

# NRI Corporate Governance Guidelines

## Chapter 1: Basic Approach to Corporate Governance

### Article 1. Purpose

The basic corporate philosophy of the NRI Group, comprising NRI (the Company) and its subsidiaries, is to contribute to the development of economic society through the fulfillment of two basic corporate missions: (1) Discerning new social paradigms and assuming the role of implementing such paradigms and (2) Building customer trust and prospering together with customers. The purpose of these NRI Corporate Governance Guidelines is to ensure that the Company practices the best corporate governance as it strives to achieve sound and sustainable growth that enhances corporate value over the mid- to long-term through the practice of the corporate philosophy.

### Article 2. Basic Approach to Corporate Governance

The Company works to enhance corporate governance in accordance with the basic approach outlined below, based on the recognition that corporate governance consists of mechanisms for transparent, fair, timely, and accurate decision-making based on the perspective of stakeholders, including society, customers, employees, business partners, and shareholders, for sound and sustainable growth and the increase of corporate value over the mid- to long-term.

(1) Cooperation with stakeholders

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

(2) Information disclosure and communication

The Company discloses information as stipulated by laws and by the regulations of the Tokyo Stock Exchange, and information that assists its stakeholders in understanding the Company 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

The Company 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

advisory bodies for the Board of Directors that are mainly composed of Independent Directors.

## **Chapter 2: Cooperation with Stakeholders**

### **Article 3. Favorable, Harmonious Relations with Stakeholders**

To realize corporate philosophy, the Company stipulated action guidelines for its stakeholders in the NRI Group's Code of Business Principles (the Code of Business Principles) and the NRI Group Employees' Code of Business Conduct (the Code of Business Conduct). Both codes demand that the Company respect the interests of all stakeholders, including society, customers, employees, business partners, and shareholders, and cooperate with them in an appropriate manner.

2. To ensure the osmosis of the cooperate philosophy, the Code of Business Principles and the Code of Business Conduct, the Company distributes a pamphlet to all executives and employees and constantly endeavors to ensure thorough compliance with these guidelines by, for example, regularly conducting awareness surveys to confirm the state of compliance with the guidelines.

### **Article 4. Relations with Shareholders**

The Company makes efficient use of management resources as it strives to achieve sustainable growth, enhance corporate value over the mid- to long-term, and reward its shareholders.

- (1) General Meeting of Shareholders
  - 1) The General Meeting of Shareholders, composed of shareholders with voting rights, is the Company's highest decision-making body. To foster a relationship of trust with shareholders, the meeting should be held on a date that enables attendance by the largest possible number of shareholders, and the Company should devote ample time to providing explanations to shareholders and for a question-and-answer session at the meeting.
  - 2) The Board of Directors carefully analyzes the votes in for or against each of the proposals presented at the General Meeting of Shareholders and enters into a dialog with shareholders or take other appropriate action as necessary.
  - 3) To give shareholders sufficient time to consider the agenda, the Notice of Convocation of the Ordinary General Meeting of Shareholders as a general rule shall be mailed to shareholders three weeks prior to the meeting date and posted on the Company's website as well as on the Tokyo Stock Exchange's Timely Disclosure network (TDnet)

prior to the mailing to shareholders.

- 4) To help invigorate the General Meeting of Shareholders and facilitate the exercise of voting rights, the Company utilizes an internet-based system for voting rights and makes use of an Electronic Voting Platform for institutional investors. The Company also prepares English-language Reference Documents for the General Meeting of Shareholders for overseas shareholders.
- 5) In the case of institutional investors who hold shares in the name of trust banks and others want to exercise their voting rights, etc. by themselves, instead of through the trust banks and others, the Company will consider the measures through consultation with the trust banks and others.

(2) Ensuring Shareholders' Rights and Equal Treatment

The Company treats all shareholders equally in accordance with their shareholdings and endeavor to effectively protect the rights of all shareholders, including minority shareholders and foreign shareholders.

