NRI Medium-Term Management Plan
(2019-2022)

Nomura Research Institute, Ltd.

Shingo Konomoto
President & CEO, Member of the Board

April 25, 2019
1 Reflecting on the last three years

2 Growth strategies

3 Sustainability management initiatives

4 Numerical targets
Medium-Term Plan (2016-2018) has been achieved
(Non-percentage numbers below are in units of billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Actual</th>
<th>FY2018 Actual</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>421.4</td>
<td>501.2</td>
<td>+19%</td>
</tr>
<tr>
<td>Overseas sales</td>
<td>14.6</td>
<td>53.0</td>
<td>X 3.6</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>58.2</td>
<td>71.4</td>
<td>+23%</td>
</tr>
<tr>
<td><strong>Operating profit margin</strong></td>
<td>13.8%</td>
<td>14.3%</td>
<td>+0.4P</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>10.6%</td>
<td>12.3%</td>
<td>+1.6P</td>
</tr>
</tbody>
</table>

Ratio of sales by segment

- **Industrial IT Solutions**: 26%
- **Consulting**: 7% (7%)
- **IT Platform Services**: 7%
- **Financial IT Solutions**: 60%

(Number of clients to whom sales was 1 billion yen or more)

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<tr>
<th></th>
<th>FY2015 Actual</th>
<th>FY2018 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>64</td>
<td>86</td>
</tr>
</tbody>
</table>

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### DX made advancements, mainly in Industrial IT. Global expanded in Australia

<table>
<thead>
<tr>
<th>Medium-Term Plan (2016-2018)</th>
<th>Conditions over three years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pillars of strategy</strong></td>
<td></td>
</tr>
</tbody>
</table>

1. **Improve productivity in specialty areas in Japan**
   - Hardly any unexpected large-scale unprofitable projects
   - Improved productivity by integrating business platform development systems and implementing aslead (development management integration tool)

2. **Expand industry-standard business platforms and develop large-scale clients**
   - In Industrial IT, major progress has been achieved in the context of DX, and great progress has been made in development of large-scale clients
   - In Financial IT, worsening business conditions of clients had impact but business platforms grew, and large-scale projects were also acquired

3. **Build foundations for global business**
   - Business in Australia is progressing smoothly, mainly with ASG
   - Initiated more governance improvements in conjunction with global business expansion

4. **Create business IT**
   - More projects involving D2C, digital marketing, and analytics
   - Greater proficiency in agile development for BiT, and productivity has improved to the level of CiT
   - Collaborative models have been achieved by establishing joint ventures (KDDI, DMG Mori, Denso, JAL)
1. Reflecting on the last three years
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There are significant needs for NRI consulting and IT services

Many companies are struggling with their own DX

- There are companies in Japan that have yet to produce results with their DX, due to conflicts of interest with their existing business, and lack of IT personnel.
- Overall consulting and IT services capabilities are being tested.

Status of digitalization initiatives (N=1061)

<table>
<thead>
<tr>
<th>Implemented (produced results)</th>
<th>Considering</th>
<th>Not interested (and not considering)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implemented (verifying effects)</td>
<td>Implemented (producing effects)</td>
<td>Interested but not considering</td>
</tr>
<tr>
<td>8.7</td>
<td>12.8</td>
<td>31.6</td>
</tr>
</tbody>
</table>

53.1%

Source) “Corporate IT Trends Survey 2018” by the Japan Users Association of Information Systems (JUAS)

The “2025 Digital Cliff” impeding companies’ DX

- Outdated, slow core systems in black box state shackle the DX of a company.
- IT structure reforms cannot wait.

Current | 2025 | 2030

- System maintenance takes up 90% of company IT budget
- IT personnel shortage of 430,000
- Old OS, ERP, etc., no longer supported
- Competitive stagnation
- Depleted human resources
- Lost business opportunities etc.

