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.

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.

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 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.

NRI’s Corporate Philosophy

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

Dream up the future.

"Share the Next Values!"

"Navigation × Solution"

Japanese Nationals and the World

Hong Kong.

Jan. 1966

Apr. 1965

Oct. 1987

Jan. 1991

Apr. 2015

Dec. 2001

Jan. 1988

The founding prospectus of former Nomura Research Institute (Produced by Nomura Securities in 1965)

Japan’s First Commercial Use of Computers (UNIVAC-120) adopted by Nomura Securities


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

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

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

Examples of Activities to Co-create Social Value

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

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 theme of the forum for the three years beginning in 2017 is The Digital Near Future. Under examination are topics such as the theme of the forum for the three years beginning in 2017 is The Digital Near Future. Under examination are topics such as

Co-creation of an ideal society by effectively utilizing its resources.

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 as well as store classified, personal and other sensitive information. As entities that help keep clients viable in their day-to-day operations, 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.

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

As entities that help keep clients 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 5,000 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.
NRI’s Corporate Philosophy

The History of NRI’s Value Creation

Top Message

Value Creation Process

Opportunities and Risks due to Changes in the External Environment

Medium-Term Management Plan (2019-2022)

Capital for Creating Value (Competitive Advantages)

Competitive Advantages of Human Capital

Competitive Advantages of Social and Relationship Capital

Competitive Advantages of Intellectual Capital

Competitive Advantages of Financial Capital (CFO Message)

Events in the Fiscal Year Ended March 2019

Business Domain

Consulting Segment

Financial IT Solutions Segment

Industrial IT Solutions Segment

IT Platform Services Segment

Message from the Director in Charge of Supervising of Corporate Administration

Results of Main Sustainability Activities

Creation of a Future, Low Environmental Impact Society

NRI’s Four Business Segments

NRI’s Value Creation

Solving Social Issues through Value Creation

Mechanisms for Supporting Value Creation

Corporate Information / Data

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 (2019-2022) formulated in April 2019. Also introduced in 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, Trade and the Industry (METI)

• NRI JOURNAL

• Website https://www.nri.com/en

• Knowledge Insight
• Solutions & Services
• Sustainability
• News
• About NRI
• Investor Relations
• Careers
• NRI People
• NRI JOURNAL

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 forecasts 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.
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 businesses, which are areas of growth.

2. Digital Transformation, or direct sales through e-commerce, etc.

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

4. Business in Australia is progressing smoothly, mainly with ASG Group

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 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.

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

Major results of the 3 years

1. Improve productivity in specialty areas in Japan
   - Nearly any unexpected large-scale unprofitable projects
   - Improved productivity by integrating business platform development systems and implementing agile development management integration tool

2. Expand industry-standard business platforms and develop large-scale clients
   - Industrial IT: major progress has been achieved in the context of DX, and great progress has been made in development of large-scale clients
   - Financial IT: worsening business conditions had impact but business platforms grew, and large-scale projects were also acquired

3. Build foundations for global business
   - Business in Australia is progressing smoothly, mainly with ASG Group
   - Initiated more governance improvements in conjunction with global business expansion

4. Create business IT*4
   - More projects involving D2C*5, digital marketing, and analytics
   - Greater proficiency in agile development for BI, and profitability has improved
   - The achievement of co-creation models through the establishment of joint ventures with clients (KDDI, DMG MORI, DENSO and JAL)

Financial results

FY Mar. 2016 (Results)

<table>
<thead>
<tr>
<th>Item</th>
<th>FY Mar. 2016 (Result)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>¥421.4 billion</td>
</tr>
<tr>
<td>Overseas sales</td>
<td>¥14.6 billion</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥58.2 billion</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>13.8%</td>
</tr>
<tr>
<td>ROE</td>
<td>10.6%</td>
</tr>
<tr>
<td>FY Mar. 2016 (Result)</td>
<td>¥501.2 billion</td>
</tr>
<tr>
<td>Sales</td>
<td>¥530.1 billion</td>
</tr>
<tr>
<td>Overseas sales</td>
<td>¥143.6 billion</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥71.4 billion</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>14.3%</td>
</tr>
<tr>
<td>ROE</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

*3 Con-Solution is a business model in which consulting and IT solutions run side by side with clients from the planning and concept stage, creating business while repeating the process of hypothesis testing.
*4 D2C or Digital Transformation, refers to the utilization of digital technology for the transformation of business processes and business models.
*5 D2C stands for Direct to Consumer, or direct sales through e-commerce, etc.
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.

The Three Growth Strategies

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

DX Strategy

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

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

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

In our Cloud Strategy, we will boost the agility of our Business Platform Strategy by using cloud technology to provide value that cannot be offered by other companies. 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.
clients’ businesses and achieve the optimization of their IT costs by modernizing outdated and slow legacy systems*, developing cloud-native applications, and other means.

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** 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.

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 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, 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.

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.

** Medium-term strategy refers to optimizing and modernizing system platforms and applications.

** 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.


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<tbody>
<tr>
<td>2023</td>
<td>2022 (Plan)</td>
<td>2019 (Plan)</td>
</tr>
<tr>
<td>Sales</td>
<td>851.8</td>
<td>828.7</td>
</tr>
<tr>
<td>Growth rate</td>
<td>23.3%</td>
<td>23.3%</td>
</tr>
<tr>
<td>Income</td>
<td>530.2</td>
<td>516.1</td>
</tr>
<tr>
<td>Growth rate</td>
<td>23.3%</td>
<td>23.3%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>21.7%</td>
<td>21.7%</td>
</tr>
<tr>
<td>D/E</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>RCE</td>
<td>12.3%</td>
<td>12.3%</td>
</tr>
<tr>
<td>ROE</td>
<td>14%</td>
<td>14%</td>
</tr>
</tbody>
</table>

* FY Mar. 2019 (Results) 

** FY Mar. 2023 (Targets) 

- The NRI Group will work as one and keep endeavoring to create, through its businesses, social value that is distinctive of NRI as well as continue to contribute to building sustainable futures.
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.
NRI flexibly corrects the value creation process according to environmental changes. We include business policies for continuing sustainable growth in medium to long-term management plans and fiscal year plans upon understanding changes in the social environment and customer company needs, as well as opportunities and threats for NRI.

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

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

#### Changes to the Business Environment

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**Changes to the Business Environment**

**Surrounding NRI**

**Changes to the Social Environment**

- Decreasing population/Work-style Reform
  - There are concerns that a decreasing labor pool due to low birthrates and an aging population will shrink Japan’s markets and reduce the competitiveness of Japanese companies. Meanwhile, the Japanese government has designated work-style reform as a priority policy, and is introducing various policies and promoting increased labor productivity.

**Japan/Oversseas**

- Accelerating evolution of IT technology
  - Advances in IT are giving birth to new technologies such as artificial intelligence (AI) and IoT, and leading to the rapid digitization of society. On the other hand, as indicated by the “2025 Digital Cliff” concept reported by the Ministry of Economy, Trade and Industry, many companies have old and slow backbone systems that have become black boxes and it is difficult for these companies to utilize digital technologies.

- Relative expansion of the scales of overseas market
  - In the economic forecast published by the World Bank in June 2019, the actual GDP growth rate of the world economy between 2019 and 2021 is expected to be between 2.6 and 2.8%. On the other hand, it is expected to be between 0.6% and 0.8% in Japan for the same period.

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**Client (Corporate) Management Issues**

- Making existing work and systems more efficient
  - Making inefficient existing systems based on old IT technology efficient by utilizing new technologies, and streamlining this with reforms of working processes to save labor and make back-office work more efficient, while also reducing system costs.

- Promoting DX (digital transformation)
  - Aiming to build competitive advantages and improve the top line via aggressive IT investment for transforming business models by utilizing new IT technologies.

- Expanding overseas IT investment
  - The need for IT investment for overseas companies, including Japanese companies operating overseas, is expected to increase in overseas markets where economic growth is achieved. On the other hand, the need to corporate IT investment in the Japanese market is relatively constant in the medium to long term.

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**NRI’s Value Creation**

**Opportunities and Threats to NRI**

**Opportunity**

- **This will become a business opportunity for providing IT services for customer system optimization, such as system modernization using new technologies, and NRI shared online services that relieve customers from the burden of in-house system development and operation.**

**Threat**

- **Conventional system development work targeting back-office work may become unprofitable unless services with high added-value can be provided, due to the need for customers to reduce costs.**

**Opportunity**

- **Maintenance/repair services for customer system optimization, including function improvement of in-house system development and operation.**

**Threat**

- **The possibility of revenue being suppressed through the appearance of competitive competitors.**

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**Risks Receiving Many Questions from Investors and NRI’s Response Measures**

<table>
<thead>
<tr>
<th>Risks</th>
<th>Responses measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Influence of varying demand for IT investment</strong></td>
<td>Possibility of income rapidly decreasing due to economic fluctuations and the update cycle of IT investment.</td>
</tr>
<tr>
<td><strong>Bottlenecks in development of human resources</strong></td>
<td>The possibility of bottlenecks to expanding revenue due to insufficient development resources caused by a sudden increase of orders.</td>
</tr>
<tr>
<td><strong>Enhance both 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).</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Control the turnover rate by providing employees with opportunities for growth and establishing the human resource system and labor environment.</strong></td>
<td>As a result, also ensure reserve resources to handle increased demand.</td>
</tr>
<tr>
<td><strong>Maintain good trading relationships with excellent cooperating companies in Japan and overseas, and enable production that overcomes the limitations of NRI’s resources.</strong></td>
<td>Conclude “co-partnership agreements” with highly specialized cooperating companies to continue improving quality and productivity together.</td>
</tr>
<tr>
<td><strong>Implement company-wide human resource management that transcends business segments, based on order trends.</strong></td>
<td></td>
</tr>
</tbody>
</table>

---

**NRI’s Business Model (business policy)**

**Enhance & Enlarge Core Businesses**

- We will provide higher added value by expanding our shared online service business, which are our strength, while comprehensively assisting the customer regarding work process reforms and system structure reforms by utilizing new IT technologies.

