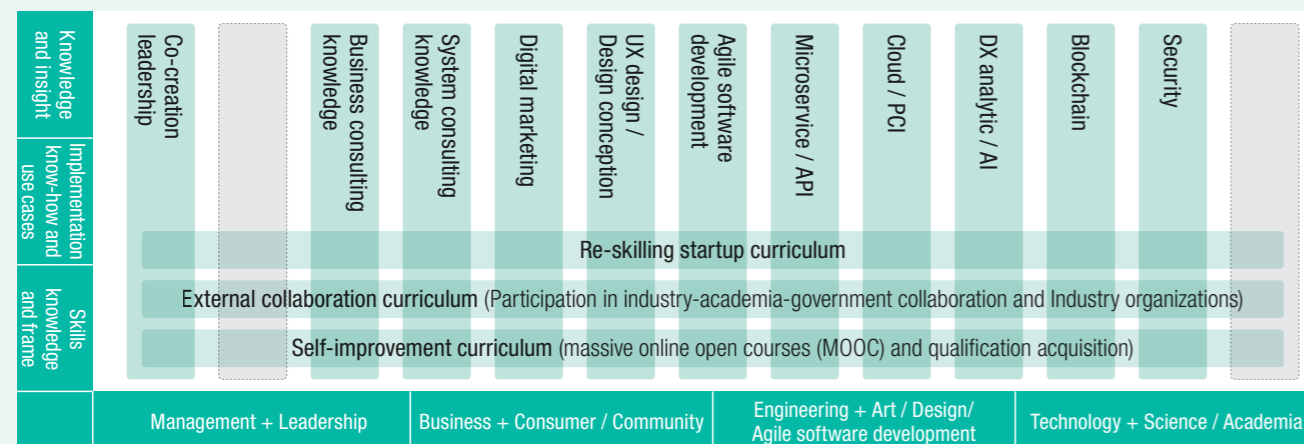
Ranks have been established in accordance with skill levels for each capability to develop the human resources required for execution of the DX Strategy. Programs are planned and operated after establishing numerical targets in regard to the number of people to be cultivated.

### 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><b>1 Opportunities for learning</b></p> <p>Each individual obtains opportunities to learn for making challenges into new fields</p> <ul style="list-style-type: none"> <li>• Training to share advanced knowledge distinctive of NRI and learn original insight, in addition to simple skills and case studies</li> <li>• 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</li> <li>• Self-improvement through Coursera, university lectures, qualification acquisition, etc.</li> </ul>	<p><b>2 Opportunities for development</b></p> <p>Individuals learn while contributing to the development of the next generation as an expert</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• Lead opportunities to teach others to even deeper learning through systematization and introspection</li> </ul>
<p><b>3 Opportunities for becoming connected</b></p> <p>The enhancement of individual strengths by forming internal networks</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• Promote the integration of internal resources and information through these measures, and strengthen the display of capabilities by individuals</li> </ul>	<p><b>4 Opportunities for playing an active role</b></p> <p>Increase NRI’s presence while also linking it to self-growth</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Trigger self growth through opportunities to strengthen NRI’s branding</li> </ul>

### 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	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	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**

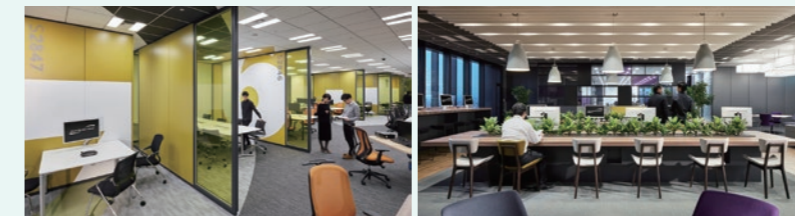
By enacting work-style reform, NRI works to promote work-life balance by reducing long working hours. We seek to achieve an environment where employees can fully exhibit their abilities while valuing their personal health and family life.

**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.



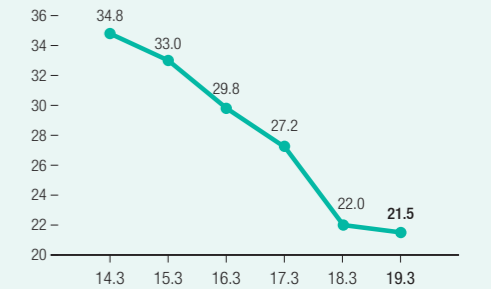
New office which achieves an innovative working style

**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	<b>Reduce lifestyle-related diseases</b> •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	<b>Lower stress</b> •Stress prevention for individual employees and teams •Develop a system to enable employees to return to work earlier
3	<b>Lower smoking rate</b> •Introduce support to help stop smoking •Remove smoking spaces inside the office
4	<b>Promote work-life balance</b> •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.

