

NRI Group Sustainability-Linked Bond Framework

March 2021

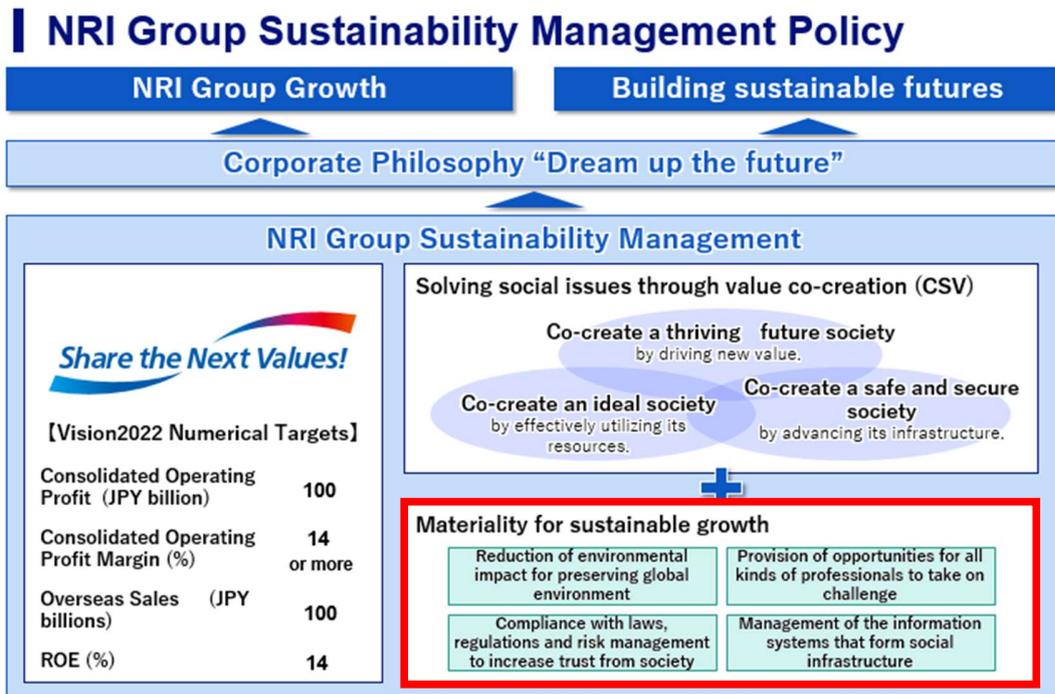
I. NRI Group Sustainability Management Policy

The NRI Group aims to achieve sustainable growth by contributing to the creation of a sustainable society by resolving social issues. This is the NRI Group's basic approach to sustainable management.

In Apr. 2015, the NRI Group launched its long-term management vision, "Vision 2022" (V 2022), for the fiscal year ending Mar. 2023.

The NRI Group's sustainability management consists of the financial targets set in the "Medium-Term Management Plan 2022" which was formulated to realize V 2022, the non-financial targets "Important issues for sustainable growth (materiality)" linked to the growth strategy, and "Solving social issues through value creation" which is the target to realize CSV (Creating Shared Value: Creating Common Value) initiatives.

Through these targets and CSV initiatives, the NRI Group aims to realize its corporate philosophy of "Dream up the future", sustainable growth and the creation of a sustainable society.



The NRI Group's "Important issues for sustainable growth (materiality)" and its main policies for supporting sustainable management are as follows.

Important issues for sustainable growth (Materiality)	Main Policies
Reduction of environmental impact for preserving global environment	<ul style="list-style-type: none"> • Response on climate change • Responsibility and conservation to the environment • Sustainable energy consumption • Environment-conscious supply chain
Provision of opportunities for all kind of professionals to take on challenge	<ul style="list-style-type: none"> • Human resource diversity • Customers interaction • Respect on human rights • Dialogue with civil society • Healthy employment and labor-management relationship
Compliance with laws, regulations and risk management to increase trust from society	<ul style="list-style-type: none"> • Enhancement of corporate governance • Action against corrupt practices abroad • Risk management • Appropriate information disclosure to the customers
Management of the information systems that form social infrastructure	<ul style="list-style-type: none"> • Management of information security and system • Access to information society