**Create & Expand DX Business**

- With the integration of consulting and IT solutions, we will commit to the business of our customers via investments and share the risk and reward, while comprehensively assisting the customer in everything from building business models in the field of DX to system construction.

**Accelerate Globalization**

- By mainly focusing on the Australian and North American markets, we will aim to expand our business base with external growth via M&A, etc. In Australia we will aim to establish a position as an IT solution vendor and in North America we will expand our business for the goal of obtaining competitive IP.
**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.

<table>
<thead>
<tr>
<th>Services Provided</th>
<th>Major Service Content</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Navigation</strong></td>
<td>Future forecasts/suggestion activities related to the economy, society, industry, etc.</td>
</tr>
<tr>
<td></td>
<td>•Communication of information through publishing activities, media coverage, symposia, etc.</td>
</tr>
<tr>
<td></td>
<td>•Support for corporate management strategy/individual strategy formulation</td>
</tr>
<tr>
<td></td>
<td>•Support for implementation of the policies of national government and public offices</td>
</tr>
<tr>
<td></td>
<td>•Support for execution of corporate strategy</td>
</tr>
<tr>
<td></td>
<td>•Planning, design, and development of information systems</td>
</tr>
<tr>
<td></td>
<td>•Safe operation and maintenance of developed systems System monitoring, troubleshooting just in case, innovation for stable operation of systems</td>
</tr>
<tr>
<td></td>
<td>•Broad provision of systems developed by NRI to multiple clients as “shared online services”</td>
</tr>
<tr>
<td></td>
<td>•Be entrusted with IT solution such as shared online service together with outsourcing for peripheral work (BPO) services (Examples) Data input, form output/sending, client account management work, etc.</td>
</tr>
<tr>
<td><strong>Solution</strong></td>
<td><strong>Major Service Content</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Future forecasts/ social recommendations</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Management consulting</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Operational Consulting</strong></td>
</tr>
<tr>
<td></td>
<td><strong>System consulting</strong></td>
</tr>
<tr>
<td></td>
<td><strong>System management outsourcing</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Shared online services</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Utility services</strong> (IT solutions + BPO services)</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>Service</th>
<th>Launch Year</th>
<th>Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>THE STAR Back-office solution for retail brokerage firms</td>
<td>1974</td>
<td>73 firms</td>
</tr>
<tr>
<td>I-STAR Back-office solution for wholesale brokerage firms</td>
<td>1987</td>
<td>28 firms</td>
</tr>
<tr>
<td>T-STAR Back-office solution for asset management firms</td>
<td>1995</td>
<td>78 firms</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Service</th>
<th>Launch Year</th>
<th>Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-STAR Back-office solution for asset management firms</td>
<td>1995</td>
<td>78 firms</td>
</tr>
</tbody>
</table>

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.
**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.

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**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**

- **Australia**
  - ASG Group (made a Group company in 2016)
  - Cutter Associates (made a Group company in 2018)
  - NVANTAGE (established in 2018)

- **North America**
  - BRIERLEY+PARTNERS (made a Group company in 2015)
  - Cutter Associates (made a Group company in 2018)

- **Asia**
  - ASG Group (made a Group company in 2016)

---

**Business Model**

<table>
<thead>
<tr>
<th>Region</th>
<th>Company name</th>
<th>Establishment</th>
<th>Major initiatives</th>
<th>Business overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>ASG Group</td>
<td>1986 Established in Melbourne</td>
<td>Good client base</td>
<td>Excellent client base in government, financial, telecommunications, and resource industries.</td>
</tr>
<tr>
<td>Australia</td>
<td>Cutter Associates</td>
<td>2018 Established in Melbourne</td>
<td>Wide range of experience in IT managed services</td>
<td>Experience with large-scale IT managed services mainly for government.</td>
</tr>
<tr>
<td>Australia</td>
<td>NVANTAGE</td>
<td>2018 Established in Melbourne</td>
<td>Flexible community-based business operation</td>
<td>Sales reps are community-based and flexible.</td>
</tr>
</tbody>
</table>

---

**DX Strategy**

- **DX2.0**
  - Business model transformation
    - Build cross-industry platforms that seeks ecosystems
    - Establishing services and providing functionality in particular fields
  - Process transformation
    - Digital front office
    - Digitalize actions for end users
    - Helping customers execute D2C strategies
    - CRM, digital marketing, etc.
  - Digital back office
    - Digitalize actions within customer companies
    - SCM reforms such as inventory optimization
    - Operational efficiency improvements using AI, RPA, etc.
    - Industry standard business platforms, etc.
  - Infrastructure transformation
    - Enhance infrastructure such as cloud, security
    - Supporting migration from on-premises to cloud
    - Managed services for system platforms
    - Security business mainly focused on NRI SecureTechnologies, Ltd. (NRI Secure), etc.

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

<table>
<thead>
<tr>
<th>Major initiatives</th>
<th>Business overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bit Realty, Inc.</td>
<td>• With KDDI, established a joint venture for operating an investment-type crowdfunding platform related to real estate and infrastructure investment.</td>
</tr>
<tr>
<td>KDDI Digital Design Inc.</td>
<td>• With KDDI CORPORATION, established a joint venture for assisting digital transformation of companies.</td>
</tr>
<tr>
<td>Technium CO., LTD.</td>
<td>• With Denso Corporation and NRI Secure established a joint venture in the automotive cybersecurity business.</td>
</tr>
<tr>
<td>NDIAS, Ltd.</td>
<td>• With Japan Airlines Co., Ltd. (JAL), established a joint venture for creating services for promoting lifestyle personalization and enrichment in customers’ daily lives and at travel destinations, rather than simply while using aircraft.</td>
</tr>
<tr>
<td>JAL Digital Experience Co., Ltd.</td>
<td>• With JAL, established a joint venture for creating services for proposing lifestyle personalization and enrichment in customers’ daily lives and at travel destinations, rather than simply while using aircraft.</td>
</tr>
</tbody>
</table>

---

**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.
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.

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 Vision2022 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 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.

Human Resources Strategies

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

Human Resources Strategies

**Bolster hiring**
- Increase of 1,000 employees or more (non-consolidated) over four years
- Bolster new graduate hiring: Bolster promotions, etc.
- Bolster mid-career hiring: Further improve systems of working conditions for the hiring of more specialists, etc.

<table>
<thead>
<tr>
<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>
</tr>
<tr>
<td>Mid-career hires</td>
<td>About 100 persons</td>
</tr>
</tbody>
</table>

*Non-consolidated

**Promote employee skills transfer and development**
- Strategically develop business designers, data scientists, and other such personnel
- Skills transfer and development for application/platform personnel to support DX strategy

**Promote employee success**
- Promote diverse workstyles (diversity, participation and advancement of women and senior personnel, etc.)

**More development partners**
- Get more development partners which have technologies and expertise in areas such as DX

### Functions of Global Headquarters

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

### Overseas sales / Overseas sales ratio

<table>
<thead>
<tr>
<th>GFY</th>
<th>14.6</th>
<th>18.9</th>
<th>38.3</th>
<th>43.5</th>
<th>53.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>16.5</td>
<td>17.3</td>
<td>16.3</td>
<td>16.3</td>
<td>20.3</td>
</tr>
<tr>
<td>2023</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### North America

- 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

### Asia, Europe

- Acquire high added value IP of companies with advanced technologies and expertise
- Further expand consulting for Japanese and local companies in locations throughout Asia
- Expand outsourcing business geared toward financial institutions, with NVANTAGE at the core

### 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 2018) 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

- **Revenue (billions of yen)**
  - Vision2022: ¥670.0 or more
  - Medium-Term Management Plan (2019-2022): ¥530.0 (Targets)

- **EBITDA margin**
  - FY Mar. 2019: 21.7%
  - FY Mar. 2023 (Plan): 20% or more

- **ROE**
  - FY Mar. 2019: 12.3%
  - FY Mar. 2023 (Plan): 14%

### Definition of DX-related sales

- **DX-related**
  - Business platforms such as THE STAR, BESTWAY, T-STAR, etc.
  - DX consulting & analytics, ODC assistance, CRM, digital marketing
  - Improved work efficiency via RPA, AI, and SCM transformation
  - Cloud, security, managed services, etc.

- **Other than DX-related**
  - Conventional consulting other than DX
  - Services outside the business areas

### More Global Headquarters

- **ASG Group (Australia)**
- **Brierley+Partners (North America)**
- **NVANTAGE (India)**

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

### Contents

- **NRI’s Value Creation**
- Global Strategy
- Human Resources Strategies
- Functions of Global Headquarters
- Numerical Targets for Medium-Term Management Plan (2019-2022)
- Overseas sales / Overseas sales ratio
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.

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.

### 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

- **Client examples**
  - Nomura Securities
  - MS&AD Insurance Group Holdings
  - ITOCHU
  - KOBELCO GROUP
  - SEVEN-ELEVEN JAPAN
  - And many other companies.