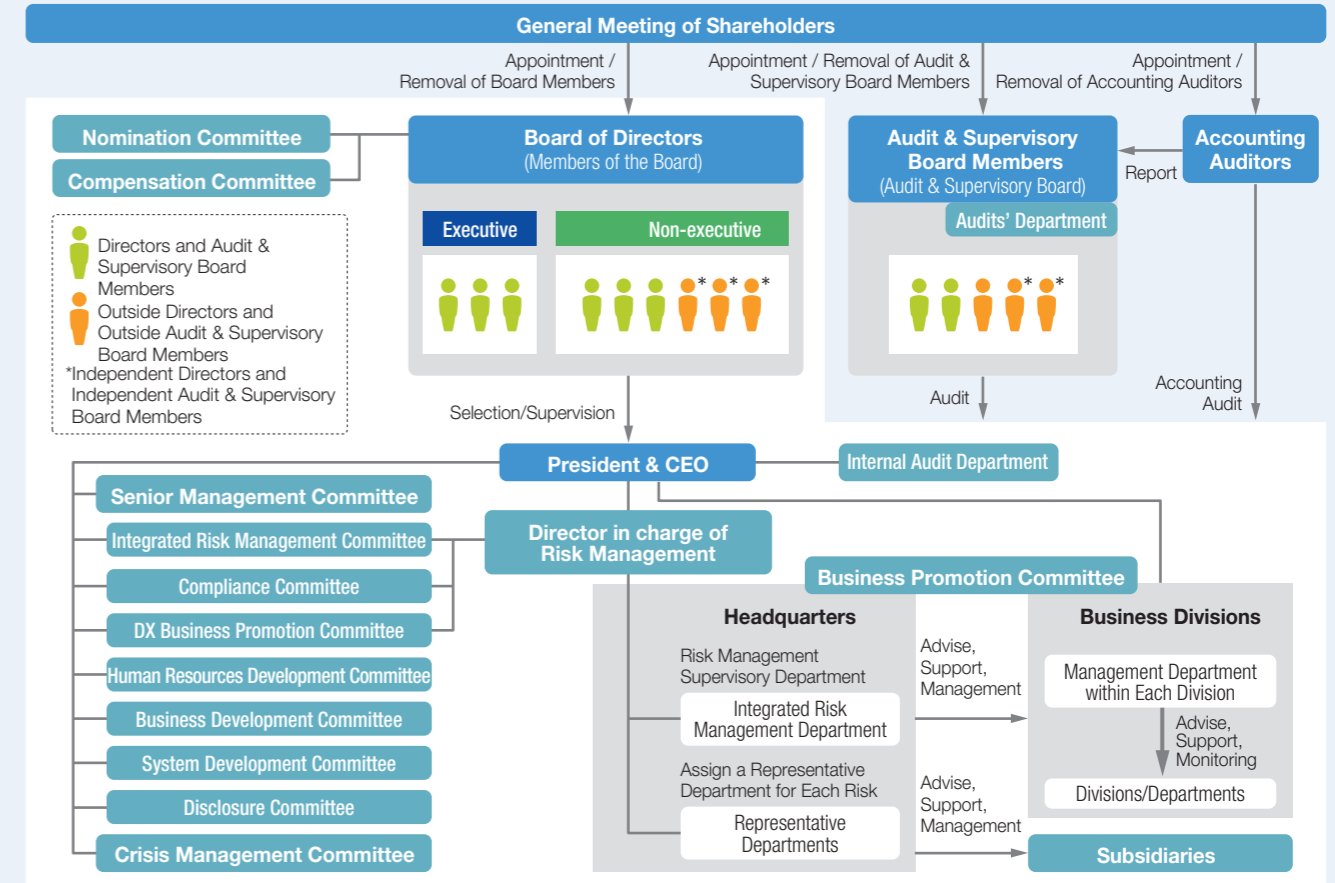
**Main corporate governance efforts since 2001**

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

**Corporate governance structure**

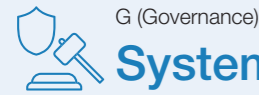
(As of July 1, 2019)

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**

<b>Nomination Committee</b>	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.
<b>Compensation Committee</b>	Mainly comprised of Independent Directors, the Committee deliberates on the system and standards of executive compensation from the standpoint of fairness and transparency.
<b>Senior Management Committee</b>	The Committee meets in principle to deliberate on important issues involving corporate management in order to achieve consistent business execution and decision making.
<b>Integrated Risk Management Committee</b>	The Committee deliberates on important issues concerning risk management based on instructions given by the President & CEO.
<b>Compliance Committee</b>	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.
<b>DX Business Promotion Committee</b>	Based on the instructions given by the President & CEO, the Committee deliberates on important issues concerning promotion of the digital transformation (DX) business.
<b>Human Resources Development Committee</b>	The Committee deliberates on important issues concerning ability development and training of employees, based on instructions given by the President & CEO.
<b>Business Development Committee</b>	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.
<b>Systems Development Committee</b>	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.
<b>Disclosure Committee</b>	The Committee deliberates on important issues concerning the disclosure of Annual Securities Report and other documents, based on instructions given by the President & CEO.
<b>Crisis Management Committee</b>	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.
<b>Business Promotion Committee</b>	The Committee involves administrative departments from the headquarters and management departments within business divisions and seeks to establish highly effective and efficient internal controls.



