



Nomura Research Institute Group

Nomura Research Institute ESG Briefing Q&A Sessions

Conducted at Nomura Research Institute, Ltd. Headquarters/online, February 25, 2022 (Fri))

1st person

Q1: I would like to hear your thoughts on and challenges regarding ESG-related indices (including climate related indices) and how they are linked with director compensation.

A1: When calculating director compensation, there are various ESG evaluation indices to consider using, such as DJSI, CDP, and MSCI, but NRI has already achieved high scores with those ESG evaluation indices. The jury is also still out on whether ESG evaluation indices are even appropriate for inclusion in calculating director compensation. We will investigate appropriate climate-related indices to link with director compensation internally.

Q2: With the movement to go carbon neutral gaining steam in Japan and overseas, I believe that business opportunities in fields such as consulting are expanding for NRI, such as the provision of methods for monitoring greenhouse gas emissions. Are there any specific positive factors that are affecting the NRI business.

A2: Sustainability-related themes are extremely active in our consulting business, and account for almost 20% of all projects. On the other hand, other IT solution services related to climate change are also being launched, such as our carbon tracing system called NRI-CTS^{*1} (described on page 8 of "Corporate Philosophy (Dream up the future) and Sustainability Management"), which enables companies to estimate their greenhouse gas emissions. Regarding carbon neutrality, demand is currently expanding for the consulting business in particular, but we believe that demand will also increase for climate change-related IT solutions such as NRI-CTS.

*1 A service enabling the tracing of information related to greenhouse gas (GHG) emissions in the company supply chain
https://www.nri.com/en/news/info/cc/lst/2021/1215_1

2nd person

Q3: It seems that your goal for the ratio of renewable energy usage at data centers was achieved ahead of schedule. Was this achieved so far ahead of schedule simply by proceeding as planned, or were any special factors involved?

A3: At first, we set the goal of having 70% renewable energy used at our data centers by fiscal year 2030. We then carefully held internal discussions on the impact of switching to renewable energy and other factors such as the purchasing price, bearing in mind the fact that we operate data centers that are

important to the systems of our clients. This resulted in smooth understanding within our company and client companies, and we were able to switch to renewable energy at three major data centers ahead of schedule.

Q4: What challenges does NRI face in the remaining 8 years for the new environmental target of achieving net zero greenhouse gas emissions at NRI by fiscal year 2030^{*2}? I would also like to hear about issues and challenges facing the reduction of Scope 3 emissions.

A4: In regard to Scope 1 emissions, we expect to emit greenhouse gas emissions because fuels such as crude petroleum are used in the private power generators used as a backup power source at our data centers. Looking ahead, we will keep an eye on relevant technology trends and net zero-related systems.

Regarding Scope 3 emissions, we held dialog with our business partners including development partners in January, and requested those partners to set environmental targets, among other things. As we receive replies from our business partners, we will identify the responses of each company and determine our own course of action.

^{*2} In regard to the Scope 1 emissions that account for approximately 2% of NRI Group greenhouse gas emissions, we will investigate countermeasures based on future SBT guidelines and trends in carbon sequestration technologies

Q5: I would like to know how NRI plans to handle the global expansion of value co-creation. I believe that overseas group companies are entrusted with the authority to conduct management, but how NRI will involve with the non-financial aspects of management?

A5: The global expansion of value co-creation has been delayed due to the impact of COVID-19, but we hope to be able to make steady progress in the next fiscal year. First of all, in order to promote a common global concept of value co-creation, we will work on building an environment accessible from worldwide offices that enables information to be transmitted in multiple languages including English. We plan to deploy non-financial information overseas as soon as we have sorted out our thoughts on the matter. Information that can lead to immediate implementation overseas will be deployed as soon as it is ready.

3rd person

Q6: There was an explanation of "building a higher level of governance as a listed company in the prime market" as one of the main future priority measures for governance, but what specific issues are involved, and in what way will structures be rebuilt?

A6: Due to our rapid expansion in worldwide offices because of M&A and other factors, we have recognized that we have a problem building and strengthening our governance systems at a global level.

Because companies listed in the prime market are required to disclose a higher level of management

policy, we will consider such aspects when formulating our new medium-term management plan. Looking ahead to revising our medium-term management plan, we have also started investigations into revising our core issues (materiality), in order to achieve sustainable growth. We will indicate the relationship between the NRI growth strategy and materiality in the new medium-term management plan.

A7: There has been little progress in diversity measures such as increasing the ratio of female managers at NRI. Manager diversity is not seemed to progress when compared to Japanese companies in general. How does NRI think about the future in this regard?

A7: In regard to the empowerment of women, we outlined two numeric targets to achieve by the end of fiscal year 2022 in our current medium-term management plan. The first was to achieve a ratio of 30% women or higher in recruitment, and the second was to achieve a ratio of 8.5% of women in management. We are expecting both of these targets to be achieved. Other new targets will be set in the next medium-term management plan.

Although we are able to achieve the targets of the current medium-term management plan, other companies have set higher targets, so we recognize that we need to be making greater efforts. We will continue investigations and publish new targets in the future.

4th person

Q8: I would like to see how ESG efforts have contributed to NRI performance and the achievement of financial targets. If possible, I would like to see the relationship between financial targets and non-financial targets when the next medium-term management plan is released.

A8: Regarding the monitoring of non-financial KPIs, page 6 of "Corporate Philosophy (Dream up the future) and Sustainability Management" disclose our value co-creation measures and the status of how we are monitoring them. In regard to value co-creation, because it is difficult to evaluate it with a single KPI, we conduct an evaluation of the three social values indicated on page 6 based on both qualitative information and quantitative information.

It is expected that the sales of digital transformation focused on social contribution (DX3.0) will also become a KPI, and we plan on expressing the relationship between DX-related measures and sales in an easy-to-understand manner.

We will also proceed with investigations into how we can quantitatively express the relationship between financial targets and non-financial targets in our new vision and our medium-term management plan from fiscal year 2023.

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