#### Number of companies using the services as of March 31, 2019

- 35 firms
- 71 firms
- 107 firms
- 114 firms
- 18 firms
- 78 firms

#### Major Clients

- Nomura Securities
- MS&AD Insurance Group Holdings
- ITOCHU
- KOBELCO GROUP
- SEVEN-ELEVEN JAPAN

#### Business Areas

- Shared online services
- Operation outsourcing
- Product sales
- Consulting
- System development & System application sales
- System management & Operation services
- Operation outsourcing
- Shared online services

### 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.

### Outcomes

#### High Levels of Profitability and Productivity

NRI maintains top-level profitability (consolidated operating profit margins and EBITDA margins) 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

#### Consolidated Sales

- NRI
- NS Solutions
- TIS
- JTB
- TOYOTA
- Sony
- Mitsubishi Heavy Industries
- JIIX
- Nihonbashi
- NTT DATA

#### Operating Profit Margin

- NRI
- NS Solutions
- TIS
- JTB
- TOYOTA
- Sony
- Mitsubishi Heavy Industries
- JIIX
- Nihonbashi
- NTT DATA

### EBITDA Margin Comparison

#### Consolidated sales (billions of yen)

- NRI
- NS Solutions
- TIS
- JTB
- TOYOTA
- Sony
- Mitsubishi Heavy Industries
- JIIX
- Nihonbashi
- NTT DATA

#### Operating profit (billions of yen)

- NRI
- NS Solutions
- TIS
- JTB
- TOYOTA
- Sony
- Mitsubishi Heavy Industries
- JIIX
- Nihonbashi
- NTT DATA

#### Sales (billions of yen)

- NRI
- NS Solutions
- TIS
- JTB
- TOYOTA
- Sony
- Mitsubishi Heavy Industries
- JIIX
- Nihonbashi
- NTT DATA

### Contents

- Capital for Creating Value (Competitive Advantages)
- Competitive Advantages of Human Capital
- Competitive Advantages of Social and Relationship Capital
- Outcomes
- Stable Profit Structure
- Social and Relationship Capital
- Solid Client Base and Shared Online Services
- Businesses with high exposure to economic cycle
- Less than 40%
- Consulting
- Product sales
- System development (new)
- System development (enhancement)
- System management & operation
- Operation outsourcing
- Shared online services
- Businesses that generate ongoing earnings
- Over 60%
- System development (enhancement)
- System management & operation
- Operation outsourcing
- Shared online services
- (Former Dai-Tokyo Fire & Marine Insurance)
- THE STAR (for retail brokerage firms)
- T-STAR (for asset management firms)
- BESTWAY (for banks, etc.)
- I-STAR (for wholesale brokerage firms)
- And many other companies.

### Source

- Compiled by NRI from the above companies’ financial statements.
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, prototyping, and proof of concept. The second is technological research, via research into cutting-edge technologies, fundamental technologies, and production/market development methods; and the third is recommendations for society, via surveying and research into 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 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 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. This 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 provides “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.

Arunom 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 from teams and experience entrepreneurship over a short three-day period in order to experience commercialization process, entrepreneurship, and teamwork, and thereby discover possibilities for new businesses. NRI will continue to collaborate with other companies and members inside and outside the company in order to promote open innovations.

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 collar work, as well as the “Real Avatar” video/audioso 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.
Competitive Advantages of Financial Capital (CFO Message)

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

Large-scale Acquisition of Treasury Stock

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.

Maintaining a Healthy Balance Sheet Management and Financial Regulations

Although our equity ratio temporarily lowered to the 50% range due to utilizing debt for R&D expenses, 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 unforeseen 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).

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 EBIDTA margin of 20% or higher. This is an important index for a listed company.

If generated cash flows, regular investment capital required for business investment, 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 RR (internal rate of return) and rate of operating profit.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>¥150 billion</td>
<td>¥360 billion</td>
<td>¥470 billion</td>
<td>¥580 billion</td>
<td>¥690 billion</td>
</tr>
</tbody>
</table>

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

In the new Medium-Term Management Plan, we implement measures that recognize global standards while taking the same stance regarding the disclosure of information.
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 in the fiscal year ended March 2017, and also issued “Kabuki bonds” as a domestic offering of foreign currency denominated bonds in the year fiscal ended March 2019. In the fiscal year ended March 2019, we joined the global Science Based Targets (SBT) initiative for environmental target values and announced our early approval of the TCFD™ 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*1 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.*2

Financial Highlights

•Shareholder Value / Returns to Shareholders

- Earnings per share (EPS)*2

<table>
<thead>
<tr>
<th></th>
<th>14.3</th>
<th>15.3</th>
<th>16.3</th>
<th>17.3</th>
<th>18.3</th>
<th>19.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>(yen)</td>
<td>3.9</td>
<td>4.2</td>
<td>5.1</td>
<td>5.6</td>
<td>5.1</td>
<td>5.1</td>
</tr>
<tr>
<td>(%)</td>
<td>4.7</td>
<td>4.7</td>
<td>5.1</td>
<td>5.2</td>
<td>5.1</td>
<td>5.1</td>
</tr>
</tbody>
</table>

•Financial Condition

- Total Assets / Net Assets / Equity Ratio

<table>
<thead>
<tr>
<th></th>
<th>14.3</th>
<th>15.3</th>
<th>16.3</th>
<th>17.3</th>
<th>18.3</th>
<th>19.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (billions of yen)</td>
<td>593.2</td>
<td>621.6</td>
<td>628.9</td>
<td>643.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets (billions of yen)</td>
<td>331.4</td>
<td>331.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>55.6</td>
<td>55.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Interest-bearing Debt / D/E Ratio

<table>
<thead>
<tr>
<th></th>
<th>14.3</th>
<th>15.3</th>
<th>16.3</th>
<th>17.3</th>
<th>18.3</th>
<th>19.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing debt (billions of yen)</td>
<td>34.3</td>
<td>35.6</td>
<td>37.0</td>
<td>38.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D/E ratio</td>
<td>58.2</td>
<td>58.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Cash Dividends per Share (DPs) / Dividend Payout Ratio** / Total Return Ratio

<table>
<thead>
<tr>
<th></th>
<th>14.3</th>
<th>15.3</th>
<th>16.3</th>
<th>17.3</th>
<th>18.3</th>
<th>19.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends per share (yen)</td>
<td>0.5</td>
<td>0.6</td>
<td>0.8</td>
<td>0.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payout ratio (%)</td>
<td>15.9</td>
<td>13.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total return ratio (%)</td>
<td>14.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Net assets / Equity ratio

<table>
<thead>
<tr>
<th></th>
<th>14.3</th>
<th>15.3</th>
<th>16.3</th>
<th>17.3</th>
<th>18.3</th>
<th>19.3</th>
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<td>Net assets (billions of yen)</td>
<td>331.4</td>
<td>331.4</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Equity ratio (%)</td>
<td>55.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

•Investment Situation

- Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>14.3</th>
<th>15.3</th>
<th>16.3</th>
<th>17.3</th>
<th>18.3</th>
<th>19.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows (billions of yen)</td>
<td>129.8</td>
<td>20.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROE / ROA** (%)</td>
<td>11.5</td>
<td>11.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

•Financial Results and Cash Flow Situation

- Sales / Overseas Sales / Overseas Sales Ratio (billions of yen)

<table>
<thead>
<tr>
<th>Sales</th>
<th>Overseas sales</th>
<th>Overseas sales ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>209.4</td>
<td>80.1</td>
<td>2.6</td>
</tr>
<tr>
<td>193.6</td>
<td>76.0</td>
<td>2.6</td>
</tr>
<tr>
<td>183.6</td>
<td>73.8</td>
<td>2.5</td>
</tr>
</tbody>
</table>

- Operating Profit / Operating Profit Margin (billions of yen)

<table>
<thead>
<tr>
<th>Operating profit</th>
<th>Operating profit margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>173.1</td>
<td>58.3</td>
</tr>
<tr>
<td>174.2</td>
<td>58.3</td>
</tr>
<tr>
<td>178.3</td>
<td>58.3</td>
</tr>
</tbody>
</table>

- Cash Flows from operating activities (billions of yen)

| Cash Flows from operating activities | 193.6 |

- EBITDA** / EBITDA Margin (billions of yen)

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>EBITDA margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>102.3</td>
<td>58.3</td>
</tr>
<tr>
<td>103.1</td>
<td>58.3</td>
</tr>
</tbody>
</table>

- ROE / ROA** (%) (billions of yen)

<table>
<thead>
<tr>
<th>ROE</th>
<th>ROA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.9</td>
<td>12.9</td>
</tr>
<tr>
<td>12.3</td>
<td>12.3</td>
</tr>
</tbody>
</table>

*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.
*4 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.
*5 NRI implemented a 1:3 common stock split on July 1, 2019. Earnings per share (EPS) and annual dividend per share (EPS) shown have not been retroactively adjusted for said stock split.