## 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
<b>Shingo Konomoto</b> (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.
<b>Hironori Momose</b> (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.
<b>Ayumu Ueno</b> (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.
<b>Yasuo Fukami</b> (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.
<b>Tadashi Shimamoto</b> (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.
<b>Yoshio Usumi</b> (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.
<b>Miwako Doi</b> (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.
<b>Masatoshi Matsuzaki</b> (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.
<b>Hideaki Omiya</b> (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
<b>Yutaka Harada</b> (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.
<b>Kohei Sato</b> (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.
<b>Motoya Nishimura</b> (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.
<b>Kiyotaka Yamazaki</b> (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.
<b>Noriaki Okubo</b> (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.



## 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

<b>a. Basic compensation</b>	•Basic compensation consists of fixed pay (basic pay and position pay), which is compensation based on each Member of the Board's post.
<b>b. Bonuses</b>	•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
<b>c. Stock-based compensation (restricted stock-based compensation)</b>	<ul style="list-style-type: none"> <li>•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</li> <li>•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.</li> </ul> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; width: 30%;"> <p style="text-align: center;"><b>Stock-based compensation as long-term incentives</b></p> <p>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</p> <p>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: 24px;">+</div> <div style="border: 1px solid black; padding: 5px; width: 30%;"> <p style="text-align: center;"><b>Stock-based compensation as medium-term incentives</b></p> <p>Medium-term incentive aimed at improvements in the Company's medium-term results and share price as represented in the Medium-Term Management Plan</p> <p>The transfer restriction term is from the day of allotment and lasts between three and five years thereafter</p> </div> </div> <p>•Stock-based compensation=</p>

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

<b>a. Basic compensation</b>	•Basic compensation consists of fixed pay based on each Audit & Supervisory Board Member's career, knowledge, responsibilities.
<b>b. Bonuses</b>	•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)					Other	No. of eligible individuals (persons)
		Fixed compensation	Performance-based compensation					
		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.

<b>Evaluation methods</b>	<ul style="list-style-type: none"> <li>•Questionnaire targeting all Directors and Audit &amp; Supervisory Board Members</li> <li>•Exchange of views with Independent Directors</li> <li>•Deliberations at a Board of Directors meeting based on the results of the above questionnaire and view exchanging sessions</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>•From the points below, we conclude that the Board of Directors is basically stable in its effectiveness.</li> <li>•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</li> <li>•Open and constructive discussions and exchanges of views are carried out</li> <li>•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.</li> </ul>
<b>Challenges for further effectiveness</b>	<ul style="list-style-type: none"> <li>•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</li> </ul>



# 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.



- 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.

- 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.

### \*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](https://www.nri.com/en/company/company_code)

NRI Group Employees' Code of Business Conduct  
[https://www.nri.com/en/company/business\\_code](https://www.nri.com/en/company/business_code)

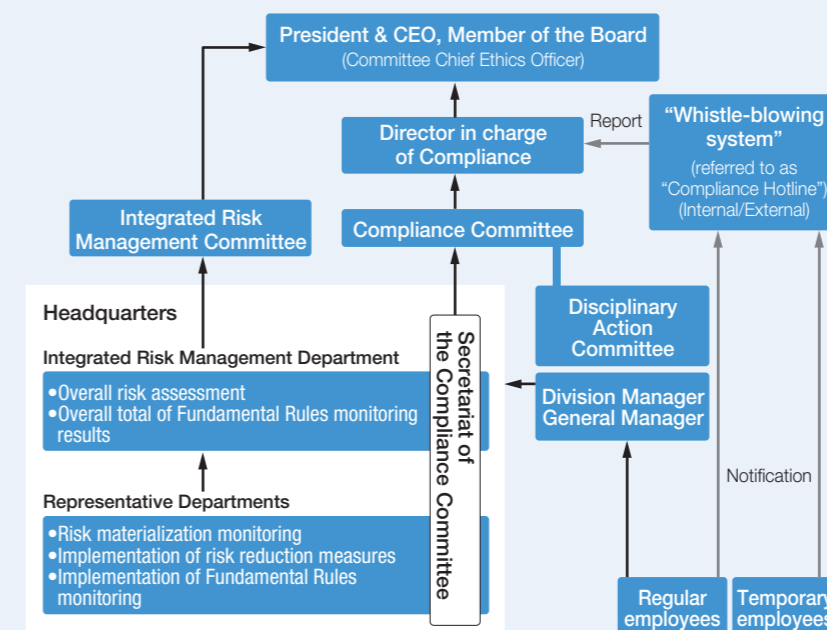
The Fundamental Rules composed of 12 items prepared and monitored to confirm that these principles and policies are complied with and that the company's management is reliably going in the right direction.

