ESG Briefing
Our Corporate Philosophy “Dream Up the Future” and Sustainability Management

Feb. 21, 2019

President & CEO,
Member of the Board
Nomura Research Institute Ltd.

Shingo Konomoto
Introduction

NRI Group Sustainability Management and Future Vision

Sustained growth of the NRI Group

Realize a Sustainable Future

Corporate philosophy “Dream Up the Future”

NRI Group Sustainability Management

Solving social issues through value co-creation (CSV*)

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

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

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

Key issues for sustainable growth

- Creation of a future low environmental impact society
- Provision of opportunities for all kinds of professionals to take on challenge
- Compliance with laws, regulations and risk management to increase trust from society
- Provision of NRI quality to support safe and secure information society

【Vision 2022 Numerical Targets】

- Consolidated operating profit (JPY billion) 100
- Consolidated operating profit margin 14% or higher
- Overseas sales (JPY billion) 100
- ROE 14%

* CSV: Creating Shared Value
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2. Future social issues the NRI Group is targeting

3. Solving social issues through value co-creation

4. Toward future growth
1. NRI Group corporate philosophy and growth up to now

The corporate philosophy of the NRI Group is “Dream Up the Future” and “Co-creation” with clients

<table>
<thead>
<tr>
<th>Corporate statement</th>
<th>Mission</th>
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<tr>
<td>To society:</td>
<td>Discerning new social paradigms and assuming the role of implementing such paradigms.</td>
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<tr>
<td>To clients:</td>
<td>Building customer trust and prospering together with customers.</td>
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<table>
<thead>
<tr>
<th>Business domain</th>
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<td>Company creating future society</td>
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<tr>
<th>Management goals</th>
<th>Action guidelines</th>
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<tr>
<td>Pursuing the maximization of corporate value through &quot;Navigation &amp; Solution&quot;</td>
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<tr>
<td>Continuing never-ending challenges with pride of true professionals</td>
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</table>
1. NRI Group corporate philosophy and growth up to now

With this philosophy, the NRI Group has achieved sustained growth

- In the 50-plus years since our founding we have achieve sustained, stable growth without being severely affected by economic booms and busts over the years

NRI Group sales figures

- Founding
- Merger
- Listing

* Nomura Research Institute merges with Nomura Computer Systems

* Pre-merger sales figures reflect a simple total of the two companies

Collapse of bubble economy

Collapse of IT bubble

Financial crisis

(¥100 million x)
1. NRI Group corporate philosophy and growth up to now

Founding (1965)... Founded as Japan’s first private-sector think tank

![Founding Prospectus](image)

The founding prospectus of Nomura Research Institute (Produced by Nomura Securities in 1962)

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**From the founding prospectus**

**Aim**
- To be a new type of research institute that **had never existed in Japan before**
- To **promote industry and be of service to society** through research studies

**Management policy**
- Contribute to the advancement of society at large by conducting fair research studies
- Conduct multidisciplinary, comprehensive research in both technology and economics
- Be financially sound, to facilitate the growth and development of the institute

There has never been an era in which the business world has needed international perspective, scientific analysis of economic trends, and deep understanding of technological research more than it does now, and in that order.

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> Rather than be a public service corporation, we purposely chose to be a business corporation

Precedence was given to the idea that the **economic rationality and rigorousness of a business corporation** should be chosen over the static nature of a public service corporation in order to turn the **concept of an ambitious research institute** into a reality.
1. NRI Group corporate philosophy and growth up to now

Merger (1988)...Foreseeing what an information services company should be, and achieving it

Nomura Research Institute and Nomura Computer Systems merged to create a systems integrator with a consulting function, which is now considered the norm.

Remarks from Chairman (at the time) of Nomura Securities
Setsuya Tabuchi

• 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.