*1 NRI implemented a 1:3 common stock split on July 1, 2019. Earnings per share (EPS) and annual dividend per share (EPS) shown have not been retroactively adjusted for said stock split.
*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 non-current assets from the fiscal year ended March 2018.
*3 ROE was calculated as Profit attributable to owners of parent / Beginning and ending balance average total assets.
*RDA was calculated as Ordinary profit / Beginning and ending balance average total assets.
Events in the Fiscal Year Ended March 2019

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 April</td>
<td>The Australian ASG Group entered a contract to provide a secure cloud environment for supporting digital transformation with Arensines Australia (an aviation authority).</td>
</tr>
<tr>
<td>May</td>
<td>NRI's adoption of solutions using artificial intelligence (AI) was well received and we were awarded the Best Artificial Intelligence (AI) Initiative at the FTN News Technology Innovation Awards 2018.</td>
</tr>
<tr>
<td>June</td>
<td>Established the Technium Co., Ltd. joint venture that promotes digitization of manufacturing together with DMG MORI Co., Ltd., and started service provision.</td>
</tr>
<tr>
<td>July</td>
<td>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.</td>
</tr>
<tr>
<td>August</td>
<td>Selected as a constituent brand of the FTSE4Good Developed Index Global ESG investment index developed by FTSE Russell for the 13th consecutive year.</td>
</tr>
<tr>
<td>September</td>
<td>With Nomura Holdings, Inc., establishing the NVANTAGE joint venture in India for providing BPO services and IT solutions for the financial industry.</td>
</tr>
<tr>
<td>October</td>
<td>Awarded as a company with excellent disclosure (Computer Software Sector) for the second consecutive year.</td>
</tr>
<tr>
<td>November</td>
<td>NRI SecureTechnologies, Ltd. started a security monitoring service for information systems using blockchain technology.</td>
</tr>
<tr>
<td>December</td>
<td>Completed acquisition of approximately ¥30 billion in treasury stock during the period between May 16 to November 15, 2018.</td>
</tr>
<tr>
<td>2019 January</td>
<td>NRI's AI solution TRAINA was adopted at Mitsui Sumitomo Aioi Life Insurance Co., Ltd.</td>
</tr>
<tr>
<td>February</td>
<td>Certified as a Health and Productivity Management 500 Organization (White 500) for three consecutive years.</td>
</tr>
<tr>
<td>March</td>
<td>Selected as a Nadeshiko Brand for three consecutive years as a listed company with outstanding promotion of female performance and advancement.</td>
</tr>
</tbody>
</table>

Non-Financial Highlights

**E: Environment-related Data**

Greenhouse Gas Emissions (NRI Group data)

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Europe</th>
<th>Asia</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>12,390</td>
<td>12,130</td>
<td>12,360</td>
<td>-15.1%</td>
</tr>
<tr>
<td>2019</td>
<td>11,750</td>
<td>11,730</td>
<td>11,730</td>
<td>-7.6%</td>
</tr>
</tbody>
</table>

Green Revenues (Revenues from Shared Online Services) (NRI Group data)

NRI's ongoing efforts to reduce power usage by the IT services industry as a whole. The NRI Group has formulated a business plan intended to reduce power usage by 12% of the entire value chain, including client companies. Specifically, given NRI's share of entire service revenues, it is likely that the carbon dioxide emissions of IT services as a whole are reduced by around 70%, compared to if they build and operate their own systems independently.

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Europe</th>
<th>Asia</th>
<th>% Change</th>
</tr>
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<td>2019</td>
<td>11,750</td>
<td>11,730</td>
<td>11,730</td>
<td>-7.6%</td>
</tr>
</tbody>
</table>

**S: Social-related Data**

Number of Employees (NRI Group data)

Female Hires’ Ratio and Female Managers’ Ratio (Non-consolidated data)

<table>
<thead>
<tr>
<th>Year</th>
<th>% Female Hires’ Ratio</th>
<th>% Female Managers’ Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>12.9</td>
<td>15.3</td>
</tr>
<tr>
<td>2019</td>
<td>13.1</td>
<td>15.3</td>
</tr>
</tbody>
</table>

Employee Satisfaction (Non-consolidated data)

<table>
<thead>
<tr>
<th>Year</th>
<th>% Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>80.5</td>
</tr>
<tr>
<td>2019</td>
<td>80.5</td>
</tr>
</tbody>
</table>

Client Satisfaction (Non-consolidated data)

<table>
<thead>
<tr>
<th>Year</th>
<th>% Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>80.5</td>
</tr>
<tr>
<td>2019</td>
<td>80.5</td>
</tr>
</tbody>
</table>

Green revenues (revenues from shared online services)

(Non-consolidated data)

Female managers’ ratio is the value at the beginning of the term.
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

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

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

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

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

---

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales including inter-segment sales (billions of yen)</th>
<th>Operating profit/ Operating profit margin (billions of yen/%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities</td>
<td>¥100.3 billion (+15.3%)</td>
<td>Operating profit: ¥252.3 billion, Operating profit margin: +0.1%</td>
</tr>
<tr>
<td>Insurance</td>
<td>¥64.8 billion (+25.2%)</td>
<td>Operating profit: ¥78.6 billion, Operating profit margin: +9.0%</td>
</tr>
<tr>
<td>Banking</td>
<td>¥43.4 billion (+2.8%)</td>
<td>Operating profit: ¥174.4 billion, Operating profit margin: +12.6%</td>
</tr>
<tr>
<td>Other financial</td>
<td>¥43.7 billion (+10.4%)</td>
<td>Operating profit: ¥33.1 billion, Operating profit margin: +11.0%</td>
</tr>
</tbody>
</table>

---

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.

Business Environment

• Acceleration in corporate reform due to digital technologies
  – Tendency towards business models that use digital technologies
  – Utilization of cross-sector cooperation corporation 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 standardization of 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 (58.7% 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 Kō sostate 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 questionnaires suggest that developing childcare capacity would simultaneously make it possible to secure labor and increase the birth rate.

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

ASEAN nations technical assistance for development of the bond market

As part of growth strategy for the financial capital market in Asia, the Asian Bonds Market Initiative (ABMI) is being promoted by ASEAN nations, as well as by the financial ministries and central banks of Japan, China, and South Korea. NRI continually provides technological assistance to the ASEAN Secretariat and ASEAN nations based on the Japan ASEAN Financial Technical Assistance Fund (JATA). 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 topics including specific methods for issuing national bonds.

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

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

Through a consortium with KDDI CORPORATION and Aizu-Akita 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 subscribers, 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, breeding, distribution, and sale) for making Japanese sake. We are also demonstrating technology for increased sophistication and efficiency. For example, the burden on farmers due to 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 actually go to 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.
Value Provided to Society

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

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, 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 the Financial IT Solutions Segment, NRI is cooperating with clients to co-create a thriving future society for the financial industry.

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.

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* 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 measures standards defined by the FSC**. 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.

NRI is a registered trademark of Sony Life Insurance Co., Ltd.

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

** Financial Information System Center
Solving Social Issues through Value Creation

Business Domain

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 Marunouchi 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 Optuna (IoT skincare system) by Shiseido
- “Dokonani Mile,” the new mileage service by Japan Airlines Co., Ltd.
- Business partnership (Ajinomoto Co., Inc., Japan Airlines Co., Ltd.)

Through these relationships, we seek to create new value.

Segment Strengths

- Transformation of the DG2.0 business model through collaboration and partnership with clients
- Cutting-edge digital marketing platform (DMP) solutions
- Extensive experience in global SCM solutions
- Compelling proposals for package solutions and cloud services
- Loyalty marketing solutions (Brierley+Partners)
- IT managed services (ASG Group)

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 upstream 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
  - A new National Operation Center in Australia
  - ASG Group: Expanding business with a focus on government clients
- 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.

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 resource 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 resource centers in all prefectures throughout Japan, as well as prefectural senior human resource centers 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 example, it will develop new mechanisms for co-creating social value with society, and engage in information 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.

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 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 factors 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 innovative 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.
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 clients 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.

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 structures 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 sale and secure data centers
  - Sophistication of system management solutions for cloud data centers
  - Establishing/exanding 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 blockchain
- Digital business overall
  - Development of new business models using digital technology
  - DX production innovation
  - Accelerating use of IT due to a shrinking workforce and work style reforms

IT Platform Services Segment

The IT solutions infrastructure* NRI Cloud provided by NRI has acquired ISO/IEC 27001 and ISO/IEC 27017 certification from the Japan Quality Assurance Organization (JQA) (as of October 19, 2019). Targeted name of NRI solutions for IT infrastructure to achieve stable operation of customer systems


Value Provided to Society

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

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 center human resources have created the need for work-style reforms 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 value 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 DX 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

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 matters. In response, we are providing integrated 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.
Mechanisms for Supporting Value Creation

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 seeing a task as a game, socialization and future forecasts regarding the ideal future, as well as providing shared online services which continually support financial markets via system infrastructure. In this way, the concept of CSV*1 for increasing our economic value through the resolution of social issues through business is included in NRI Sustainability Management as “solving social issues through value co-creation.”

Materiality for Sustainable Growth

Based on the UN Global Compact, international standards, guidelines, etc., NRI has designated priority themes for materiality for sustainable growth which must be addressed to promote CSV. In particular, as NRI expands our business globally, it is important to 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 balanced approach 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.

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

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.

NRI Sustainability Management 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.

*1 Creating Shared Value
*2 World Business Council for Sustainable Development
*3 Task Force on Climate-related Financial Disclosures

NRI Sustainability Management Policy

Corporate sustainability “Dream up the future”

NRI growth

- NRI sustainability management

1. Solving social issues through value co-creation (CSV)
2. NRI Vision 2022 financial targets
   - Operating profit: ¥100 billion
   - Operating profit margin: 14% or more
   - Overseas sales: ¥100 billion
   - ROE: 14%

3. vision2022 financial targets

- NRI Sustainability Management Structure

President & CEO

Social Value Creation Committee
Chairman, Senior Managing Director
Promote social value creation based on Corporate Philosophy

Sustainability Activities Committee
Chairman, Senior Corporate Managing Director
Promote activities for stable business foundations from the point of view of ESG