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  
Apr. 2015 Division Manager of Distribution & Communication Solution Division  
Senior Executive Managing Director in charge of Distribution, Communication & Industrial Solutions and China & Asia Region Systems  
Jun. 2015 Member of the Board, Senior Executive Managing Director in charge of Distribution, Communication & Industrial Solutions and China & Asia Region Systems  
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 <sup>(Note 1)</sup> (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 <sup>(Note 1)</sup> (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 LIXIL Group Corporation

**Hideaki Omiya** Non-executive Outside Independent  
Date of birth: July 25, 1946  
Member of the Board <sup>(Note 1)</sup> (←)

Jun. 1969 Joined Mitsubishi Heavy Industries, Ltd.  
Jun. 2002 Member of the Board 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** Outside  
Date of birth: April 18, 1961  
Audit & Supervisory Board Member (full-time) (200 shares)

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

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** Outside Independent  
Date of birth: April 4, 1953  
Audit & Supervisory Board Member <sup>(Note 1)</sup> (2,900 shares)

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** Outside Independent  
Date of birth: May 22, 1959  
Audit & Supervisory Board Member <sup>(Note 1)</sup> (←)

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: 1. 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.  
2. Members of the Board were selected at the Ordinary General Meeting of Shareholders held on June 20, 2019.  
3. 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.  
4. 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**

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

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

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

**Senior Managing Directors**

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

**Executive Fellows**

- Yasuki Okai
- Kotaro Kuwazu

**Senior Corporate Managing Directors**

- Kenji Yokoyama
- Shigeki Hayashi
- Takuhito Sakata
- Fumihiko Sagano
- Yoichi Inada
- Hiroshi Masutani

**Managing Directors**

- Masaaki Yamazaki
- Koji Shimizu
- Hiroshi Koike



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?

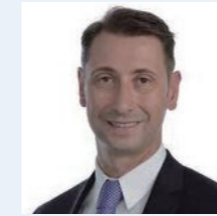


**Edoardo Gai**  
RobecoSAM  
Managing Director, Head of Sustainability Service

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.

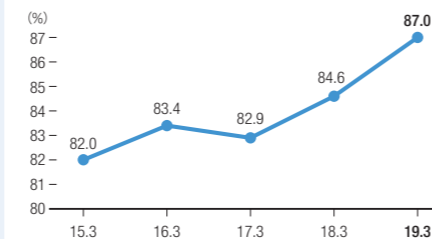
To continue the appropriate contract services, we formulated the Guidelines Relating to Contract Work. Moreover, we separate the work sites of business partner employees under a contract service agreement from the work site of NRI employees, preventing a practice of falsified contract service in which 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"> <li>•Shareholder questionnaire: Number of respondents is 2,861 (Number of sent: 10,926 shareholders/Collection rate: 26.2%)</li> </ul>
For institutional investors and analysts	<ul style="list-style-type: none"> <li>•Number of investors met: 487 persons</li> <li>•Domestic: In addition to results briefing sessions for each quarter and individual interviews, held small meetings with management, business briefings, etc.</li> <li>•Overseas: Visited 13 cities in overseas roadshows/overseas conferences</li> </ul>
For individual investors	<ul style="list-style-type: none"> <li>•Individual investor information meeting: Four were held (two in Tokyo and one each in Osaka and Fukuoka)</li> <li>•Number of attendees: 1,171 persons</li> </ul>

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

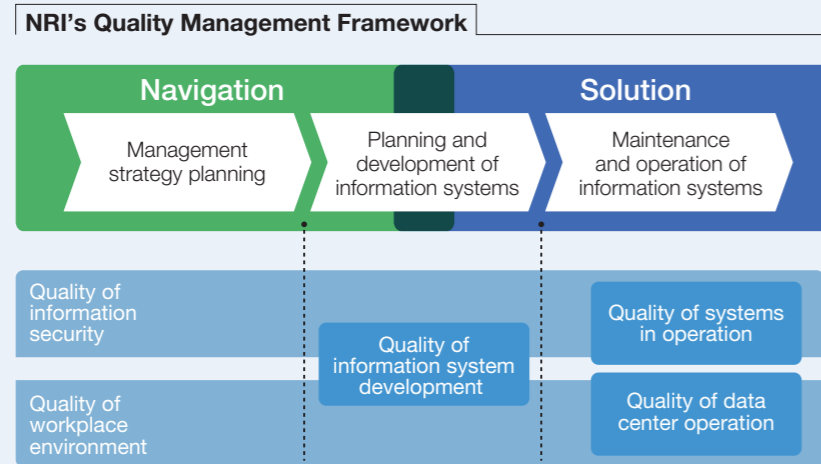
- 2018 Award for Excellence in Corporate Disclosure (Computer Software Sector) (The Securities Analysts Association of Japan)





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.



