Sustainability Briefing

Corporate Philosophy
(Dream up the future)
and Sustainability Management

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Chairman, President & CEO,
Representative Director, Member of the Board

Nomura Research Institute, Ltd.
Feb. 21, 2024
1. NRI Group’s Corporate Philosophy and Materiality

2. Create & accumulate intellectual capital
Our raison d'etre is to create a sustainable future society

**NRI Group Corporate Philosophy**

**Mission**
- **For Society:** Envision and realize new paradigms
- **For Customers:** Be a trusted partner for mutual growth

**Society We Innovate**
- **Prosperous society** that nourishes potential and brings dreams to life
- **Sustainable society** that connects knowledge to treat the planet wisely
- **Resilient society** that promotes safety and security

**Corporate Statement**

Dream up the future.

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These materials were prepared for the solo purpose of providing information to use as reference in making investment decisions, and are not intended as a solicitation for investment.
We pursue the creation of a future society and the growth of the NRI Group in an integrated way

Materiality: Priority for 2030 to “Create a sustainable society” and “Achieve the NRI Group’s growth strategy”

**Value Creation**

- Co-create a thriving future society through expansion of digital social capital
- Co-create an optimal society through effective utilization of resources
- Co-create a safe and secure society through sophistication of infrastructure

**Value Creation**

- Advance human capital through bold actions and growth of diverse professionals
- Accumulate intellectual capital through elevation of individual knowledge into organizational strength

**Management Basis (ESG)**

- Contribute to global environment through collaboration with business partners
- Fulfill our social responsibilities through strengthening of relationships with stakeholders
- Evolve governance through realization of strategic risk control

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PDCA management of materiality and quarterly reporting to the Board of Directors

In V2030, the creation of a sustainable future society and NRI's growth strategy are one and the same, and incorporated materiality.

Company-wide: In addition to financial target, establish materiality-specific key KPIs and targets.

Segments/Divisions: Incorporate strategic goals, measures, and KPIs into growth strategies for each business in a manner that links them to materiality.

The Balanced Scorecard (BSC) management method to monitor both financial & non-financial performance, such as materiality in terms of both qualitative and quantitative (KPI). Monitoring of qualitative and quantitative (KPI) non-financial data such as materiality, as well as financial data including business performance.

<table>
<thead>
<tr>
<th>Value Creation</th>
<th>Indicators and Status of Efforts</th>
<th>evaluation</th>
</tr>
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<tbody>
<tr>
<td>Co-create a thriving future society</td>
<td>KPI) DX2.0/3.0 total investment and measures to achieve industry and social transformation</td>
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<tr>
<td>Co-create an optimal society</td>
<td>KPI) Business platform sales that contribute to an optimal society</td>
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<tr>
<td>Co-create a safe and secure society</td>
<td>KPI) Safety and security-related sales to support a strong and flexible society</td>
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<tr>
<td>Value creation capital</td>
<td>KPI) Value co-creation empathy</td>
<td></td>
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<tr>
<td>Advance human capital</td>
<td>KPI) Employee Engagement Score, Percentage of opportunities for female employees</td>
<td></td>
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<tr>
<td>Accumulate intellectual capital</td>
<td>KPI) Investment in intellectual capital creation and accumulation</td>
<td></td>
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<tr>
<td>Contribute to global environment</td>
<td>KPI) Greenhouse gas emissions reduction rate, renewable energy utilization rate</td>
<td></td>
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<tr>
<td>Fulfill our social responsibilities</td>
<td>KPI) Percentage of respondents who agree with the NRI Group Code of Conduct for Business Partners or have an equivalent code.</td>
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<tr>
<td>Manage ment Basis (ESG)</td>
<td>KPI) Number of serious risk occurrences</td>
<td></td>
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<tr>
<td>Evolve governance</td>
<td>KPI) External Indicators DJSI World</td>
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</tbody>
</table>
# Materiality Indicators and Status of Initiatives (April-December 2023)