- NRI Sustainability Management Structure

President & CEO
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

<table>
<thead>
<tr>
<th>Materiality for sustainable growth</th>
<th>Main policies/Related SDGs</th>
<th>Examples of main sustainability activities</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main policies/Related SDGs</strong></td>
<td><strong>Examples of main sustainability activities</strong></td>
<td><strong>Page No.</strong></td>
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</tr>
<tr>
<td>Reducing environmental impact for preserving global environment</td>
<td>Set a New Environmental Target (reduce greenhouse gas emissions by 55% by FY March 2031)</td>
<td>PS3</td>
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<td></td>
<td>Implemented and expanded the scope of NRI-EMS, a unique environmental management system for offices at NRI</td>
<td>PS3</td>
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<td></td>
<td>Relocated to office buildings with superior environmental performance, used renewable energy</td>
<td>PS4</td>
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<td></td>
<td>Promoted NRI Green Style Activities through e-learning courses, forest maintenance activities, etc.</td>
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<td></td>
<td>Acquired ISO14001 environmental management system certification for greenhouse gas reduction targets formulated by NRI</td>
<td>PS3</td>
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<td></td>
<td>Joined RE100, an initiative by corporations seeking to transition to 100% renewable energy for power used in business activities</td>
<td>PS3</td>
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<td></td>
<td>Declared participation in the Taskforce on Climate-related Financial Disclosures (TCFD)</td>
<td>PS5</td>
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<td></td>
<td>Declared participation in the Japan Climate Initiative (JC)</td>
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<td>Human resource diversity</td>
<td>Developed solutions and cultivated human resources through cooperation with educational research organizations both inside and outside of Japan</td>
<td>PS8</td>
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<td></td>
<td>Held the NRI Student Essay Contest (held continually since the fiscal year ended March 2007)</td>
<td>P38</td>
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<td>Expanded actions to support the balance of work and child-rearing by male employees</td>
<td>P81</td>
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<td>In June 2017, opened the in-office nursery Yumeminato Hoikuen</td>
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<td></td>
<td>Based on the “Act on Employment Promotion etc. of Persons with Disabilities,” promoted the hiring of persons with disabilities by our special subsidiary NRI Miraikan</td>
<td>P81</td>
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<td></td>
<td>Developed a new office environment which promotes work-style reform and internal/external interactions</td>
<td>P82</td>
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<td></td>
<td>In February 2019, 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</td>
<td>P81</td>
<td></td>
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<tr>
<td>Providing opportunities for all kinds of professionals to take on challenge</td>
<td>Enhanced project monitoring functions and held other activities to improve the quality of information systems</td>
<td>P79</td>
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<td></td>
<td>Held the Production Innovation Forum and took other activities to improve company-wide quality and productively</td>
<td>P80</td>
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<td>Held the Safety and Security Forum and acquired certification/qualifications from third-party organizations</td>
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<td>Increased the level of information security measures both inside and outside Japan</td>
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<td></td>
<td>Increased the sophistication of our Computer Security Incident Response Team (CSIRT) in order to respond to cyber attacks</td>
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<tr>
<td>Compliance with laws, regulations and risk management to increase trust from society</td>
<td>Enhanced project monitoring functions and held other activities to improve the quality of information systems</td>
<td>P65</td>
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<td>Changed the main members composing the Compensation Committee from external experts to independent Members of the Board</td>
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<td></td>
<td>Implemented the restricted stock compensation plan as a medium- to long-term incentive compensation plan for Members of the Board</td>
<td>P67</td>
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<td>Held the Sustainability Dialogue in order to discuss CSR with business partners</td>
<td>P77</td>
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<td>Held the Business Information Session for institutional investors and analysts (continued from FY March 2011)</td>
<td>P78</td>
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<td>Held the ESG briefing in February 2019</td>
<td>P78</td>
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<td>Established NRI Australia in order to strengthen governance in the Australia region</td>
<td>P70</td>
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<td></td>
<td>In April 2019, we established the Global Headquarters for global governance</td>
<td>P27</td>
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<tr>
<td>Management of the information systems that form social infrastructure</td>
<td>Enhanced project monitoring functions and held other activities to improve the quality of information systems</td>
<td>P79</td>
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<td>Held the Production Innovation Forum and took other activities to improve company-wide quality and productively</td>
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<td>P82</td>
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</table>

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.
Mechanisms for Supporting Value Creation

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, 2021, 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 ISO 14001 certification, an international standard on environmental management systems, for its data centers which are the main source of CO₂ emissions.

As for NRI offices, we began to introduce NRI-EMS, an environmental management system unique to NRI, starting from the fiscal year ended March 2016. In the fiscal year ended March 31, 2019, we implemented NRI-EMS at English-speaking overseas bases.

* This figure shows the EMS coverage ratio in the final value based on data assurance work carried out between April and June 2019 by an independent third party for this process. It differs slightly from the EMS coverage ratio of 92.4% that was published in Sustainability Book 2019, which was released in June 2019.
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 as 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 policy changes 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

In 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.

Definition/Identification of Scenarios

*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.


*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, NRI uses the Interim Development Scenario listed in the World Energy Outlook 2018 published by the International Energy Agency (IEA). For our 4°C Scenario, NRI uses the RCP (Representative Concentration Pathways) 8.5 (high level reference scenario) published by the Intergovernmental Panel on Climate Change (IPCC).

Envisioned Impact on Business

<table>
<thead>
<tr>
<th>Business Field</th>
<th>World View in 2°C Scenario</th>
<th>World View in 4°C Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting</td>
<td>The demand for client corporations to make changes leading to decarbonization will increase demand for NRI’s knowledge and solutions related to sustainability.</td>
<td>There is the risk that intensified natural disasters envisioned in the 4°C Scenario will cause stagnation of the macro economy, hurt the profitability of clients, and impact business sales.</td>
</tr>
<tr>
<td>Financial IT Solutions</td>
<td>Compared to independent system development by individual corporations, NRI’s shared online services will enable significant reductions in power consumption, CO2 emissions, and cost. Furthermore, demand can be increased by raising the renewable energy usage rate aimed at achieving RE100.</td>
<td>If the profitability of financial institutions decreases due to climate change becoming a factor in asset damage and long term stagnation of the macro economy, there is the risk of impact on demand for provided services.</td>
</tr>
<tr>
<td>Industrial IT Solutions</td>
<td>Support for increasing the efficiency of the supply chain and distribution processes will contribute to low carbonization. The advancement of related initiatives in the future will create opportunities for increasing demand.</td>
<td>Providing cloud systems will make it possible to minimize damage in the event of a natural disaster, thus reducing the risk to clients.</td>
</tr>
<tr>
<td>Data centers</td>
<td>By the fiscal year ending March 31, 2031, we seek to establish carbon-free data centers which use renewable energy for all electric power. We believe that these data centers will create increased demand in conjunction with increased environmental awareness among our customers.</td>
<td>The risk of business stoppage is reduced by considering natural disasters when selecting locations, as well as by implementing a mutual backup system using multiple data centers. This creates opportunities for increasing demand.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>World View in 2°C Scenario</th>
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</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
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</table>
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 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.*

*Employees Share Holding Incentive Plan: Uses share holding by employees to create the incentive plan, employee stock ownership, and E-Ship to the achievement of sustainable improvements in corporate value. Examples are based on targets set by employees and the corresponding level of achievement.

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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.

Human Resource Investment that is Top-class among Japanese Companies

Human resource 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.

Training Program System (Figure 3)

NRI's Global Human Resources Development Program

Average Annual Training Budget per Employee at NRI

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 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 provide chances for acquiring high skills of greater efficiency (Figure 2). We are focusing on cultivating data scientists, such as by establishing “data scientists” as a career field in 2012, and institutionalizing “certified data scientists” 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 Program (Figure 1)**

Each employee will add to the following essences for surviving the DX age while leveraging 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 (Policy Aimed for Ideal)**

Each individual obtains opportunities to learn for making challenges into new fields.

- Training to share advanced knowledge distinctive of NRI and learn original insight, in addition to simple skills and case studies
- Establishment of courses in which each individual can learn in accordance with their personal circumstances at their own pace as well as courses in which persons at any level, whether a beginner or veteran, can learn the basics
- Skills improvement through Coursera, university lectures, qualification acquisition, etc.

**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, exhibitions and events, such as a dialogue session, were held to share outlooks and cases concerning DX. More than 50 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?” This 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.

**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.
Mechanisms for Supporting Value Creation

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 updating 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 Yumeminito Holkuen 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 message 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 people with disabilities, and 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.

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 Employees.

External Evaluation of NRI

In 2017, received the highest level (Level 3) of Enabusho 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 a “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 Improvement 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

Contents
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.

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. (As of July 1, 2019)

(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

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>Formulated the NRI Group’s corporate philosophy</td>
</tr>
<tr>
<td></td>
<td>Listed on the Tokyo Stock Exchange (Section 1)</td>
</tr>
<tr>
<td></td>
<td>Introduced an executive officer system to assist in separating management and execution functions</td>
</tr>
<tr>
<td></td>
<td>Appointed non-executive director to chair the Board of Directors to separate supervisory and execution functions</td>
</tr>
<tr>
<td>2005</td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>Increased the number of Outside Audit &amp; Supervisory Board Members to strengthen their auditing functions</td>
</tr>
<tr>
<td>2006</td>
<td>Established the Compensation Committee comprised of outside experts to enhance transparency in regard to executive compensation</td>
</tr>
<tr>
<td></td>
<td>Appointed non-executive director to chair the Board of Directors to separate supervisory and execution functions</td>
</tr>
<tr>
<td></td>
<td>Took part in an electronic voting platform for institutional investors as part of efforts to maximize opportunities for shareholders to exercise their voting rights</td>
</tr>
<tr>
<td>2010</td>
<td>Formulated the NRI Group’s code of business practices on 2010</td>
</tr>
<tr>
<td></td>
<td>Increased the number of Independent Outside Directors from two to three</td>
</tr>
<tr>
<td></td>
<td>Established the Independent Executives Meeting consisting of Independent Outside Directors and Independent Outside Audit &amp; Supervisory Board Members</td>
</tr>
<tr>
<td></td>
<td>Established the Compensation Committee comprised of outside experts to enhance transparency in regard to executive compensation</td>
</tr>
<tr>
<td></td>
<td>Established the Nomination Committee comprised mainly of Independent Directors</td>
</tr>
<tr>
<td></td>
<td>Change the main members of the Compensation Committees from outside experts to Independent Directors</td>
</tr>
<tr>
<td></td>
<td>Introduced the Medium-Term Management Plan (from FY March 2017 to FY March 2019)</td>
</tr>
<tr>
<td></td>
<td>Appointed non-executive director to chair the Board of Directors to separate supervisory and execution functions</td>
</tr>
<tr>
<td></td>
<td>Implemented the evaluations of the Board of Directors’ effectiveness</td>
</tr>
</tbody>
</table>