(3) Basic Strategy for Capital Policy

- 1) The Company maintains sufficient shareholders' equity to support growth investment and reasonable assumption of risks in order to achieve sustainable corporate growth and enhance corporate value over the mid- to long-term.
- 2) The Company focuses on its operating profit and operating cash flows, which are two indicators of business profitability, and aims to expand them. In addition, from the perspective of capital efficiency, the Company attaches great importance to return on equity (ROE) and will strive to constantly increase shareholder value through growth in earnings per share (EPS).
- 3) Regarding the payment of dividends from retained earnings, the Company's basic policy is to provide shareholders with stable dividends in line with the announced consolidated dividend payout ratio, while retaining sufficient internal reserves for mid- to long-term business expansion.
- 4) Treasury stock acquisition may be carried out as part of a capital policy that responds reflexively to changes in the business environment and seeks to raise capital efficiency.
- 5) Before implementing large-scale capital procurements that result in a change in majority shareholder or a significant dilution of shares, the Board of Directors carefully deliberates on the need of such capital procurements, the use of those funds, the investment recovery plan, and other important related matters so as not to unfairly harm the existing shareholders' interests. The Board also makes every effort to provide sufficient explanation to shareholders.

(4) Basic Policies on Cross-Shareholdings and Exercise of Voting Rights

- 1) The Company may hold shares of other listed companies (the cross-shareholdings) for the purpose of maintaining and strengthening cooperative relations and/or business alliances based on comprehensive consideration of the Company's relation with the issuing company and the Company's business strategies, etc.
  - 2) Cross-shareholdings continue to be held only when it is determined that the maintenance and strengthening of cooperative relations and/or business alliances with the issuing company contributes to the enhancement of the Company's corporate value. The Board of Directors shall regularly examines the mid- to long-term economic rationale of major cross-shareholdings from the viewpoint of whether they are creating new business opportunities and/or strengthening relations with business partners.
  - 3) Regarding the exercise of voting rights on cross-shareholdings, decisions will be based in separate assessments from the view point of enhancing the corporate value of the issuing company and that of the Company over the mid- to long-term. In particular, in the case of companies that have been generating losses and/or not paying dividends for an extended period of time, proposals that could affect the corporate value of the issuing company, including executive elections, takeover defense, mergers and other organizational restructurings, will be assessed taking into consideration the proposal's purpose and its contribution to increasing corporate value and the Company's purpose for the cross-shareholdings.
- (5) Prohibition of Transactions Contrary to the Common Interests of Shareholders
- 1) When the Company enters into conflict of interests' transactions as stipulated by the Companies Act with Members of the Board, the Board of Directors deliberates on and approves the transaction's contents and conditions to ensure that the transaction does not harm the interests of the Company and the common interests of shareholders.
  - 2) Transactions between the Company and major shareholders will be subject to approval based on the scale and importance of the transaction in accord with internal regulations, considering not harming the interests of the Company and the common interests of shareholders.

#### **Article 5. Coexistence with Society and the Natural Environment**

In accordance with the NRI Group's Environmental Policy, all executives and employees make concerted efforts to mitigate the environmental load through "NRI Green Style" activities that aim to preserve the world's environment by achieving harmony between human beings and nature. The Company strives to mitigate the environmental load through the provision of services and strategic proposals that improve the efficiency of customers' businesses and the social system and raise productivity. In addition, the Company conducts its

production activities and processes, including the procurement of goods, with due consideration for the impact of those activities on the environment.

2. Through business activities that “Provide insights into the ideal nature of future society” and “Create information systems that support society,” the Company seeks to fulfill its social responsibilities and endeavors to build a relationship with society based on trust by emphasizing compliance in the conduct of its business activities.

#### **Article 6. Raising Customer Satisfaction Levels**

In line with the stated corporate mission “building customer trust and prospering together with customers,” the Company strives to build customer relations based on trust through the provision of high quality, value-added services that contribute to the development of the customer’s business.