**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.

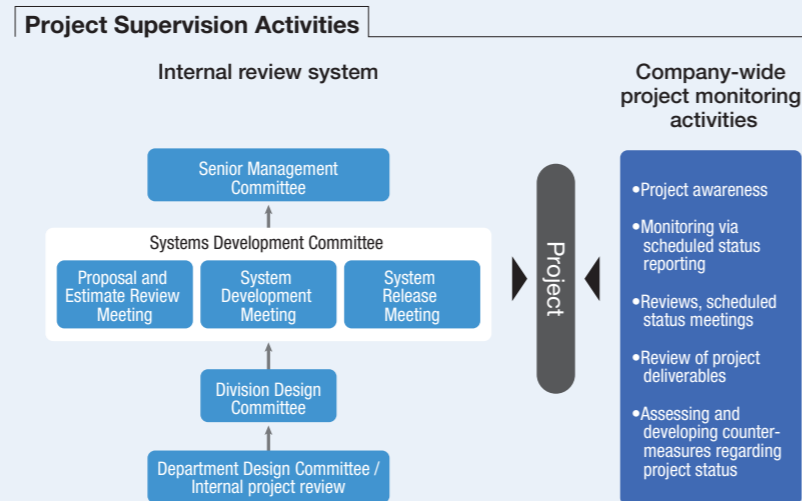
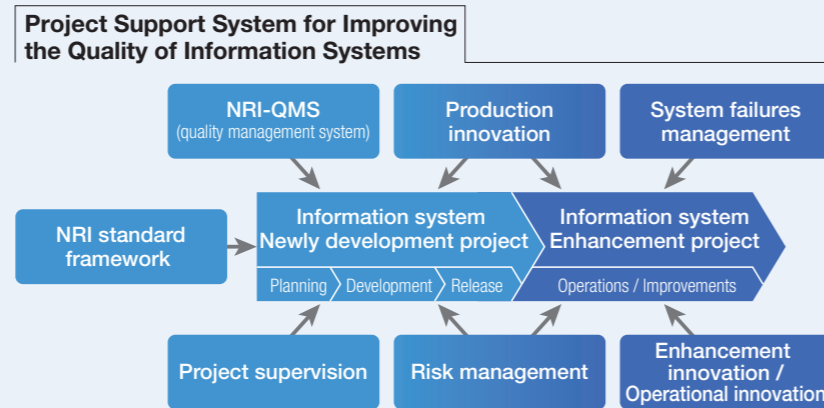
In addition, work is under way to post all of the knowledge gathered at NRI on its internal website in order to share expertise and examples across the entire Company.

**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.



**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)\*



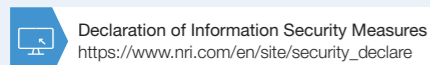
\*Certification acquired for Tokyo Data Center I, Yokohama Data Center II, and Osaka Data Center II

### 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](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.

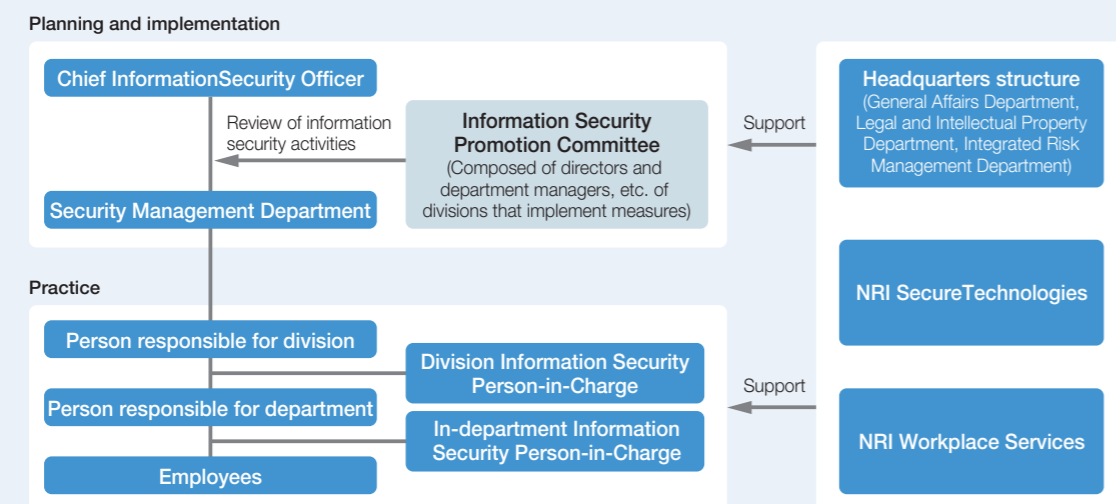
#### •Information security management structure

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.