Mechanisms for Supporting Value Creation

Roles and activities of committees

- **Nomination Committee**: Mainly comprised of Independent Directors, the Committee deliberates on important issues concerning the Board of Directors, the Audit & Supervisory Board Members, the CEO and other Board Members, from the standpoint of fairness and transparency. (Members of the Board)
- **Compensation Committee**: 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. (Members of the Board)
- **Senior Management Committee**: The Committee meets in principle to deliberate on important issues concerning corporate governance in order to achieve consistent business execution and decision making. (Members of the Board)
- **Integrated Risk Management Committee**: The Committee deliberates on important issues concerning risk management based on instructions given by the President & CEO. (Members of the Board)
- **Compliance Committee**: The Committee deliberates on the matters concerning the promotion of ethical and compliance management according to the instruction given by the President & CEO. (Members of the Board)
- **OX Business Promotion Committee**: The Committee deliberates on important issues concerning the promotion of the digital transformation (DX) business. (Members of the Board)
- **Human Resources Development Committee**: The Committee deliberates on important issues concerning ability development and training of employees, based on instructions given by the President & CEO. (Members of the Board)
- **Business Development Committee**: The Committee deliberates on important issues concerning investments in research and development, planned businesses and investments, such as the acquisition of securities, based on instructions given by the President & CEO. (Members of the Board)
- **System Development Committee**: The Committee deliberates on important issues concerning information and communications systems, based on instructions given by the President & CEO. (Members of the Board)
- **Disclosure Committee**: The Committee deliberates on important issues concerning the disclosure of Annual Securities Report and other documents, based on instructions given by the President & CEO. (Members of the Board)
- **Crisis Management Committee**: The Committee will be established based on the orders of the President & CEO to execute and support prompt responses to a crisis whenever one may occur. (Members of the Board)
- **Business Promotion Committee**: The Committee involves administrative departments from the headquarters and management departments within business divisions and seeks to establish highly effective and efficient internal controls.
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 Members of the Board. The Board of 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 President & CEO 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 Board 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 Members of the Board.

Compensation Committee: 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 exercise 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 present & CEO succession plan based on the corporate philosophy, action guidelines, concrete management strategies, etc., and make proper oversight.

• Delegate decision-making related to the composition of 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 support 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 clarify 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 of the Independent 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
• Receive reports from the accounting auditors as well as the results of internal audits from the Internal Audit Department, which is responsible for promoting internal controls.

Mechanisms for Supporting Value Creation
• 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 of Directors (As of July 1, 2019)

<table>
<thead>
<tr>
<th>Name (Position)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shingo Kiyomiya (President &amp; CEO)</td>
</tr>
<tr>
<td>Hiromi Takenaka (Auditor &amp; Supervisory Committee Chairman)</td>
</tr>
<tr>
<td>Motoya Okabe (Vice-Chairman)</td>
</tr>
<tr>
<td>Ayumu Ueno (Executive Managing Director)</td>
</tr>
<tr>
<td>Hideaki Usumi (Executive Managing Director)</td>
</tr>
<tr>
<td>Yoshio Shimamoto (Executive Managing Director)</td>
</tr>
<tr>
<td>Kazutaka Komiya (Executive Managing Director)</td>
</tr>
<tr>
<td>Hidenori Okada (Executive Managing Director)</td>
</tr>
<tr>
<td>Yoshio Ueda (Executive Managing Director)</td>
</tr>
</tbody>
</table>

Members of the Audit & Supervisory Board (As of July 1, 2019)

<table>
<thead>
<tr>
<th>Name (Position)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yutaka Morita (Auditor &amp; Supervisory Committee Chairman)</td>
</tr>
<tr>
<td>Kohei Sato (Executive Managing Director)</td>
</tr>
<tr>
<td>Kiyotaka Yamazaki (Executive Managing Director)</td>
</tr>
<tr>
<td>Noriaki Okada (Executive Managing Director)</td>
</tr>
</tbody>
</table>

Contents

Mechanisms for Supporting Value Creation
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. bonus or c. stock-based compensation.

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

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

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

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

Total of not more than ¥400 million per annum.

a. Basic compensation

- Basic compensation consists of fixed pay (basic pay and position pay), which is compensation based on each Member of the Board’s post.

b. Bonuses

- Bonuses are paid as a short-term incentive. They reflect performance in the relevant fiscal year and their determination takes into account differences in posts and positions.

c. Stock-based compensation (restricted stock-based compensation)

- Provision of restricted stock compensation (financial compensation used as investment assets for the acquisition of shares with restriction on transfer compensation) as stock-based compensation in order to provide incentives aimed at sustainable improvements in the Company’s corporate value and to promote the sharing of value with shareholders through share ownership.
- The number of shares allocated is determined in accordance with executive positions. Note that, based on the Stock Ownership Guidelines for Executive Officers, Members of the Board are expected to hold more than a certain number of shares of NRI’s stock, in accordance with their respective positions.

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 compensation of directors, etc., in the fiscal year ended March 2019, is as follows. A basic compensation is equalized to “1.0”, and stock-based compensation is “1.1”. If fixed compensation is “1.0”, then performance-based compensation is “1.7”.

### Compensation System for Members of the Audit & Supervisory Board

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

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

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

#### a. Basic compensation

- Basic compensation consists of fixed pay based on each Audit & Supervisory Board Member’s career, knowledge, responsibilities.

#### b. Bonuses

- Bonuses are only paid to the full-time Audit & Supervisory Board Members, and it is based on our business performance during the current fiscal year.

### Executive Compensation Amounts

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Total compensation (millions of yen)</th>
<th>Fixed compensation</th>
<th>Performance-based compensation</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members of the Board</td>
<td>410</td>
<td>240</td>
<td>80</td>
<td>92</td>
</tr>
<tr>
<td>(Excluding Outside Members of the Board)</td>
<td>200</td>
<td>112</td>
<td>60</td>
<td>39</td>
</tr>
<tr>
<td>Performance-based compensation</td>
<td>212</td>
<td>80</td>
<td>60</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members</td>
<td>82</td>
<td>58</td>
<td>22</td>
<td>0</td>
</tr>
<tr>
<td>(Restricted stock &amp; Supervisory Board Members)</td>
<td>82</td>
<td>58</td>
<td>22</td>
<td>0</td>
</tr>
<tr>
<td>Outside Members of the Board</td>
<td>105</td>
<td>93</td>
<td>11</td>
<td>—</td>
</tr>
<tr>
<td>(Outside Audit &amp; Supervisory Board Members)</td>
<td>105</td>
<td>93</td>
<td>11</td>
<td>—</td>
</tr>
</tbody>
</table>

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, 2019.
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 allotment to the day of 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 to stockholders 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 casual insurance.

### Evaluations of the Board of Directors’ Effectiveness (FY March 2019)

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

#### Evaluation methods

-Questionnaire targeting all Directors and Audit & Supervisory Board Members
-Exchange of views with Independent Directors
-Deliberations at a Board of Directors meeting including the results of the above questionnaires and view exchanging sessions

#### Results

-From the results of the above evaluation, we conclude that the Board of Directors are basically able to function effectively.
-All independent directors continue active deliberations with an understanding of NRI’s business philosophy, business plans, etc., and based on their respective knowledge, and their duties as Directors are fulfilled as such.

#### Challenges for further effectiveness

-We need to make improvements to the provision of information to the Board of Directors and the operation of the Board to enable improvements to be made for even higher quality discussions and decision making.
G (Governance)

Internal Controls, Corporate Ethics and Compliance

**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/go/company/internal](http://www.nri.com/go/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 take into consideration the level of importance and impact every fiscal year on risk items that have been established over time.
- After an assessment is completed, the department responsible for risk management holds discussions at the Integrated Risk Management Committee and selects the risks that should be managed. It also selects prioritized themes ("priority themes") that have a particularly high level of importance or impact.
- The Integrated Risk Management Committee needs 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.

**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
- NRI Group Employees’ Code of Business Conduct

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.

- NRI Group Policy on Human Rights
- NRI Group Anti-Bribery Policy
- NRI Group Competition Law Compliance Policy

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**

- President & CEO, Member of the Board (Committee Chief Ethics Officer)
- Director in charge of Compliance (Integrated Risk Management Committee Chief)
- Report “Whistleblowing system” (Internal/External)
- Integrated Risk Management Committee
- Compliance Committee
- Secretary of Discipline Action Committee
- Representative Departments
  - Risk materialization monitoring
    - Measurement of risk reduction measures
    - Implementation of Fundamental Rules monitoring

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

An Overseer Rather Than an Adviser

One point of emphasis is that when I accept a position as an Outside Member of the Board, 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 play a significant role. NRI is truly a great example of that. Despite being a company with an Audit & Supervisory Board, advisory committees play a significant role. NRI is truly a great example of that. Despite being a company with an Audit & Supervisory Board, advisory committees play a significant role.

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.