*Figures: Totals from April to December.*

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<tr>
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<th>Indicators and Status of Efforts</th>
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<tr>
<td><strong>Value Creation</strong></td>
<td></td>
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<tr>
<td>Co-create a thriving future society</td>
<td>NRI's Proposal &quot;Annual Income Barrier&quot; Gets into Full Force with Government Policies. Social DX expands to municipalities and education sector. KPI) DX2.0/3.0 to realize industry and social transformation Total investment 11 billion yen</td>
</tr>
<tr>
<td>Co-create an optimal society</td>
<td>Completed the new NISA, contributing to &quot;shifting from savings to investment&quot; and an &quot;asset management nation” KPI) Business platform sales that contribute to an optimal society 101.5 billion yen</td>
</tr>
<tr>
<td>Co-create a safe and secure society</td>
<td>Established AML Center with 3 banks to prevent money laundering; launched secure services for AI and economic security KPI) Sales of safety and security-related products that support a strong and flexible society ¥137.3 billion</td>
</tr>
<tr>
<td><strong>Value creation capital</strong></td>
<td></td>
</tr>
<tr>
<td>Advance human capital</td>
<td>Action plans for “Job Satisfaction Co-Creation” were formulated at each headquarters, and MVV dialogues progressed at each organization. KPI) Employee engagement score (NRI registry) 71, Percentage of opportunities to female employees (NRI non-consolidated) 14</td>
</tr>
<tr>
<td>Accumulate intellectual capital</td>
<td>Increased communication related to generative AI (e.g., Dream up the Future Forum, etc.). Progress in production innovation initiatives (e.g., PoC for AI utilization). KPI) Investment for creation and accumulation of intellectual capital 9.6 billion yen</td>
</tr>
<tr>
<td><strong>Management Basis (ESG)</strong></td>
<td></td>
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<tr>
<td>Contribute to global environment</td>
<td>Osaka 2nd DC to procure renewable energy with additionality, strengthen partner support to achieve Scope 3 goals KPI) GHG emissions reduction rate (Scope 1+2) 65% (preliminary), Renewable energy utilization rate 73% (as of March 2023)</td>
</tr>
<tr>
<td>Fulfill our social responsibilities</td>
<td>Understand and improve ESG status of partners; strengthen relationship with WBCSD (top dialogue, PJ participation, etc.) WBCSD: World Business Council for Sustainable Development KPI) Percentage of respondents who agree with the NRI Group Business Partner Code of Conduct or have an equivalent code 79</td>
</tr>
<tr>
<td>Evolve governance</td>
<td>Received &quot;IR Excellent Company Award&quot; for disclosure, and the highest rating of AAA by MSCI (for 3 consecutive years) KPI) Number of cases of occurrence of serious risks (reported to regulatory authorities or equivalent incidents for which the NRI Group is responsible): 5</td>
</tr>
<tr>
<td>KPI) External Indicator DJSI World Ongoing Score 86</td>
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1 NRI Group’s Corporate Philosophy and Materiality

2 Create & accumulate intellectual capital
Innovation in generative AI is simultaneously increasing in performance and practicality

- ✓ As in the past, models will continue to grow in size and performance, pursuing high precision and generalization (universal use).

- ✓ **Compact** and **specialized** models for practical use

  - Compactness) Same performance/accuracy, but more compact...
    - *Decentralization (edging) is one of the methods used.
  - Specialized) To specialized models that pursue accuracy in specific industries and operations
    - *Open source is also used to develop specialized models.

- ✓ Improvement of the environment for actual operation (quality control/monitoring, model updates, etc.) is also progressing.
Application to business has started to develop in steps

**STEP 1**
- Business Efficiency and Utilization in planning operations (General-purpose generator)
- Copy, minute-taking, Sales material creation, etc.
- Hallucination, Security measures, etc.

**STEP 2**
- Utilizing internal data Advancement of operations (LLM for own exclusive use)
- Call center help desk, Business Upgrading, etc.
- Business model planning, Fine tuning, Security measures, etc.

**STEP 3**
- Business Model Reform (New Architecture)
- AI-based Management Information Systems, etc.
- Top management leadership, Architectural design skills, Ability to build mission-critical systems, etc.
Develop AI tools that contribute to the advancement of specific operations

- **AI CoE** has been established to share various use cases throughout the company

### Step 1
1. **Enhancement of store operations in the distribution/retail industry**
   - **Digital** due to information overload in the store/field
   - **Fatigue** is eliminated with the precise assistance of generative AI.

   (Under R&D)

### Step 2
2. **Minimize the risk of data leakage when companies use AI**
   - Provide "Private LLM*1" customized for individual company operations*2

   *1 LLM: Large-scale language model *2 Scheduled to be available in spring 2024 or later

### Concerns of companies when utilizing generative AI:
- How much confidential and sensitive information can be sent to an external service-type LLM (such as OpenAI's GPT-4)?

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**Private LLM:**
- Operate in the private cloud of NRI data center or on-premise environment of a company to handle sensitive and confidential information securely.
- Customized for individual company operations with data owned by the company.

<table>
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<tr>
<th>External Service LLM</th>
<th>Private LLM</th>
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<tbody>
<tr>
<td><strong>performance</strong></td>
<td>Highest level at the time</td>
</tr>
<tr>
<td><strong>security</strong></td>
<td>Equivalent to public cloud</td>
</tr>
<tr>
<td><strong>customizability</strong></td>
<td>Limited in scope.</td>
</tr>
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The architecture of the system itself will change to be AI-based

- Integrate AI applications by utilizing various AI models and providing peripheral solutions such as security.

Traditional architecture

AI-centric architecture
We pursue the creation of a future society and the growth of the NRI Group in an integrated way

Materiality: Priority for 2030 to “Create a sustainable society” and “Achieve the NRI Group’s growth strategy”

NRI’s Approach to DX3.0
- Co-create a thriving future society through expansion of digital social capital
- Co-create an optimal society through effective utilization of resources
- Create a safe and secure society through sophistication of infrastructure

Generative AI
- Accumulate intellectual capital through elevation of individual knowledge into organizational strength

Value Creation Capital
- Advance human capital through bold actions and growth of diverse professionals

Sustainability activities at the NRI Group
- Contribute to global environment through collaboration with business partners
- Fulfill our social responsibilities through strengthening of relationships with stakeholders
- Evolve governance through realization of strategic risk control

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Envision the value, Empower the change