#### **Article 7. Diversity of Human Resources**

The Company recognizes the diverse perspectives and values that reflect differences in experiences, skills, nationality, gender, and other characteristics as a core strength that contributes to the Company’s ability to realize corporate sustainable growth. The Company therefore continues to promote diversity of human resources, respects individuals’ personality and human rights, and provides a workplace environment in which each person can fully demonstrate his or her unique capabilities.

2. Aiming to create an environment in which women can be more active and achieve further success, the Company mainly promotes initiatives based on three themes: 1) helping female employees to develop their careers, 2) helping them to strike a balance between their work and parenting, and 3) fostering a better corporate culture.
3. While enthusiastically employing people with disabilities and special needs, the Company also aims to further expand its business scope in areas that will offer greater opportunities for employees with disabilities to be more active and successful.

### **Chapter 3: Information Disclosure and Communication**

#### **Article 8. Information Disclosure and Transparency**

To enhance management transparency and build long-term relationships founded on trust with its shareholders and other stakeholders, the Company endeavors to provide appropriate disclosures about management policies and business plans, and such non-financial information as risks and governance-related issues, while also providing timely disclosures of financial information.

2. When formulating management policies and business plans, the Company announces specific targets for important management indicators, such as operating profit and ROE.

#### **Article 9. Communication with Shareholders**

The Company has established the following policies on communications with shareholders.

- (1) Communication with shareholders is overseen by the Director of Investor Relations.
  - (2) Dialogue with shareholders shall involve Members of the Board and Senior Managing Directors to a reasonable extent, but normal daily correspondence is the domain of the Investor Relations Department.
  - (3) The IR Department gathers in-house information necessary for communication with shareholders from the various concerned departments and engages in meaningful dialogue with shareholders on subjects considered to be disclosable information.
  - (4) To enhance communication with shareholders, the Company expands communication channels by participating in forums for domestic and foreign institutional investors as well as information meetings for individual investors, in addition to holding the General Meeting of Shareholders and financial briefings for analysts.
  - (5) Shareholder opinions and requests expressed in communications are regularly reported to Members of the Board so that they are given due consideration in management decisions.
  - (6) To engage in appropriate dialogue with shareholders, insider information is controlled in accordance with internal regulations.
2. To communicate effectively and appropriately with shareholders, surveys are conducted as appropriate to have an accurate grasp of the Company's shareholder ownership structure.
  3. To enhance communication with foreign shareholders, the Company prepares and distributes appropriate English translations of documents the Company determines to be useful for foreign shareholders.

#### **Chapter 4: Corporate Governance System**

#### **Article 10. System of Board of Directors and Others**

The Company has delegated to considerable authority and responsibility for business execution to Senior Managing Directors and other Directors of the Company. The Board of Directors is exclusively responsible for fundamental decision-making that are the basis for the Company's business execution and for overseeing the execution of duties by Members of the Board. The Audit & Supervisory Board Members and Audit & Supervisory Board oversee the execution of duties by Members of the Board.

2. The Board of Directors has a well-balanced composition of non-executive directors, executive directors, and Outside Directors, which is intended to facilitate the realization of appropriate decision-making and oversight of the Board of Directors that take into consideration multiple perspectives, including the viewpoints of business execution, supervision, and outside parties. The Company elects three Independent Directors in principle, or no less than two Independent Directors.
3. 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. This composition promotes the realization of supervision and appropriate decision-making from multiple perspectives by the Board of Directors.
4. To ensure the independence of the Audit & Supervisory Board, at least half of the Board members are composed of Outside Audit & Supervisory Board Members. The Company elects at least two Independent Audit & Supervisory Board Members.
5. At least one of the appointed Audit & Supervisory Board Members must have considerable knowledge of finance and accounting.
6. Reasons for the selection of Member of the Board and Audit & Supervisory Board Members candidates are disclosed in the Reference Documents for the General Meeting of Shareholders.

#### **Article 11. Responsibilities of Board of Directors**

The Board of Directors is responsible for realization of the Company's corporate philosophy and the increase in corporate value and the common interests of its shareholders over the mid- to long-term. It also has an oversight function and conducts appropriate decision-making through fair judgment.