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 increases 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, and implemented at the site. I believe that the accumulation of these steady efforts has crystallized 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 this 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 management team, as well as each employee, must have a stronger awareness that they are 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.
NRI Executives

Shingo Konamoto
Date of Birth: September 14, 1958
Member of the Board, Executive

Hironori Momose
Date of Birth: September 14, 1959
Vice Chairman, Member of the Board

Yasuo Fukami
Date of Birth: August 12, 1958
Representative Director, Member of the Board, Senior Managing Director

Yoshio Usami
Date of Birth: July 1, 1958
Representative Director, Member of the Board, Senior Managing Director

Masatoshi Matsuoka
Date of Birth: July 21, 1960
Member of the Board

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

Senior Executive Managing Directors

Harumi Saito
Tatsuya Watahki
Masaki Takimoto
Hiroshi Funakura
Hajime Ueda
Yoshio Murata

Senior Managing Directors

Kenji Yokoyama
Shigeki Hayashi
Takuhito Sakata
Fumihiko Sagano
Yoshihisa Inada
Hiroshi Masutani

Executive Managing Directors

Akiyo Yamamoto
Tomohiro Takamoto
Naohiro Sakai
Hirofumi Tatematsu
Shuji Tateno
Hidenori Aranui
Ken Ebato

Senior Managing Directors

Minoru Yokote
Minoki Kubo
Yusuke Higo
Katsutoshi Murakami
Hisao Nakajima
Tohru Yasumaru
Tomohiko Noguchi
Susumu Nishimoto
Yasushi Kobara
Shoichi Ohno
Akiro Matsumoto
Shigeuji Omoto
Hiroyuki Kawanami
Sonoko Kitagawa
Jun Odashima
Yasuhiro Nakamura
Takeshi Hihara

Managing Directors

Masaaki Yamazaki
Koji Shimizu
Hiroshi Kokai

Audit & Supervisory Board Members

Yutaka Harada
Daichi Shinohara
Motoyoshi Nishimura
Noniaki Okubo

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.

1. Mr. Osu, Masahiro Motzuki and Hirohisa Morita are Outside Directors. Kosuke Yamazaki and Noriko Otsuka 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 Audit Board were selected at the Ordinary General Meeting of Shareholders held on June 20, 2018.

3. For the Audit & Supervisory Board Members, Yutaka Harada was selected at the Ordinary General Meeting of Shareholders held on June 17, 2018. Noriaki Okubo was selected at the Ordinary General Meeting of Shareholders held on June 24, 2017. Kosuke Yamazaki and Kosuke Yamazaki were selected at the Ordinary General Meeting of Shareholders held on June 24, 2019. Motonobu Otsuka was selected at the Ordinary General Meeting of Shareholders held on June 20, 2019.

4. Figures in parenthesis are the number of shares of NRI stock held by each director. This includes holdings in the executive share ownership plan as of June 25, 2015. A stock split was awarded as of July 12, 2019. These figures constitute the number of shares prior to that split.

Executive Fellow

Yasushi Oka
Kotaro Kuwazawa

Outside Directors

Ichiro Morisawa
Kazuya Kobayashi
Noriyasu Kugawa
Kaga Yanagisawa
Kotaro Fujii
Hideo Saito
Takemasa Ikegami

Audit & Supervisory Board Members

Yutaka Harada
Daichi Shinohara
Motoyoshi Nishimura
Noniaki Okubo

Audit & Supervisory Board Member (Non-Executive)

Kohei Sato

Audit & Supervisory Board Member (Full-time)

Yutaka Harada
Daichi Shinohara
Motoyoshi Nishimura
Noniaki Okubo

Audit & Supervisory Board Member (Part-time)

Yutaka Harada
Daichi Shinohara
Motoyoshi Nishimura
Noniaki Okubo

Kiyotaka Yamazaki

Audit & Supervisory Board Member (Independent)

Kiyotaka Yamazaki

Note: 1. 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).
The fear and expectation in ICT industry

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 kinds 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 cause many jobs, creating a big social 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.

We visited the World Business Council for Sustainable Development (WBCSD), an international NGO 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.

We are building sustainable future, tomorrow.

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. We have had understood the material 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

<table>
<thead>
<tr>
<th>Identified issue</th>
<th>NRI’s response status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business opportunities can be obtained by incorporating ESG in NRI’s products and services as part of the promotion of globalization</td>
<td>The Medium-Term Management Plan (2019-2022) advocates “seeking 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 driven by new value,” “Co-create an idea 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, the NRI will conduct 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 NRI’s directors and employees, enabling them to develop and utilize AI in an AI society with human 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.</td>
</tr>
<tr>
<td>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 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.</td>
<td>It is necessary to manage the development of new technology appropriately so that it does not adversely affect the economy or society.</td>
</tr>
<tr>
<td>Identiﬁed issue</td>
<td>NRI’s response status</td>
</tr>
<tr>
<td>------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>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.</td>
<td>It is necessary to consider human rights issues that are unique to the ICT industry.</td>
</tr>
</tbody>
</table>

The benefits of joining WBCSD

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?

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?

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 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.
Mechanisms for Supporting Value Creation

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 compiles 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 Partners

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.

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, staff stability, and the like, in order to ensure that the business partner is capable of delivering satisfactory services that are in conformity with client agreements.

Mechanisms for Supporting Value Creation

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.

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)

<table>
<thead>
<tr>
<th>Percentage that responded “Satisfied” or “Moderately satisfied” (Total for top two items on five-grade scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>81.0</td>
</tr>
<tr>
<td>83.4</td>
</tr>
<tr>
<td>82.9</td>
</tr>
<tr>
<td>85.0</td>
</tr>
<tr>
<td>87.0</td>
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</tbody>
</table>

Cooperation with Business Partners

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 platforms, 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.

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.

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Mechanisms for Supporting Value Creation

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

NRI’s Quality Management Framework

Initiatives for Improving the Quality of Information Systems

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

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

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

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

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

To ensure that internal reviews are not merely process checks, committee members gathered from each division enact 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.

•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 serves 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.

Examples of Certifications and Assurances Acquired by NRI

• ISO9001 (quality management system)
• ISO14001 (environmental management system)
• ISO20000 (IT service management)
• ISO27001 (Cloud services security)
• ISO/IEC 27002:2013 (Information security management systems)
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• ISO/IEC 27002:2013 (Information security management systems)

The Production Innovation Forum venue and enhancement service reforms award ceremony

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

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

Nomura Research Institute
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 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.co.jp/en/it/itsecurity/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 businesses. We will draw on their technology, know-how and knowledge when preparing and implementing our information security policies.

• Information Security Management Structure

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 advanced information security management framework. We will work to remain a trusted partner to our clients and society.

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• 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 for technology staff in 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 underwriting a computer automatically takes remote control of that computer, either stealing data 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. NDA 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 isolated.

*4 Computer Security Incident Response Team: This is the entity (or 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.

RRI 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.

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*2” issued by the leading Japanese IT consulting firm ITR Corporation.

NRI Secure recognized as an information security market leader by research firms in Japan and overseas

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 departements, to grasp the overtime hours of project members.

Quality of Workplace Environment

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Back to Top

Contents
### Consolidated Statement of Income:

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Net operating income and profit</td>
<td>1,217</td>
<td>1,284</td>
<td>1,282</td>
<td>1,278</td>
<td>1,269</td>
<td>1,254</td>
<td>1,224</td>
<td>1,203</td>
<td>1,186</td>
<td>1,167</td>
<td>1,142</td>
</tr>
<tr>
<td>Extraordinary income and loss</td>
<td>1,867</td>
<td>1,875</td>
<td>1,872</td>
<td>1,868</td>
<td>1,862</td>
<td>1,856</td>
<td>1,836</td>
<td>1,820</td>
<td>1,807</td>
<td>1,796</td>
<td>1,785</td>
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<tr>
<td>Income taxes</td>
<td>2,499</td>
<td>2,517</td>
<td>2,525</td>
<td>2,530</td>
<td>2,535</td>
<td>2,540</td>
<td>2,546</td>
<td>2,551</td>
<td>2,556</td>
<td>2,561</td>
<td>2,566</td>
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### Consolidated Balance Sheet (year-end):

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>1,078,897</td>
<td>1,033,640</td>
<td>992,815</td>
<td>945,833</td>
<td>903,720</td>
<td>865,963</td>
<td>833,976</td>
<td>805,977</td>
<td>780,966</td>
<td>757,339</td>
<td>733,594</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>775,458</td>
<td>740,335</td>
<td>703,071</td>
<td>660,982</td>
<td>620,098</td>
<td>581,216</td>
<td>550,706</td>
<td>524,211</td>
<td>496,223</td>
<td>469,157</td>
<td>441,311</td>
</tr>
<tr>
<td>Net assets</td>
<td>293,439</td>
<td>293,305</td>
<td>289,744</td>
<td>284,851</td>
<td>283,622</td>
<td>284,747</td>
<td>283,270</td>
<td>281,766</td>
<td>284,743</td>
<td>288,182</td>
<td>292,283</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Cash Flows:

