

Risks, opportunities, and financial impact of climate change on the NRI Group

Category	General circumstances related to climate	NRI Group's risks, opportunities, and financial impacts							Scenario analysis by business (FY2019 to FY2021)					
		Classification	Impact	Rate of occurrence *1	Degree of impact *2			Measures (in the case of risk)	Analysis year	Target business	Impact	Financial impact (estimate)		
Transition	Policy/laws and regulations	Implementation of a carbon tax	Risk	Increased cost burden from implementation of a carbon tax	Large	1	2	2	Expanded implementation of renewable energy	FY2019	Data center business	Increased electricity costs from implementation of a carbon tax	Approx. 310 million yen to 420 million yen	
										FY2020	Asset management solution business	Fluctuation in the customer's asset balance due to implementation of a carbon tax, etc.	Sales -1% to +3%	
										FY2021	Capital markets & wealth management solution business	Increased electric bill due to implementation of a carbon tax, increased machinery manufacturing costs, including servers	Sales -3% to +12%	
		Progress of emissions trading	Opportunity	Increased revenue from consulting and IT solutions due to the commercialization of emissions trading	Medium	1	1	2	--					
		Tightening of restrictions on energy consumption in conjunction with expanded use of AI	Risk	Increased cost burden for data centers due to strengthened regulations	Medium	1	1	2	Stable procurement of renewable energy, promotion of energy conservation					
Transition	Technology	Progress of technology related to energy efficiency/energy conservation	Opportunity	Reduced cost burden through energy efficiency	Large	1	1	1	--					
		Spread of renewable energy	Risk	Increased cost burden from further implementation and advancement of renewable energy	Large	1	1	2	Promotion of energy conservation	FY2019	Data center business	Increased costs due to procurement of renewable energy	Approx. 560 million yen to 670 million yen	
		Advancements in new technologies such as hydrogen, battery storage, and carbon capture and storage	Opportunity	Increased revenue from consulting related to climate change	Medium	1	1	1	--	FY2020	Consulting business	Increased revenue from consulting related to climate change	(Figures are undisclosed)	
Transition	Market	Strengthening the response to climate change in companies	Opportunity	Increased revenue from consulting and IT solutions due to customers transitioning to decarbonization	Medium	2	2	3	--	FY2020	Consulting business	Increase in consulting revenue for building strategies and transforming business structures, etc., for the transition to decarbonization	(Figures are undisclosed)	
										FY2020	Asset management solution business	Increase in the need for organizing corporate information at asset management companies, increase in the need for support following requests to improve disclosure related to ESG investments and sustainable finance	Sales +1% to +2%	
			Risk	Improved competitiveness of shared online services due to the expansion of customer needs for Scope 3 reduction	Medium	1	1	1	--					
										Risk	Decreased revenue from consulting and IT solutions due to the customer's failure to decarbonize, leading to deterioration of business performance	Small	1	2
		FY2020	Asset management solution business	Changes in customers' asset balances due to changes in corporate competitiveness and corporate value	(Added to "Increased cost burden from implementation of a carbon tax.")									
		FY2021	Capital markets & wealth management solution business	Changes in customers' asset balances due to changes in corporate competitiveness and corporate value	(Added to "Increased cost burden from implementation of a carbon tax.")									
		Opportunity	Increased revenue from pay-per-use solutions due to increased customer demand for sustainable financial products	Large	1	1	1	--	FY2020	Asset management solution business	Increase in the need for explanations related to ESG in financial products developed for individuals by asset management companies	Sales -0% to +0%		
									FY2020	Asset management solution business	Increase in the need to visualize the environmental and social impact of asset management	Sales -0% to +0%		
									FY2021	Capital markets & wealth management solution business	Expansion of sustainable investments by individual investors	Sales -0% to +0%		
		Rising fuel prices	Risk	Increased cost burden from electricity and other costs	Medium	1	2	2	Promotion of energy conservation	(each period)	(each business)		(Added to "Increased cost burden from implementation of a carbon tax.")	
Transition	Reputation	Emphasis on the response to climate change in the company's terms and conditions for transactions	Risk	Increased cost of response to customers' requests for decarbonization, decreased competitiveness when no fulfilling those requests	Large	1	1	1	Expanded implementation of renewable energy	FY2021	Capital markets & wealth management solution business	Addition of requests regarding renewable energy utilization rates to the terms and conditions for transactions on the customer side	No impact	
		Emphasis on ESG perspectives in investor decision-making	Opportunity	Increased investment from investors, improved reputation	Medium	1	1	1	--					
		Emphasis on ESG perspectives in the recruitment market	Opportunity	Increased opportunities to secure talented personnel, improved reputation	Medium	1	1	1	--					
Physical	Acute	Intensification of extreme weather events and floods	Risk	Increased cost of response due to the company experiencing a disaster, recovery of assets, interruption of business activities	Small	2	2	2	BCP training/execution	FY2019	Data center business	Accidents occurring with data center equipment	(Little impact from the perspective of the hazard map)	
										FY2021	Capital markets & wealth management solution business	Increased costs due to responding to widespread disasters	Expenses +7% to +8%	
			Risk	Disruption of the supply chain disruptions due to a business partner experiencing a disaster	Small	2	2	2	BCP training/execution including business partners	FY2021	Capital markets & wealth management solution business	Increased costs for using alternative sites to continue development under disaster conditions	Expenses +1% to +4%	
			Risk	Decreased revenue from consulting and IT solutions due to the customer experiencing a disaster (stagnation of economic activities in society)	Small	2	2	2	Recommendations for society/transmission of information related to disaster prevention and disaster reduction, etc.	FY2020	Consulting business	Decrease in consulting needs due to stagnation of economic activities	Sales -12%	
										FY2020	Asset management solution business	Decrease in customers' asset balances due to stagnation of economic activities	Sales -2% to -0%	
FY2021	Capital markets & wealth management solution business	Decrease in revenue due to suspension of market transactions	Sales -5% to -0%											
Physical	Chronic	Changes in weather patterns	Opportunity	Increased revenue from consulting related to weather pattern changes	Medium	1	1	1	--	FY2020	Consulting business	Increase in consulting needs aimed at formulating measures	(Figures are undisclosed)	
			Risk	Increased cooling costs for data centers	Medium	1	1	1	Promotion of energy conservation					

\*1 May occur by FY2030. Large: Anticipated to be high (roughly 50% or more); Medium: Anticipated to be low (less than roughly 50%); Small: Anticipated to be extremely small (less than roughly 5%).

\*2 The year's maximum impact on finances if things remain the same and risks are not addressed. 3: 10 billion yen or more; 2: 1 billion yen to 10 billion yen; 1: less than 1 billion yen.

Further, it is assumed that the degree of impact will fluctuate over time depending on policy trends and business scale. Short-term: Until FY2025, Medium-term: Until FY2030, Long-term: Beyond that.