In "Important issues for sustainable growth (materiality)" the NRI Group has defined "Reduction of environmental impact for preserving global environment" as "The NRI Group's Environmental Policy". Under our Environmental Policy, we recognize that tackling global environmental issues, including climate change and environmental pollution, is a common global issue. As a company that provides consulting and IT solution services, we will utilize our creativity and technology to contribute to the realization of a sustainable future in cooperation with all stakeholders. As the NRI Group conducts its business activities, all Group executives and employees will strive to reduce their environmental impact.

Guiding principles for The NRI Group's Environmental Policy

<p>1. Providing social recommendations and advanced and innovative services for building a low-carbon society</p>	<p>We will endeavor to provide social recommendations for reducing the impact of climate change and building a low-carbon society, and to develop and provide advanced and innovative services that contribute to the realization of that.</p>
<p>2. Activities for achieving quantitative goals</p>	<p>To reduce the impact of climate change, by FY2030 NRI Group will reduce greenhouse gas emissions by 72% compared with FY2013, and aim for net-zero greenhouse gas emissions by FY2050. Throughout the entire life cycle of our business activities, we will strive to improve energy efficiency and promote the use of renewable energy.</p>
<p>3. Building and operating environmental management systems</p>	<p>We will build and operate environmental management systems, regularly evaluate the achievement status of our goals, and strive for continuous improvement. We set goals for improvement from an environmental aspect that consider risks and opportunities to the environment and review them every year.</p>
<p>4. Dialogue and information disclosure for creating a sustainable society</p>	<p>We will work to resolve global environmental issues and contribute to the creation of a sustainable society by grasping social demands and conducting regular dialogue with stakeholders. We will also disclose information about our business activities and services related to the environment, incorporate feedback on them, and use them for improvement.</p>
<p>5. Promotion of environmental education and community engagement activities</p>	<p>In order to raise awareness and understanding of global environmental issues, we will promote education and enlightenment activities for executives and employees of the Group and business partners. We actively support the voluntary environmental protection activities and community engagement activities undertaken by each and every employee of the Group.</p>
<p>6. Compliance with environmental laws and regulations</p>	<p>We will comply with environment-related laws and regulations in Japan and each country around the</p>

	world, local ordinances and consensus, and agreements with stakeholders, and take appropriate actions.
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Based on the Guiding principles, the NRI Group issued NRI Green Bonds in 2016, the first green bond issued by a Japanese business corporation. By issuing the NRI Green Bond, we aimed to encourage NRI to practice green investment and stimulate green investment in Japan, thereby leading to the realization of a sustainable future. Furthermore, in order to contribute to the realization of sustainable future in cooperation with all stakeholders, we have been emphasizing to keep dialogue with various stakeholders.

As for our environmental targets, the NRI Group have joined the RE 100 *1 for targets related to renewable energy use and have been certified by the Science Based Targets Initiative (SBTi)*2 for targets related to greenhouse gas emissions.

① Joining the RE100 initiative

In Feb. 2019, the NRI Group joined RE100, a global initiative which brings together companies committed to achieve 100% renewable electricity usage for their global business activities. In joining RE100, NRI aims to have renewable electricity comprise all of the electric power used in its business activities by FY2050. Also, at least 90% of the energy that the NRI Group uses is electric power, so the group seeks to reduce greenhouse gas emissions from its business activities to close to zero by FY2050.

NRI was the 165th company to join RE100, and the 17th from Japan.

② NRI Group's Greenhouse Gas Emissions Reduction Target Acquired Certification from the Science Based Targets Initiative

In Sep. 2018, the NRI Group target for reducing greenhouse gas emissions was certified by the SBTi, 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 was the 132nd company to receive certification globally, and the 29th in Japan.

Moreover, in Feb. 2021, the NRI Group has obtained certification by SBTi on a science-based reduction targets below 1.5°C .