#### Information Security Management Structure



#### •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 \*) software, hard drive encryption, and installing different security measures (such as firewalls, IDS\*, and network behavior analysis technology\*). 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\*\*).

A CSIRT acts like a fire extinguisher, denying further success 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.

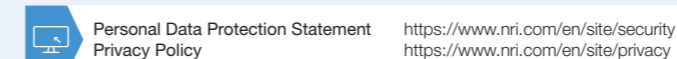
\*3 Malware used in a phishing attack is often produced to target a specific company alone, which means it may not be possible for general anti-virus software to detect and eliminate it. NBA technology works by running software suspected of being malware in a highly restricted environment called a "sandbox." 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.



Personal Data Protection Statement Privacy Policy  
<https://www.nri.com/en/site/security>  
<https://www.nri.com/en/site/privacy>



#### 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\*\*.

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

Contents ►

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	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
(millions of yen)											
<b>Consolidated Statement of Income:</b>											
Sales	341,279	338,629	326,328	335,554	363,891	385,932	405,984	421,439	424,548	471,488	501,243
Cost of sales	240,854	245,641	233,119	235,515	262,315	276,664	289,210	287,270	280,761	311,868	336,508
Gross profit	100,425	92,988	93,209	100,038	101,575	109,267	116,774	134,168	143,787	159,619	164,735
Selling, general and administrative expenses	50,711	52,911	54,782	56,886	57,608	59,450	65,287	75,873	85,272	94,481	93,293
Directors' compensations	1,242	1,125	1,093	899	878	986	1,316	1,227	1,213	1,101	1,069
Salaries and allowances	16,272	18,261	19,167	20,065	20,080	20,087	22,450	25,395	27,576	29,681	30,506
Provision for bonuses	3,826	3,700	4,283	4,527	4,582	4,715	5,136	5,802	5,993	6,751	6,783
Retirement benefit expenses	1,690	2,111	2,260	2,347	2,492	2,458	2,105	2,155	3,038	2,678	2,533
Welfare expenses	3,165	3,376	3,641	3,651	3,641	3,786	4,362	4,935	5,842	6,348	6,532
Education and training expenses	1,250	1,477	1,451	1,567	1,843	1,853	1,789	1,712	1,768	1,705	1,851
Operations consignment expenses	8,168	7,270	6,831	8,401	8,823	9,640	11,170	14,246	16,722	16,740	17,073
EBITDA	70,476	70,992	69,094	74,027	86,567	84,126	77,528	91,814	88,933	103,177	108,846
Operating profit	49,713	40,077	38,426	43,152	43,967	49,816	51,486	58,295	58,514	65,138	71,442
Non-operating income and profit	2,017	870	1,646	1,533	1,891	2,544	1,455	2,705	1,839	1,023	967
Ordinary profit	51,731	40,947	40,073	44,686	45,858	52,360	52,942	61,001	60,354	66,161	72,409
Extraordinary income and loss	(7,549)	(3,618)	(219)	11,518	(2,988)	349	6,132	1,304	4,638	16,366	4,340
Income taxes	19,668	15,476	16,663	23,283	14,261	21,175	19,209	19,513	21,042	26,356	25,213
Profit attributable to owners of parent	24,513	21,856	23,188	32,920	28,612	31,527	38,880	42,648	45,064	55,145	50,931
<b>Consolidated Balance Sheet (year-end):</b>											
Total Assets	354,487	363,368	380,032	402,784	432,222	469,010	593,213	621,695	628,944	643,117	612,192
Current assets	122,572	137,744	177,593	176,804	189,206	208,121	298,565	306,943	295,915	298,275	285,788
Cash and bank deposits	20,307	15,055	16,757	8,462	10,273	9,885	26,469	62,138	152,610	159,541	124,773
Fixed Assets	231,915	225,623	202,439	225,980	243,016	260,888	294,647	314,751	333,029	344,842	326,404
Tangible fixed assets	58,274	58,965	58,451	67,569	63,456	62,767	53,915	65,384	63,790	68,528	65,376
Intangible fixed assets	74,886	68,319	57,641	57,861	42,854	42,712	55,582	65,085	99,485	103,747	91,505
Goodwill	—	—	—	—	—	—	—	7,864	35,404	36,624	27,572
Investments and other assets	98,754	98,339	86,346	100,549	136,705	155,408	185,148	184,280	169,754	172,566	169,522
Investment securities	55,436	53,699	43,964	61,273	88,378	94,766	116,480	120,397	103,841	88,999	80,203
Total liabilities	149,020	143,131	148,957	144,507	141,404	137,601	189,745	196,286	181,646	210,442	187,160
Current liabilities	70,026	67,195	68,160	69,380	118,207	79,841	113,208	134,304	111,552	162,133	124,264
Short-term loans payable	—	—	—	—	—	—	10,645	2,270	2,870	6,074	6,345
Provision for loss on orders received	—	—	—	—	579	3,083	3,911	1,345	1,591	50	933
Non-current liabilities	78,994	75,936	80,797	75,126	23,196	57,759	75,988	61,327	69,500	47,714	62,419
Bonds	49,997	49,997	49,997	49,997	—	30,000	30,000	15,000	25,000	34,082	33,931
Long-term loans payable	—	—	9,176	6,677	4,250	22,054	21,333	27,969	24,396	408	13,213
Net assets	205,466	220,237	231,074	258,276	290,818	331,408	403,467	425,409	447,297	432,674	425,032
<b>Consolidated Statement of Cash Flows:</b>											
Cash flows from operating activities	46,180	58,060	48,777	53,067	68,600	33,839	58,710	81,470	61,147	73,493	56,349
Cash flows from investing activities	(70,994)	(16,175)	(27,723)	(47,731)	(36,019)	(32,234)	(1,093)	(75,344)	(30,341)	(17,882)	(16,826)
(Investing activities except cash management purpose investment)	(74,058)	(28,184)	(19,292)	(25,299)	(34,055)	(38,086)	(13,800)	(52,725)	(41,348)	(30,162)	(15,025)
Free cash flow	(24,813)	41,885	21,054	5,335	32,580	1,605	57,617	6,126	30,805	55,610	39,523
(Free cash flow except cash management purpose investment)	(27,877)	29,876	29,485	27,767	34,544	(4,246)	44,910	28,744	19,799	43,330	41,324
Cash flows from financing activities	(22,414)	(10,348)	1,590	(10,438)	(10,723)	(8,773)	(10,536)	9,326	(34,327)	(46,829)	(73,106)
Effect of exchange rate change on cash and cash equivalents	(68)	10	(335)	62	721	337	694	(1,071)	624	(2,529)	(1,519)
Net increase (decrease) in cash and cash equivalents	(47,296)	31,547	22,309	(5,041)	22,579	(6,830)	47,775	14,381	(2,897)	6,251	(35,102)
Cash and cash equivalents at end of period	28,228	59,775	82,085	77,043	99,623	92,792	140,567	154,949	152,051	158,303	123,200
Cash and cash equivalents + Cash management purpose investment	51,271	73,837	104,417	121,601	145,974	133,350	169,023	206,031	192,028	185,882	152,743