Source) Created based on “Overcoming of ‘2025 Digital Cliff’ Involving IT Systems and Full-fledged Development of Efforts for DX” by METI

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Vision 2022 Expansion Strategy

(1) Create & expand DX business by co-creating value with our customers
(2) Accelerate globalization by obtaining new customers & IP
(3) Enhance & enlarge our core business by expanding business platforms & modernizing customer systems

Illustration of business development

Global expansion

New Overseas Business

Asia Pacific

Domestic

(1) Create & expand DX business
(2) Accelerate globalization
(3) Enhance & enlarge core businesses

Greater Customer Numbers & Business Growth
Growth Strategy

Main Strategies

Use technology to transform customer business models and processes
- Offer comprehensive support through DX from front-office to core systems to develop large-scale customers

Evolve business platforms (BPFs) in finance
- Additional expansion of BPFs that cater to IT structure reform and new entry

Modernize legacy systems by using cloud
- Comprehensive support from diversifying system platforms to application development

Achieve more global business growth, seeking sales of 100 billion yen
- Expand business base, centered on external growth in Australia and North America

Strategic recruiting, talent development and collaboration with partners to bolster NRI’s competitiveness
- Increase mid-career recruiting, offer diverse workstyles, etc.
DX Strategy
NRI strengths match recent trends in DX

Main DX initiatives of customers

Integrate real and digital

New services in ecosystems

New business model “As a Service”

NRI strengths

Data analytics mainly through consulting, and capability to build from front office to e-commerce core systems

High quality business platforms to support customers entering new business types and offering new services

Con-Solution®(*) to be a value co-creation partner for customers

*Con-Solution: A business model in which consulting and solutions run side by side with customers from the planning and concept stages, creating business while repeating the process of hypothesis testing.
### DX strategy

**Be our customers’ DX partner, and expand business continuously**

#### DX2.0: DX to transform business models themselves

- **Build cross-industry platforms that seek ecosystems**
  - Comprehensive support from building business models to building systems
  - Commit to the business of customers, and share the risks and rewards

#### DX1.0: DX that helps transform business processes (including business platforms and cloud)

- **Digitalize business models, make IT resources more efficient**
  - Deliver D2C (direct to customer) through the optimal mix of packages and individual development
  - Achieve cost reductions and generate agility through shared online services

- **Enhance infrastructure such as cloud, security**
  - Optimize customer business infrastructure through better modernization, managed services, security, etc.
## DX Strategy

### (Reference) DX-related business

<table>
<thead>
<tr>
<th>DX 2.0</th>
<th>Business model transformation</th>
<th>Build cross-industry platforms that seek ecosystems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Establishing services and providing functionality in particular fields</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DX 1.0</th>
<th>Process transformation</th>
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<tbody>
<tr>
<td></td>
<td>Digital front office</td>
</tr>
<tr>
<td></td>
<td>Digitalize actions for end users</td>
</tr>
<tr>
<td></td>
<td>• Helping customers execute D2C strategies</td>
</tr>
<tr>
<td></td>
<td>• CRM, digital marketing, etc.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>DX 1.0</th>
<th>Digital back office</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Digitalize actions within customer companies</td>
</tr>
<tr>
<td></td>
<td>• SCM reforms such as inventory optimization</td>
</tr>
<tr>
<td></td>
<td>• Operational efficiency improvements using TRAINA(*)</td>
</tr>
<tr>
<td></td>
<td>• RPA, etc.</td>
</tr>
<tr>
<td></td>
<td>• Industry standard business platforms, etc.</td>
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<table>
<thead>
<tr>
<th>Infrastructure transformation</th>
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</thead>
<tbody>
<tr>
<td>Enhance infrastructure such as cloud, security</td>
</tr>
<tr>
<td>• Supporting migration from on-premises to cloud</td>
</tr>
<tr>
<td>• Managed services for system platforms</td>
</tr>
<tr>
<td>• Security business mainly focused on NRI Secure, etc.</td>
</tr>
</tbody>
</table>

*TRAINA: NRI’s AI solution that reduces working hours in various operations through the utilization of voice recognition technology and AI. It includes query response operations, such as those of call centers and internal helpdesks, and even support operations for sales personnel.
Business platform strategy
Leverage strength in finance BPFs
to expand clientele and services across industry types

- In addition to expanding core businesses, provide new business platforms for entering other industries

Structure changes in Financial industry

- **Face-to-face-only and internet-only financial institutions**
  - For wealthy people (excess funds) with extensive financial knowledge
  - Finance service charges are main revenue source

- New entrant companies from other industries
  - For the general public with little financial knowledge (small funds)
  - Various revenue sources such as points, advertising income, etc.