Environment Targets

Target Scope	FY2030 target	FY2050 target
Scope1 *3+Scope2 *4	72% reduction in NRI Group GHG emissions by FY2030 from a FY2013 base-year	NRI Group GHG emissions 0%
	Renewable energy utilization rate by NRI Group data centers: 70%	The NRI Group's Renewable Energy Utilization Rate: 100%

Scope3 *5	70% of NRI Group suppliers and vendors by emissions will set science-based targets by FY2023. 25% reduction in NRI Group's GHG emissions from business travel and employee commuting 25% by FY2030 from a FY2013 base-year
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*1 RE100: A global leadership initiative led by the international NPO The Climate Group in partnership with CDP Companies that join the initiative commit to source 100% renewable electricity for their global operations.

*2 Science Based Targets Initiative: 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).

*3 Scope 1: Direct emissions such as fuel combustion

*4 Scope 2: Indirect emissions such as arise from the use of electricity, heat, and steam

*5 Scope 3: Indirect greenhouse gas emissions other than Scopes 1 and 2 such as emissions by suppliers and vendors, employee commuting and business travel.

Since 2015, EY Ernst & Young ShinNihon LLC has been providing Independent Assurance Report for the important environmental and social information of NRI and its major subsidiaries.

II. NRI Sustainability-Linked Bond

NRI plans to issue “the NRI Sustainability-Linked Bond” (SLB) to implement the code of conduct in “The NRI Group's Environmental Policy”. SLB is a bond instruments for which the terms change depending on whether the issuer achieves Sustainability Performance Target “SPT” set by the Key Performance Indicator “KPI” based on the material issues for issuer’s sustainability. In addition, unlike green bond, the proceeds of SLB do not go to specific projects and is often used for general corporate purposes, and the use of proceeds are not expected to be specific purposes.

This framework aligns with the following five core components which are defined in ICMA Sustainability-Linked Bond Principles (SLBP) 2020. NRI issues sustainability-linked bonds based on this framework.

1. Selection of KPIs
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond characteristics
4. Reporting
5. Verification

V.E (Vigeo Eiris) and Rating and Investment Information, Inc. provided second party opinions on its compliance with SLBP2020 and its environmental and social effects. The second party opinions can be obtained on the NRI Group's website.

https://www.nri.com/en/sustainability/environment/sustainability_linked_bond_01

1. Selection of KPIs

The bonds set out 2 KPIs as follows;

KPI 1 : NRI Group GHG emissions (Scope 1+2)

KPI 2 : Renewable energy utilization rate by NRI Group data centers

The NRI Group has become a member of RE 100 and has acquired SBT Initiative certification as an environmental target for its sustainable management policy. These two KPIs are appropriate indicators for measuring goal progress.

2. Calibration of Sustainability Performance Targets (SPTs)

The bonds set out 2SPTs as follows;

SPT 1 : 72% reduction in NRI Group GHG emissions by FY2030 from a FY2013 base-year (Scope 1+2)

SPT 2 : Renewable energy utilization rate by NRI Group data centers by FY2030 : 70%

SPT1 is positioned as a milestone for achieving "RE 100" in the Environmental Targets in 2050. As for SPT2, the NRI Group consumed 121,926 MWh of electricity (Of the total non-renewable energy consumption) in FY2019, and 95,779 MWh of energy at its data centers, accounting for 78.5% of total energy consumption. In

order to achieve RE 100, the NRI Group must increase its use of renewable energy utilization rate at its data centers.

For SPT1, GHG emissions in FY2013 were 108,000 t-CO₂. In FY2019, this figure was 60,000 t-CO₂. The reduction rate is 43.8% during this period. In FY2019, the data center's renewable energy utilization rate for SPT2 was 0.1%. Both of SPT1 and SPT2 require further continuous improvement until FY2030, and all Group executives and employees are working to reduce environmental impact in order to achieve these targets.