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.

		2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
(millions of yen)							
<b>Segment Information:</b>							
External sales	Consulting	25,631	27,353	28,370	30,574	34,577	41,304
(Sales to external customers)	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
(millions of yen)							
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.

		2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
(millions of yen)							
<b>Productions and Orders:</b>							
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.

		2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
(millions of yen)							
<b>Capital Expenditures/Depreciation and Amortization/Research and Development Expenses:</b>							
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
(%)							
<b>Ratios:</b>							
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

		2014.3	2015.3	2016.3	2017.3	2018.3	2019.3
(yen)							
<b>Per Share Information:</b>							
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](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	<b>38.2</b>
Share of renewable energy in data centers (%)	0.1	0.1	0.1	0.1	<b>0.1</b>
Supplier's environmental target setting ratio (%) (Category 1, 2 and 11 of Scope 3)	n/a	n/a	n/a	4.6	<b>18.1</b>

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 <sub>2</sub> )	1	1	1	1	<b>1</b>
Japan (1,000 t-CO <sub>2</sub> )	1	1	1	1	<b>1</b>
Overseas (1,000 t-CO <sub>2</sub> )	0	0	0	0	<b>0</b>
Direct greenhouse gas emissions (Scope 2) (1,000 t-CO <sub>2</sub> )	97	84	77	73	<b>65</b>
Japan (1,000 t-CO <sub>2</sub> )	95	81	74	70	<b>62</b>
Overseas (1,000 t-CO <sub>2</sub> )	2	3	3	3	<b>2</b>
Total emissions (Scope1 + 2) (1,000 t-CO <sub>2</sub> )	99	86	78	75	<b>66</b>
Japan (1,000 t-CO <sub>2</sub> )	96	83	75	72	<b>63</b>
Overseas (1,000 t-CO <sub>2</sub> )	2	3	3	3	<b>2</b>