(at the post-signing ceremony press conference)

• This merger will be one plus one equals ten, not two

• The future of Japanese politics and economics requires a world-class integrated research institute

• The company that Japan needs most in order to survive in the world was just born today

(congratulatory remarks at the ceremony to commemorate the launch of the new NRI)
1. NRI Group corporate philosophy and growth up to now

**Listing (2001)... Aspiring to even greater sustainable growth**

- Defined a **corporate philosophy** suitable for a listed company

“**Dream up the future**” ahead of initial listing in March 2000

- After two delays due to effects from the collapse of the IT bubble and the series of terrorist incidents in the US at the time, **NRI was listed on the first section of the Tokyo Stock Exchange in December 2001**

- The company took this opportunity to revise its goals, seeking to engineer a recovery for the stagnant Japanese economy, and to expand the NRI Group

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**Remarks from President & CEO (at the time)**

**Shozo Hashimoto**

- Being listed means we are **self-sufficient and autonomous**

- Self-sufficiency means we are **prepared to do things on our own** without hiding behind others

- Autonomy means **abiding by the rules of society, and taking responsibility for self-discipline**
1. NRI Group corporate philosophy and growth up to now

Expressing a commitment to new challenges, with the philosophy of “co-creating value with clients”

- Long-term management vision statement “Vision 2022” was announced in 2016. The statement reflects the determination of NRI to continue challenging ourselves to deliver new value.

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Share the Next Values!

**Share**
The diverse variety of personnel within the NRI Group joins together to pool their collective effort, and share the achievements and joy of contributing to a vibrant future society together with our clients.

**Next**
With the mentality of being ahead of the times we pioneer globally, digitally, and into the realm of the future, to create new business models for the next generation.

**Values**
We refine our strengths and create value by providing various types of services to clients and to society, giving birth to new future-minded business models.
1. NRI Group corporate philosophy and growth up to now

2. Future social issues the NRI Group is targeting

3. Solving social issues through value co-creation

4. Toward future growth
2. Future social issues the NRI Group is targeting

The structural shift of the economy and society to digital capitalism is a key challenge for Japan

- Japan can expect no future economic growth with *industrial capitalism* in which *labor* is the source of value.

- Since no increases in labor are expected in Japan, the structural shift (*DX*: Digital Transformation) to *digital capitalism* which links *data* to value is more important to Japan than to other countries.

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**GDP in Japan**

<table>
<thead>
<tr>
<th>(trillion yen)</th>
<th>2017</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
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Vision

= Digital capitalism

(Data is the source of value)

Industrial capitalism

(Labor is the source of value)

- Will start decreasing in 2024 at the earliest*.
- Assuming labor productivity increases 0.8%/year, employment rate remains stable, and total work time decreases 0.4%/year (at current G7 levels in 2027).

*Unless otherwise indicated, all data is as of June 2023.
### Challenges for Japan

#### Structural shift to digital capitalism
- Improve the value chains in domestic industry
- Digitally eliminate shortages of personnel
- Use social resources efficiently, reducing loss
- Apply digital to facilitate regional revitalization
- Digitally address the aging of social infrastructure
- Protect against cyberattacks

### Business challenges for companies

#### (1) Business model transformation
- Create new business that helps consumers live prosperously and boosts the competitiveness of Japanese industry through innovations that utilize digital data and new technologies

#### (2) Business process transformation
- Build ecosystems that make optimal, effective use of important company resources (people, things, money, intellectual property) through the optimal matching of digital data

#### (3) IT infrastructure transformation
- Establish secure infrastructure as a foundation for the use of digital data by enhancing information systems security assuming the use of 5G and IoT

### Creating social value

- Co-create a thriving future society by driving new value.
- Co-create an ideal society by effectively utilizing its resources.
- Co-create a safe and secure society by advancing its infrastructure.