2. The Board of Directors makes 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."
3. The Board of Directors delegates decision-making related to the execution of duties other than the matters specified in the preceding paragraph to the executive directors and other Senior Managing Directors, and exercises its oversight function.
4. The Board of Directors must recognize that the mid-term business plan is a commitment to shareholders and expend every effort toward realization of the plan's goals. If the Company fails to achieve the performance targets, the Board of Directors must fully analyze the reasons for that shortfall and the Company's responses and then reflect the results of that analysis in

subsequent plans.

5. The Board of Directors appropriately supervises the election of successors, such as Company president, with due consideration of the corporate philosophy, action guidelines, and specific business strategies.
6. The Board of Directors determines the compensation of individual Members of the Board (excluding Outside Directors) and other Senior Managing Directors, incorporating healthy incentives targeting sustainable corporate growth in the future. These incentives may include, but are not limited to, the achievement of earnings targets and stock-based compensation (stock options) tied to mid- to long-term incentives.
7. The Board of Directors decides on the contents of a risk management system, including compliance and internal controls related to financial reporting, and appropriately oversee effective system implementation.

#### **Article 12. Chairperson of the Board of Directors**

The Chairperson of the Board of Directors serves as a non-executive director, thereby achieving the separation of business execution and oversight.

2. The Chairperson strives to enhance the quality of discussions at the Board of Directors meetings and ensure a smooth and constructive process.

#### **Article 13. Conduct of Board of Director Meetings**

The frequency, agenda and allotted discussion times of the Board of Directors meetings, are set so as to allow sufficient and necessary discussion for execution of important business decisions and oversight of the execution of duties by Members of the Board.

2. To ensure that the Board of Directors is able to have meaningful exchanges of opinion, point out issues and/or ask meaningful questions, materials for agenda items will be distributed to the attendees of the meeting sufficiently in advance of the date of meeting of the Board and advance explanations will be arranged as necessary taking into account the time needed for the attendees to prepare for the meeting in advance.
3. The annual schedule of the Board of Directors meetings and expected agendas will be shared with Members of the Board and Audit & Supervisory Board Members in advance.

#### **Article 14. Evaluation of Board of Directors**

The Board of Directors shall review evaluations and opinions of each Member of the Board on the format and conduct of the Board of Directors meetings and perform analysis and evaluation of the effectiveness of the meetings for the purpose of improving of the Board of Directors meetings.



#### **Article 15. Members of the Board**

As members of the Board of Directors, Members of the Board oversee the business execution by executive directors and other Senior Managing Directors.

2. Members of the Board exercise their voting rights on the basis of information collected to enable them to execute their duties, requesting explanations at the Board of Directors meetings, and the lively exchange of opinions and discussions among them.
3. Members of the Board must recognize their stewardship responsibilities to shareholders, ensure appropriate cooperation with stakeholders, and act in the interests of the Company and common interests of its shareholders. To fulfill their roles and responsibilities in a proper manner, they must demonstrate the expected capabilities, devote sufficient time, and execute their duties as Members of the Board.
4. Members of the Board should, if necessary, seek the advice of external specialists.

#### **Article 16. Outside Directors**

Outside Directors, based on their specific knowledge and viewpoint as external stakeholders, including that of minority shareholders, provide advice toward securing the sustainable corporate growth of the Company and enhancing its corporate value over the mid- to long-term.

2. Outside Directors are constantly provided with information from the Board of Directors Secretariat about the Company's corporate philosophy, corporate culture, and current situation, such as the business environment.
3. If Outside Directors need additional information to fulfill their roles and responsibilities effectively, they can make requests for information to the Board of Directors Secretariat. In addition, when deemed necessary, Outside Directors can seek the advice of other external specialists at the Company's expense.
4. Independent Directors hold Independent Directors Meetings consisting of Independent Directors and Independent Audit & Supervisory Board Members, and freely discuss on matters concerning the Company's corporate governance and businesses so that they may more actively contribute to discussions at the Board of Directors meetings.