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	<b>12,578</b>	<b>100</b>
By region	Japan	8,105	89.9	8,498	79.0	8,676	74.8	8,821	69.4	<b>9,004</b>	<b>71.6</b>
	Europe	12	0.1	21	0.2	12	0.1	14	0.1	<b>15</b>	<b>0.1</b>
	U.S.	41	0.5	293	2.7	383	3.3	392	3.1	<b>345</b>	<b>2.7</b>
	Asia	854	9.5	1,945	18.1	1,995	17.2	2,052	16.1	<b>1,761</b>	<b>14.0</b>
	Of which China	374	4.2	1,398	13.0	1,473	12.7	1,465	11.5	<b>1,168</b>	<b>9.3</b>
	Australia	—	—	—	—	539	4.6	1,429	11.2	<b>1,453</b>	<b>11.6</b>

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	<b>452</b>
Total turnover rate (%)*	3.2	3.3	3.5	3.8	<b>3.9</b>
Average length of service (years)	13.4	13.8	14.3	14.6	<b>14.6</b>
New graduates hires retention rate after 3 years (%)	95.5	92.5	90.9	93.3	<b>95.9</b>
Average compensation: all employees (thousands of yen)	10,892	11,560	11,514	11,660	<b>12,217</b>

\*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	<b>19.8</b>
Female managers (%)*	5.2	5.7	6.1	6.4	<b>6.8</b>
Female hires (%)	25.9	29.8	26.6	24.5	<b>27.4</b>

\*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	<b>13</b>
Pre- and post-childbirth leave (persons)	53	73	76	56	<b>72</b>
Childcare leave (persons)	56	96	130	252	<b>261</b>
Of whom were male employees (persons)	9	21	60	189	<b>194</b>
Number of employees utilizing shorter work hour system for childcare (persons)	79	96	107	107	<b>113</b>
Employees returning to work after childcare leave (female employees) (%) *1	96.1	97.9	97.3	97.0	<b>96.7</b>
Employees remaining in work after childcare leave (female employees) (%) *2	95.9	92.3	91.7	93.3	<b>92.8</b>
Nursing care leave (persons)	1	1	2	3	<b>3</b>

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	<b>136</b>
Percentage of employees with disabilities (%)	2.1	2.2	2.2	2.2	<b>2.4</b>

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	<b>21.5</b>
Employees taking annual paid leave (%) *1	66.9	66.5	70.6	71.4	<b>71.3</b>
Employee work-related deaths (persons)	0	0	0	0	<b>0</b>
Work accidents (cases) *2	1	0	2	0	<b>2</b>

\*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	<b>87.0</b>
Employee satisfaction (%) *2	—	60.3	—	80.5	<b>—</b>

\*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	<b>20</b>
Contributions to newspapers and magazines (times)	210	229	273	298	<b>306</b>
Public lectures given (times)	1,088	1,161	937	962	<b>922</b>
TV/radio appearances (times)	81	126	102	158	<b>267</b>

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	<b>1,444</b>
Supporting career education programs: No. of schools	31	38	34	24	<b>31</b>
No. of students	Over 1,700	Over 1,500	1,277	733	<b>850</b>


**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	<b>9</b>
Outside Directors	3	3	3	3	<b>3</b>
Female Directors	1	1	1	1	<b>1</b>

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	<b>14</b>
Attendance average of all Directors (%)	98	96	96	98	<b>98</b>
Attendance average of Outside Directors (%)	89	88	90	93	<b>95</b>
Attendance average of all Audit & Supervisory Board Members (%)	94	97	99	99	<b>99</b>
Attendance average of Outside Audit & Supervisory Board Members (%)	90	98	98	98	<b>98</b>

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	<b>17</b>
Attendance average of all Audit & Supervisory Board Members (%)	95	98	99	100	<b>99</b>
Attendance average of Outside Audit & Supervisory Board Members (%)	92	98	98	100	<b>98</b>

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	<b>4</b>

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

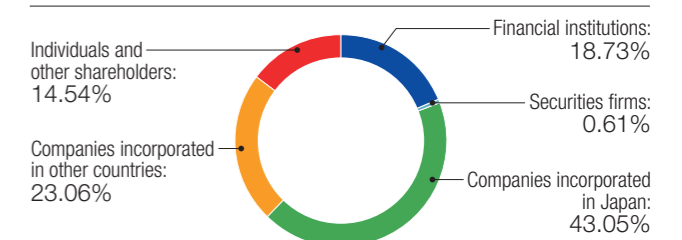
Corporate data (As of March 31, 2019)

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.

NRI Group Worldwide Offices