3. Bond characteristics

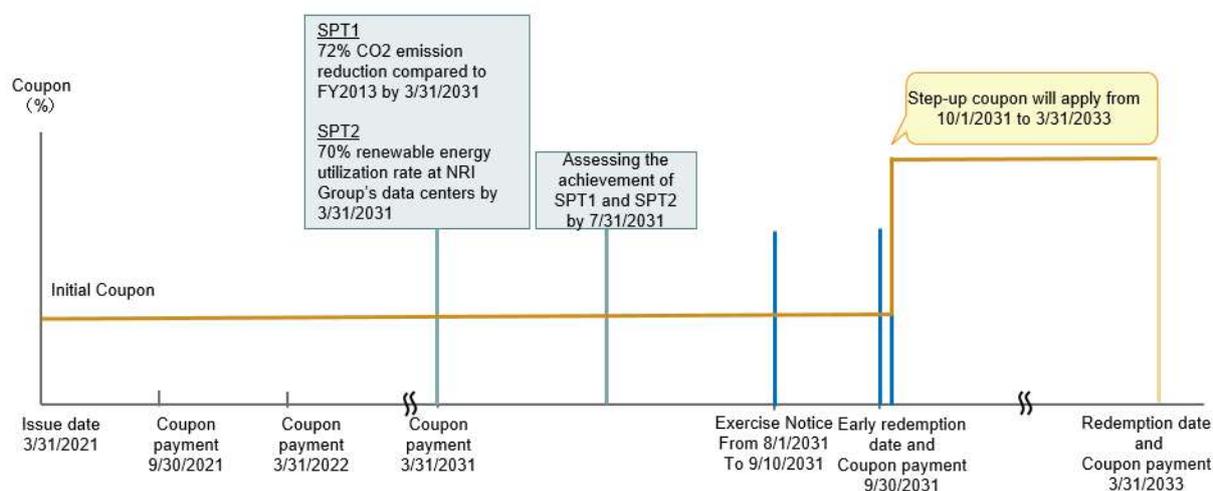
The characteristics of the SLB bonds are as follows.

Tenor : 12years

Coupon : Coupon will step-up after Oct. 1, 2031

1. Initial coupon: From Mar. 27, 2021 to Sep. 30, 2031
2. Step-up coupon: From Oct. 1, 2031 to Mar. 31, 2033

Early Redemption: NRI can exercise call option and choose early redemption on Sep. 30, 2031 in case of NRI achieves both of SPT1 and SPT2 as of Mar. 31, 2031. SPT1 is achieving 72% CO₂ emission reduction compare to FY2013 by Mar. 31, 2031 and SPT2 is achieving to 70% renewable energy utilization rate at our data centers by Mar. 31, 2031. NRI cannot exercise the call option unless both targets are met as of Mar. 31, 2031.



In case of failure to achieve either of SPT1 or SPT2, NRI cannot execute early redemption on Sep. 30, 2031 and therefore makes payments of step-up coupon on each interest payment date and redemption date for the period from Oct. 1, 2031 to Mar. 31, 2033.

In addition, in case that NRI cannot disclose KPI1 and KPI2 data on NRI Group's ESG Data Book and on its website, NRI cannot exercise an option for early redemption on Sep. 30, 2031 and therefore makes payments

of step-up coupon on each interest payment date and redemption date for the period from Oct. 1, 2031 to Mar. 31, 2033.

4. Reporting

The NRI Group's greenhouse gas emissions under Scope 1 + 2 are the values calculated according to "The Greenhouse Gas Protocol" and on the rate of renewable energy use at its data centers is calculated as '(the amount of renewable energy procurement at the NRI Group's data centers / the amount of energy use at the NRI Group's data centers) x 100'. The renewable energy is to be procured in alignment with the criteria of RE100. NRI will report these data in its ESG Data Book and on its website annually.

5. Verification

NRI will obtain an independent assurance report from Ernst & Young ShinNihon LLC on the KPI data during the period at least once a year until the assessment date of achieving the SPTs, and the report will be disclosed in the NRI Group's ESG Data Book and on its website.

Additionally, NRI will assign a third-party to attest the results of assessing the achievement of SPT1 and SPT2.