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1. NRI Group corporate philosophy and growth up to now

2. Future social issues the NRI Group is targeting

3. Solving social issues through value co-creation

4. Toward future growth
### 3. Solving social issues through value co-creation

#### Co-creating three social values to help create a sustainable future society

<table>
<thead>
<tr>
<th>Three NRI-style social values</th>
<th>Examples of NRI Group activities</th>
<th>Contributions to achieving SDGs*</th>
</tr>
</thead>
</table>
| **Co-create a thriving future society by driving new value** | • Business Model Transformation  
- DX consulting & analytics  
- D2C, DX for financial services  
- Cross-sector cooperation, new market entry support  
• Policy proposals for society & systems, information & knowledge sharing to promote global discussion & action in all sectors. | Economic development that inspires feelings of fulfillment |
| **Co-create an ideal society by effectively utilizing its resources** | • Business Process Transformation  
- Strategy/Operations/System Consulting  
• Resource Optimization with ASP  
- “STAR”, “BESTWAY” and other proprietary business platform solutions | Sustainable production and consumption |
| **Co-create a safe and secure society by advancing its infrastructure** | • IT Infrastructure Transformation  
- Cybersecurity business  
- Cloud & Data Center managed services  
• Stable service operation  
• Disaster Prevention & Reduction Policy & Disaster Recovery Support | Strong, flexible infrastructure to support social development |

* SDGs: Universal goals for all countries defined by the United Nations for the years 2016 through 2030 to solve problems that the world is facing.
3. Solving social issues through value co-creation

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

- Strive to create a future of continuous new value generation that leads to an abundant and safe society where all benefit.

**Value co-creation in main business (1)  Digital transformation (DX) strategy**

<table>
<thead>
<tr>
<th>Business Model Transformation (DX 2.0)</th>
<th>Process Transformation (DX 1.0)</th>
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<tbody>
<tr>
<td>• Build ecosystems</td>
<td>• Build ecosystems</td>
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<tr>
<td>• Establish services in specific fields</td>
<td>• Establish services in specific fields</td>
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<tr>
<td></td>
<td>• Digitalize front office operations</td>
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<tr>
<td></td>
<td>• Digitalize back office operations</td>
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<td></td>
<td>• Infrastructure Transformation</td>
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- The increasing needs for clients to digitalize their business processes are becoming more and more apparent
- NRI becomes a client’s **DX partner**, and vigorously supports both their **DX 1.0** and **DX 2.0**
- We work actively on joint ventures with clients, and co-create **business that makes life fulfilling** for consumers

**Contributing to SDGs**

- **Economic development that inspires feelings of fulfillment**
3. Solving social issues through value co-creation

Achieving value co-creation with clients

Examples of **DX 2.0** value co-creation with clients

**TECHNIUM** (Est. Jan 2018)

- Joint venture with DMG Mori Seiki
- Offers centralized management of a variety of information pertaining to production equipment, human resources, and processing expertise, and more, while helping to improve productivity in manufacturing

**IoT Skin Care System Optune, Beta Version**
(currently supporting)

- A new service (beta version) offered by Shiseido Japan
- Senses the status of skin, the outside environment, temperature, and humidity, to provide personalized skin care service

**NDIAS** (“en-dee-ahs”) (Est. Dec 2018)

- Joint venture between Denso and NRI Secure
- Offers security diagnostics and consulting for in-car electronics products, supporting the digitalization of the automotive industry

**JAL Digital Experience** (Est. Feb 2019)

- Joint venture with JAL
- Offers personalized recommendations for grand experiences and lifestyles at travel destinations or in everyday life, and creates new services
3. Solving social issues through value co-creation

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

- Strive to build a more livable society for all people by efficiently utilizing society’s main resources of manpower, goods, capital and intellectual property to develop dynamic, strong industry.

**Value co-creation in main business (2)**

**Finance business platform strategy**

- Continue to provide *shared online services* for non-competitive type business operations such as STAR* and BESTWAY*.
- Support the financial services of Japan, lead the way "from ownership to usage" and create CO2 reduction effects through shared online business.
- In the future, also create business platforms that can **effectively utilize the social resources of companies without any waste** across different industries.

**Contributing to SDGs**

- *STAR*: Integrated back office systems for retail securities brokerage firms
- *BESTWAY*: Management system for mutual fund sales desks at banks

*Sustainable production and consumption*
3. Solving social issues through value co-creation

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

- Strive to build a society safe and secure from accidents and disasters by strengthening cyber-security for information systems and other core social infrastructure.