#### **Article 17: Audit & Supervisory Board and Audit & Supervisory Board Members**

Audit & Supervisory Board Members serve as an independent body that has received the mandate of the Company's shareholders to audit the execution of duties by Members of the Board. By accepting this role, Audit & Supervisory Board Members assume responsibility for establishing a high-quality corporate governance system that fulfills social trust and achieve

the Company's sustainable corporate growth and enhance corporate value over the mid- to long-term.

2. Audit & Supervisory Board Members strive to improve the audit quality and realize efficiency of their audits by gathering the information and materials required to conduct audits of Members of the Board's performance of their duties. These materials shall include reports from individual Members of the Board and Senior Managing Directors as well as regular employees and the Company's accounting auditors. In addition, as necessary, the auditors will share information with the accounting auditors, the internal control department, and Outside Directors. In addition, the Audit & Supervisory Board will report to the Board of Directors any reports received from the accounting auditors of fraud, insufficiencies or other problems.
3. Audit & Supervisory Board Members also share information and exchange their views with Outside Directors as needed to strengthen their capacity to collect information.
4. Audit & Supervisory Board Members must recognize their stewardship responsibilities to shareholders and act in the interest of the Company and the common interests of its shareholders. To fulfill their roles and responsibilities in a proper manner, they must demonstrate the expected capabilities, devote sufficient time, and execute their duties as Audit & Supervisory Board Members.

#### **Article 18. Outside Audit & Supervisory Board Members**

Outside Audit & Supervisory Board Members, based on their specific knowledge and viewpoint as external stakeholders, including that of minority shareholders, provide opinions appropriately toward securing the sustainable corporate growth of the Company and enhancing its corporate value over the mid- to long-term.

2. To fulfill their roles and responsibilities effectively, the Outside Audit & Supervisory Board Members are provided with necessary information from Members of the Board, Senior Managing Directors, or the Audits' Department. In addition, when deemed necessary, Outside Audit & Supervisory Board Members can seek the advice of other external specialists at the Company's expense.
3. Independent Audit & Supervisory Board Members attend Independent Directors Meetings consisting of Independent Directors and Independent Audit & Supervisory Board Members, and freely discuss on matters concerning the Company's corporate governance.

#### **Article 19. Accounting auditors**

To facilitate the work of the accounting auditors, the Company ensures that sufficient audit time is allotted to the accounting auditors, and to the largest extent possible, offer the cooperation of Audit & Supervisory Board Members, internal audit department and Outside

Directors, and provides access to executive directors and Senior Managing Directors.

2. To ensure that execution of duties by accounting auditors are performed properly, Audit & Supervisory Board Members seek appropriate explanations from the accounting auditors to confirm whether it is compliant with the standards of quality management necessary to properly perform the accounting audit.
3. The Audit & Supervisory Board is responsible for election procedures of accounting auditors and therefore develops the criteria for electing and evaluating the accounting auditors in an appropriate manner.

#### **Article 20. Nomination Committee**

The Board of Directors has established the Nomination Committee as a body to advise the Board of Directors on nomination of Members of the Board and Audit & Supervisory Board Members. The Committee is mainly composed of Independent Directors.

2. Upon inquiries, the Nomination Committee deliberates and states opinions from objective and fair perspectives on candidates for Members of the Board and Audit & Supervisory Board Members, etc. in light of the election criteria thereof.
3. When stating opinions relating to the election of candidates for Members of the Board and Audit & Supervisory Board Members, etc., the Nomination Committee deliberates and expresses opinions on the appropriateness of its criteria and process for electing candidates.

#### **Article 21. Compensation Committee**

The Board of Directors has established the Compensation Committee as a body to advise the Board of Directors on executive compensation. The Committee is mainly composed of Independent Directors.