NRI’s Strategy

Expand core businesses
- High quality shared online services
- Outsourcing, mainly BPO (business process outsourcing)
- New services for digital assets

Launch new services
- Lean services through APIs
- Services for small funds products
- Managed services for IT assets
Cloud strategy

Comprehensive support for the diversified system platforms that accompany the shift to cloud

- **Managed services**: Optimize and comprehensively support overall systems on behalf of customer IT departments
- **Enhanced security**: Deliver high levels of security catered to multiple system platforms
- **Multi-cloud services**: Offer integrated services to customers which use multiple cloud platforms
- **Technology to support app development**: Development and application of digital IP (common components of apps, digital development kits, etc.)

Generate agility and optimize cost by modernizing legacy systems, developing cloud-native apps, etc.
Global strategy
Expand business base, centered on external growth in Australia and North America

[Australia]
• Seek to be a top-10 Australian IT services company by around FY2020
• Achieve additional external growth in fields where synergies can be anticipated

[Asia, Europe]
• Expand outsourcing business geared toward financial institutions, with NVANTAGE at the core
• Further expand consulting for Japanese and local companies in locations throughout Asia

[Functions of global headquarters]
• Formulate global strategies and support their execution
• Work together with regional controlling companies such as NRI Australia, and strengthen governance of overseas subsidiaries

[North America]
• Acquire high added value IP of companies with advanced technologies and expertise

Overseas sales (billion yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>14.6</td>
</tr>
<tr>
<td>2016</td>
<td>18.9</td>
</tr>
<tr>
<td>2017</td>
<td>43.5</td>
</tr>
<tr>
<td>2018</td>
<td>53.0</td>
</tr>
<tr>
<td>2022</td>
<td></td>
</tr>
</tbody>
</table>

Overseas sales ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>3.5%</td>
</tr>
<tr>
<td>2016</td>
<td>4.5%</td>
</tr>
<tr>
<td>2017</td>
<td>9.2%</td>
</tr>
<tr>
<td>2018</td>
<td>10.6%</td>
</tr>
<tr>
<td>2022</td>
<td>100%</td>
</tr>
</tbody>
</table>

Level of M&A investment (4 years): At least 50 billion yen
Human resources strategy
Increase and enhance human resources to support growth strategy

Bolster hiring

- **Bolster new graduate hiring**: Bolster promotions, etc.
- **Bolster mid-career hiring**: Further improve systems of working conditions for the hiring of more specialists, etc.

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<thead>
<tr>
<th></th>
<th>2018</th>
<th>2022</th>
</tr>
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<tbody>
<tr>
<td>New graduate hires</td>
<td>About 300</td>
<td>Stable expansion</td>
</tr>
<tr>
<td>Mid-career hires</td>
<td>About 100</td>
<td>Double</td>
</tr>
</tbody>
</table>

Increase of 1,000 staff or more (at NRI alone) over four years

Promote employee skills transfer and development

- Strategically develop **business designers, data scientists, and other such personnel**
- Skills transfer and development for **application/platform personnel** to support DX strategy

Promote employee success

- **Promote diverse workstyles** (diversity, participation and advancement of women and senior personnel, etc.)

More development partners

- **Get more development partners** which have technologies and expertise in areas such as DX
1. Reflecting on the last three years

2. Growth strategies

3. Sustainability management initiatives

4. Numerical targets
NRI Group Sustainability Management Policy

NRI Group Growth

Building sustainable futures

Corporate Philosophy “Dream up the future”

NRI Group Sustainability Management

Share the Next Values!

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.