Value co-creation in main business (3) **Cloud strategy**

Data Center managed services

- Public cloud
- Private cloud
- On-premises
- Multi-cloud services

- Demand is increasing for the optimization of entire systems as system platforms such as on-premises and multi-cloud become more complex
- NRI centralizes and optimizes the cloud environments of clients while providing advanced information security services
- Co-create safe, secure social infrastructure which is suitable for the cloud-native era, and can be a platform for all types of business

Contributing to SDGs

- Strong, flexible infrastructure to support social development

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3. Solving social issues through value co-creation

Co-create a safe and secure society together with national and local government agencies

- Efforts to support policy implementation, assist reconstruction in disaster-stricken areas, and more through NRI consulting

**Promoting national and local government policy-related topics**

**Main topics**

- Conserving energy, the environment, recycling
- Tourism, MICE
- Regional revitalization, urban renewal
- Medical, caregiving, social security
- Disaster prevention, risk management
- Logistics, distribution
- Electricity, water and sewers, roads

**Policy-related assistance for local government agencies stricken by disasters such as earthquakes**

**Main reconstruction aid**

- Great East Japan Earthquake (2011): Handling Ministry of the Environment Fukushima Prefecture reconstruction projects that are still ongoing
- Kumamoto Earthquake (2016): Built a close-knit network with the prefecture and towns, and currently assisting in the formulation and execution of reconstruction plans

Simulation of anticipated damage from an earthquake directly under the capital city (Cabinet Office, pertaining to Tokyo)

Presenting creative reconstruction proposals to the Kumamoto prefectural government

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The NRI Group co-creates three social values through Con-Solutions

- **Con-Solution**: A model in which **consulting** and **solutions** run parallel with clients from the planning and conceptual stages, creating business while repeatedly verifying assumptions

<table>
<thead>
<tr>
<th>NRI Group’s 3 Social Values</th>
<th>Strategic goals of the NRI Group</th>
<th>Examples of KPIs</th>
</tr>
</thead>
</table>
| **Co-create a thriving future society** by driving new value. | • Contribute to future society via social recommendations, system proposals, etc.  
• Create and expand new business models and enterprises via DX | • Number of **social recommendations and system proposals** communicated  
• Size of contribution to **DX** (DX-related sales, etc.)  
• Number of **business models** created with clients (number of joint ventures, collaborative projects, etc.)  
• Size of contribution to **ideal society** (operational reform and loss reduction consulting, etc.)  
• Scale of **business platform** services (ASP sales, etc.)  
• Amount of societal **CO2** reduction attributable to business platforms  
• Size of contribution to **safe and secure society** (public infrastructure and government service support consulting, etc.)  
• Size of contribution to **making IT infrastructure more advanced** (Sales in managed services, etc.)  
• Size of contribution to **information security** (Security-related sales, number of nodes being monitored, etc.) |
| **Co-create an ideal society** by effectively utilizing its resources. | • Build optimal value chains via operational and business model reforms  
• Deliver optimal financial services with business platforms | |
| **Co-create a safe and secure society** by advancing its infrastructure. | • Recommend arrangements for shared services that are resistant to accidents and disasters, and support people’s lives  
• Deliver advanced IT infrastructure that is high-quality and secure | |

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4. Toward future growth

NRI itself will attain sustained growth by helping to create a sustainable future society

**Sustained growth of the NRI Group**

**Realize a Sustainable Future**

**Corporate philosophy “Dream Up the Future”**

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**NRI Group Sustainability Management**

**Solving social issues through value co-creation (CSV*)**

**Value co-creation through business**

- Co-create a thriving future society by driving new value.
- Co-create an ideal society by effectively utilizing its resources.
- Co-create a safe and secure society by advancing its infrastructure.

**Key issues for sustainable growth**

**Environmental and social activities**

- Provision of NRI quality to support safe and secure information society
- Compliance with laws, regulations and risk management to increase trust in NRI society
- Provision of opportunities for all kinds of professionals to take on challenge

**Governance**

- Corporate governance to create a low environmental impact society

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* CSV: Creating Shared Value
NRI

Dream up the future.

未來創発