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>318,770</td>
<td>349,289</td>
<td>368,417</td>
<td>364,677</td>
<td>360,937</td>
<td>357,204</td>
<td>353,484</td>
<td>350,414</td>
<td>347,390</td>
<td>343,370</td>
<td>339,350</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(70,340)</td>
<td>(61,175)</td>
<td>(57,723)</td>
<td>(53,579)</td>
<td>(50,096)</td>
<td>(47,732)</td>
<td>(45,770)</td>
<td>(43,530)</td>
<td>(41,513)</td>
<td>(40,181)</td>
<td>(39,259)</td>
</tr>
<tr>
<td>Investing activities except cash management purpose investment</td>
<td>(74,058)</td>
<td>(74,109)</td>
<td>(72,623)</td>
<td>(70,522)</td>
<td>(68,615)</td>
<td>(66,793)</td>
<td>(64,982)</td>
<td>(63,023)</td>
<td>(61,076)</td>
<td>(59,204)</td>
<td>(58,257)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>(24,813)</td>
<td>(24,185)</td>
<td>(21,654)</td>
<td>(15,535)</td>
<td>(9,900)</td>
<td>(6,032)</td>
<td>(2,094)</td>
<td>(1,231)</td>
<td>(8,000)</td>
<td>(2,200)</td>
<td>(2,027)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(22,414)</td>
<td>(10,348)</td>
<td>(10,348)</td>
<td>(10,348)</td>
<td>(10,348)</td>
<td>(10,348)</td>
<td>(10,348)</td>
<td>(10,348)</td>
<td>(10,348)</td>
<td>(10,348)</td>
<td>(10,348)</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>(69)</td>
<td>(69)</td>
<td>(69)</td>
<td>(69)</td>
<td>(69)</td>
<td>(69)</td>
<td>(69)</td>
<td>(69)</td>
<td>(69)</td>
<td>(69)</td>
<td>(69)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(47,296)</td>
<td>(31,547)</td>
<td>(22,308)</td>
<td>(5,041)</td>
<td>(3,045)</td>
<td>(3,045)</td>
<td>(3,045)</td>
<td>(3,045)</td>
<td>(3,045)</td>
<td>(3,045)</td>
<td>(3,045)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>28,228</td>
<td>59,775</td>
<td>82,086</td>
<td>77,043</td>
<td>99,623</td>
<td>92,792</td>
<td>140,567</td>
<td>154,949</td>
<td>152,051</td>
<td>158,303</td>
<td>123,200</td>
</tr>
<tr>
<td>Cash and cash equivalents + Cash management purpose investment</td>
<td>51,271</td>
<td>73,837</td>
<td>104,417</td>
<td>121,601</td>
<td>145,974</td>
<td>133,350</td>
<td>169,023</td>
<td>206,031</td>
<td>192,028</td>
<td>185,882</td>
<td>152,743</td>
</tr>
</tbody>
</table>
Consolidate Financial Data

Contents

Nomura Research Institute

Integrate Report 2019

Corporate Information / Data

2. The amounts are based on sales price.

Notes: 1. Figures less than unit indicated have been rounded down for amounts.

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.

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. By order backlog, we mean the amount of orders that have been received and that are expected to be delivered within a given fiscal year.

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### Environmental

#### ESG Data

#### Greenhouse gas emissions (NRI Group data):

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ (Metric Tons)</th>
<th>CH₄ (Metric Tons)</th>
<th>N₂O (Metric Tons)</th>
<th>Total Emissions (Metric Tons)</th>
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</thead>
<tbody>
<tr>
<td>2015.3</td>
<td>96,871,087</td>
<td>1,051,445,204</td>
<td>1,239,492,504</td>
<td>2,257,778,237</td>
</tr>
<tr>
<td>2016.3</td>
<td>75,456,207</td>
<td>1,487,555,204</td>
<td>1,487,555,204</td>
<td>2,257,778,237</td>
</tr>
<tr>
<td>2017.3</td>
<td>91,207,897</td>
<td>1,675,455,204</td>
<td>1,675,455,204</td>
<td>2,257,778,237</td>
</tr>
</tbody>
</table>

#### Greenhouse gas emissions (Scope 1 & 2):

<table>
<thead>
<tr>
<th>Year</th>
<th>Scope 1 (Metric Tons)</th>
<th>Scope 2 (Metric Tons)</th>
<th>Total Emissions (Metric Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015.3</td>
<td>1,447,674</td>
<td>1,725,455,204</td>
<td>1,727,833,204</td>
</tr>
<tr>
<td>2016.3</td>
<td>1,447,674</td>
<td>1,725,455,204</td>
<td>1,727,833,204</td>
</tr>
<tr>
<td>2017.3</td>
<td>1,447,674</td>
<td>1,725,455,204</td>
<td>1,727,833,204</td>
</tr>
</tbody>
</table>

#### Scope 3:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Emissions (Metric Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015.3</td>
<td>1,727,833,204</td>
</tr>
<tr>
<td>2016.3</td>
<td>1,727,833,204</td>
</tr>
<tr>
<td>2017.3</td>
<td>1,727,833,204</td>
</tr>
</tbody>
</table>

---

### Social

#### Number of employees (NRI Group data):

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015.3</td>
<td>57,854</td>
<td>27,782</td>
<td>29,072</td>
<td>57,854</td>
<td>27,782</td>
<td>29,072</td>
</tr>
</tbody>
</table>

#### Employment related (Non-consolidated data):

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>New hires for the year (persons)</td>
<td>2,473</td>
<td>3,103</td>
<td>2,052</td>
<td>1,611</td>
</tr>
<tr>
<td>Total turnover rate (%)</td>
<td>24.8</td>
<td>22.2</td>
<td>20.5</td>
<td>18.8</td>
</tr>
<tr>
<td>Average length of service (years)</td>
<td>13.4</td>
<td>13.5</td>
<td>13.6</td>
<td>13.7</td>
</tr>
<tr>
<td>New graduates hires retention rate after 3 years (%)</td>
<td>95.5</td>
<td>95.0</td>
<td>94.5</td>
<td>94.0</td>
</tr>
<tr>
<td>Average Compensation per employees (thousands of yen)</td>
<td>10,840</td>
<td>11,649</td>
<td>12,514</td>
<td>13,190</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female employees (%)</td>
<td>16.2</td>
<td>16.0</td>
<td>15.8</td>
<td>15.6</td>
</tr>
<tr>
<td>Female managers (%)</td>
<td>5.2</td>
<td>5.0</td>
<td>4.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Female hires (%)</td>
<td>25.0</td>
<td>24.8</td>
<td>24.6</td>
<td>24.4</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid maternity leave (persons)</td>
<td>126</td>
<td>177</td>
<td>130</td>
<td>150</td>
</tr>
<tr>
<td>Paid and non-paid childcare leave (persons)</td>
<td>53</td>
<td>73</td>
<td>86</td>
<td>96</td>
</tr>
<tr>
<td>Childcare leave (persons)</td>
<td>56</td>
<td>96</td>
<td>130</td>
<td>252</td>
</tr>
<tr>
<td>Number of employees utilized on the work system for childcare (persons)</td>
<td>79</td>
<td>147</td>
<td>197</td>
<td>247</td>
</tr>
<tr>
<td>Employee returning to work after childcare leave (female employees) (%)</td>
<td>96.1</td>
<td>97.0</td>
<td>97.3</td>
<td>97.0</td>
</tr>
<tr>
<td>Employee remaining in work after childcare leave (female employees) (%)</td>
<td>95.3</td>
<td>93.2</td>
<td>91.7</td>
<td>90.2</td>
</tr>
</tbody>
</table>

---

### ESG Databook 2019

#### Employment of people with disabilities (NRI Group data):

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees with disabilities (persons)</td>
<td>108</td>
<td>117</td>
<td>119</td>
<td>134</td>
</tr>
<tr>
<td>Percentage of employees with disabilities (%)</td>
<td>2.1</td>
<td>2.2</td>
<td>2.2</td>
<td>2.4</td>
</tr>
</tbody>
</table>

#### Health and Productivity Management

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
<th>2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average hours of employees per month (hours)</td>
<td>23.4</td>
<td>23.5</td>
<td>23.7</td>
<td>23.8</td>
<td>24.0</td>
</tr>
<tr>
<td>Employed for annual paid leave (%)</td>
<td>66.9</td>
<td>66.8</td>
<td>70.6</td>
<td>71.4</td>
<td>71.3</td>
</tr>
<tr>
<td>Employee work-related deaths (persons)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Work accidents (cases)</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

#### Client satisfaction survey and employee satisfaction

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
<th>2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction (%)</td>
<td>82.0</td>
<td>83.4</td>
<td>82.0</td>
<td>84.6</td>
<td>87.0</td>
</tr>
<tr>
<td>Employee satisfaction (%)</td>
<td>66.3</td>
<td>66.3</td>
<td>66.3</td>
<td>66.3</td>
<td>66.3</td>
</tr>
</tbody>
</table>

---

### Information communication/Recommendation projects

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
<th>2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Books published</td>
<td>20</td>
<td>25</td>
<td>13</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Contributions to newspapers and magazines (times)</td>
<td>210</td>
<td>229</td>
<td>273</td>
<td>298</td>
<td>306</td>
</tr>
<tr>
<td>Public lectures given (times)</td>
<td>1,288</td>
<td>1,161</td>
<td>937</td>
<td>982</td>
<td>922</td>
</tr>
<tr>
<td>Telephone appearances (times)</td>
<td>81</td>
<td>126</td>
<td>102</td>
<td>158</td>
<td>240</td>
</tr>
</tbody>
</table>

#### Development of human resources / Development of society (Non-consolidated data):

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
<th>2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of Directors</td>
<td>70</td>
<td>70</td>
<td>9</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Female Directors</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

#### Status of the Board of Directors (Non-consolidated data):

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
<th>2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of the Board of Directors (total)</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Attendance average of All Directors (%)</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td>Attendance average of Outside Directors (%)</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Attendance average of Audit &amp; Supervisory Board Members (%)</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Attendance average of Outside Audit &amp; Supervisory Board Members (%)</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
</tbody>
</table>

#### Status of the Audit & Supervisory Board (Non-consolidated data):

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
<th>2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of the Audit &amp; Supervisory Board (total)</td>
<td>17</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Attendance average of All Audit &amp; Supervisory Board Members (%)</td>
<td>95</td>
<td>98</td>
<td>99</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Attendance average of Outside Audit &amp; Supervisory Board Members (%)</td>
<td>92</td>
<td>98</td>
<td>99</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Number of Notification & Consultation (non-consolidated data):

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
<th>2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of notification &amp; consultation (cases)</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

---

### Governance

#### Member of Directors (Non-consolidated data (As of July 1st)):

<table>
<thead>
<tr>
<th>Year</th>
<th>2015.3</th>
<th>2016.3</th>
<th>2017.3</th>
<th>2018.3</th>
<th>2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of Directors</td>
<td>70</td>
<td>70</td>
<td>9</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Female Directors</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

---

### Nomura Research Institute

#### Corporation Information / Data

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**Notes:**

1. Percentage that responded of “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 year 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.”