【Vision2022 Numerical Targets】

Consolidated Operating Profit (JPY billion) 100

Consolidated Operating Profit Margin (%) 14 or more

Overseas Sales (JPY billions) 100

ROE (%) 14

Materiality for sustainable growth

Reduction of environmental impact for preserving global environment

Provision of opportunities for all kinds of professionals to take on challenge

Compliance with laws, regulations and risk management to increase trust from society

Management of the information systems that form social infrastructure

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Co-create Social Value with our Customers to Realize a Sustainable Future

<table>
<thead>
<tr>
<th>NRI Group’s 3 Social Values</th>
<th>Key NRI Group Initiatives</th>
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<tbody>
<tr>
<td>Co-create a thriving future society by driving new value.</td>
<td>Strive to create a future of continuous new value generation that leads to an abundant and safe society where all benefit.</td>
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<td>Co-create an ideal society by effectively utilizing its resources.</td>
<td>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.</td>
</tr>
<tr>
<td>Co-create a safe and secure society by advancing its infrastructure.</td>
<td>Strive to build a society safe and secure from accidents and disasters by strengthening cyber-security for information systems and other core social infrastructure.</td>
</tr>
<tr>
<td><strong>Co-create a thriving future society</strong></td>
<td><strong>Key NRI Group Initiatives</strong></td>
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**Key NRI Group Initiatives**

- **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

- **Business Process Transformation**
  - Strategy/Operations/System Consulting

- **Resource Optimization with ASP**
  - “STAR”, “BESTWAY” and other proprietary business platform solutions

- **IT Infrastructure Transformation**
  - Cybersecurity business
  - Cloud & Data Center managed services

- **Stable Service Operation**
  - Disaster Prevention & Reduction Policy & Disaster Recovery Support
1. Reflecting on the last three years
2. Growth strategies
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Numerical targets (consolidated)

**Vision22**

Medium-Term Plan (2016-2018)

Medium-Term Plan (2019-2022)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (billion yen)</th>
<th>Operating profit (billion yen)</th>
<th>Operating profit margin</th>
<th>Overseas sales (billion yen)</th>
<th>EBITDA margin</th>
<th>ROE</th>
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<tbody>
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<td></td>
<td>12.3%</td>
</tr>
<tr>
<td>2016</td>
<td>424.5</td>
<td>58.5</td>
<td></td>
<td>18.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>471.5</td>
<td>65.1</td>
<td></td>
<td>43.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>501.2</td>
<td>71.4</td>
<td></td>
<td>53.0</td>
<td>21.7%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>530.0</td>
<td>76.0</td>
<td></td>
<td>61.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
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<tr>
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</tbody>
</table>

FY2018 actual: Sales 501.2, Operating profit 71.4, Operating profit margin 14.3%, Overseas sales 53.0, EBITDA margin 21.7%, ROE 12.3%

FY2022 target: Sales 670.0 or more, Operating profit 100.0, Operating profit margin 14% or more, Overseas sales 100.0, EBITDA margin 20% or more, ROE 14%
Numerical targets (sales by topic)

By growing DX business, expand the ratio of DX-related sales:
About 40% (2015, rough estimate) → 60% (2018) → 75% (2022)

(billion yen)

- Consulting other than DX
- On-premise software development
- BPO services etc.
- Business platforms, STAR, BESTWAY, T-STAR, etc.
- DX consulting, Analytics, D2C, CRM, Digital marketing
- SCM reforms, Operational efficiency improvements using TRAINA, RPA, etc.
- Cloud, Security, Managed services, etc.
Financial strategy

Establish a solid financial base, and aim for strong medium- to long-term growth

- Establish financial soundness befitting of a company that supports social infrastructure
- Establish the ability to generate cash flows to support growth investment. Distribute resources into growth areas such as DX and global business
  - EBITDA margin of 20% or more
  - Diversify means of raising funds needed for investments such as M&A

Be strongly conscious of capital efficiency that successfully balances growth and returns

- Promote measures aimed at achieving target ROE (14%)
  - Asset securitization including acquisition and retirement of treasury shares, and cross-shareholding, etc.
- Ongoing efforts to improve returns to shareholders
  - Consider dividend payout ratios (including improvements to overall return) according to growth stage

Improve disclosures, with consciousness of global standards

- Communicate more with external stakeholders, and transmit information externally according to global standards
  - Shift to IFRS, be more engaged with ESG, emphasize EBITDA in management
- Enhance non-financial information, including highly transparent balance sheet policies and sustainability management
Share the Next Values!