2. Upon inquiries, the Compensation Committee deliberates and states opinions from objective and fair perspectives on the system and standards for Members of the Board's compensation.
3. When stating opinions relating to Members of the Board's compensation, the Compensation Committee maintains the objectivity of its opinions by actively incorporating data from external surveys, and deliberates and expresses opinions on the appropriateness of its process for determining compensation.

#### **Article 22. Criteria for Electing Candidates for Members of the Board and Audit & Supervisory Board Members**

Candidates for Members of the Board must have extensive practical experience, high capabilities, understanding, and the ability to contribute to the enhancement of corporate value over the mid- to long-term in a manner consistent with the Company's corporate

philosophy.

2. The process of electing the candidates for Members of the Board calls for the report of the Nomination Committee prior to the Board approval.
3. Candidates for Audit & Supervisory Board Members must have extensive practical experience, high capabilities, understanding, and can be expected to perform audits from a neutral and objective viewpoint and contribute the maintenance of the soundness of management.
4. The process of electing the candidates for Audit & Supervisory Board Members seeks the consent of the Audit & Supervisory Board in addition to receiving the report of the Nomination Committee prior to Board approval.
5. In addition to the independence criteria stipulated by the Tokyo Stock Exchange, the Company designates Independent Directors who fulfill the following criteria.
  - (1) Must not be a major shareholder of the Company (nor an executive of the said major shareholder if the shareholder is a legal entity, currently and within the last 10 years).
  - (2) Must not be a major business partner of the Company (nor an executive of the said major business partner if the business partner is a legal entity, currently and within the last 10 years).

#### **Article 23. Compensation for Members of the Board and Audit & Supervisory Board Members**

Compensation for Members of the Board is set by resolution of the Board of Directors based on the report of the Compensation Committee and within parameters approved by a resolution of General Meeting of Shareholders.

2. Audit & Supervisory Board Members' compensation is based on a different system from Members of the Board's compensation, and set by discussion by Audit & Supervisory Board Members within parameters approved by a resolution of General Meeting of Shareholders.

#### **Article 24. Support Structure for Members of the Board and Audit & Supervisory Board Members**

The Company maintains a robust internal system to enable Members of the Board and Audit & Supervisory Board Members to fulfill their roles and responsibilities effectively. In addition to ensuring the cooperation between the Internal Audit Department and Members of the Board and Audit & Supervisory Board Members, the Company has established the Board of Directors Secretariat and the Audits' Department.

2. To enable non-executive directors to perform their oversight function, non-executive directors and executive directors share information and exchange opinions regularly.
3. To ensure that Members of the Board and Audit & Supervisory Board Members have a proper understanding of their duties including roles and legal liabilities required for Members of the

Board and Audit & Supervisory Board Members, the Company provides opportunities for new Members of the Board and Audit & Supervisory Board Members to deepen their understanding of corporate governance and the laws and regulations related to Companies Act to learn necessary knowledge related to the Company's business, finances, organization and other essential subjects.

4. The Company continuously provides opportunities for Members of the Board and Audit & Supervisory Board Members to have necessary and sufficient knowledge and qualifications required to fulfill their duties as the Company's Members of the Board and Audit & Supervisory Board Members, by creating opportunities to participate in trainings for corporate executives given by external experts.
5. The Company also holds a training related to recent market trends, domestic and international economic and social issues, compliance and corporate governance matters for all Members of the Board and Senior Managing Directors at least once a year.

#### **Article 25. Internal Control System**

The Company has established the “Basic Policy Regarding Construction of an Internal Control System,” by the Board of Directors, and appropriately implements it as a system to ensure the appropriate conduct of the Company's business.

#### **Article 26. Whistleblowing**

The Company has established internal rules related to operate whistleblowing for employees to make timely and appropriate reports on internal violations of laws and regulations. In addition, the Company has established a compliance hotline and set up in-company and external reporting channels.

2. The internal reporting system includes measures to ensure that the person making report is not subjected to any disadvantageous treatment by reason of making the report.

#### **Guidelines History**

(Established)	23 October 2015
(Revised)	23 June 2017
	1 April 2018