

Business Briefing

# Platform Strategy to Support the Evolution of Financial Business

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**Nomura Research Institute, Ltd.**

**Ken Ebato**

Senior Executive Managing Director,  
Representative Director, Member of the Board

**June 29, 2022**



# Introduction

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江波戸 謙

Ken Ebato

Operational experience in multiple business fields within financial and industrial IT solutions, primarily for securities firms

Apr.1987	Joined the Company (Financial IT: approx. 22 years, Industrial IT: approx. 4 years, on assignment at a securities firm: approx. 2 years)	
Apr.2015	Senior Managing Director	Deputy Division Manager of Capital Markets & Wealth Management Solutions Division
Apr.2018 Apr.2019	Senior Managing Director Senior Corporate Managing Director	Division Manager of Capital Markets & Wealth Management Solutions Division
Apr.2021 Jun.2021	Senior Executive Managing Director Senior Executive Managing Director, Member of the Board	Head of Financial IT Solutions Division Manager of Capital Markets & Wealth Management Solutions Division
Apr.2022	Senior Executive Managing Director, Representative Director, Member of the Board	Supervising of Consulting Supervising of Financial IT Solutions Supervising of IT Platform Services Head of Capital Markets & Wealth Management Solutions Head of Asset Management Solution

**1**

**Our History in Financial Business Platforms**

**2**

**Financial Business Platform Strategy**

**3**

**Looking Toward Continued Growth**

1

## Our History in Financial Business Platforms

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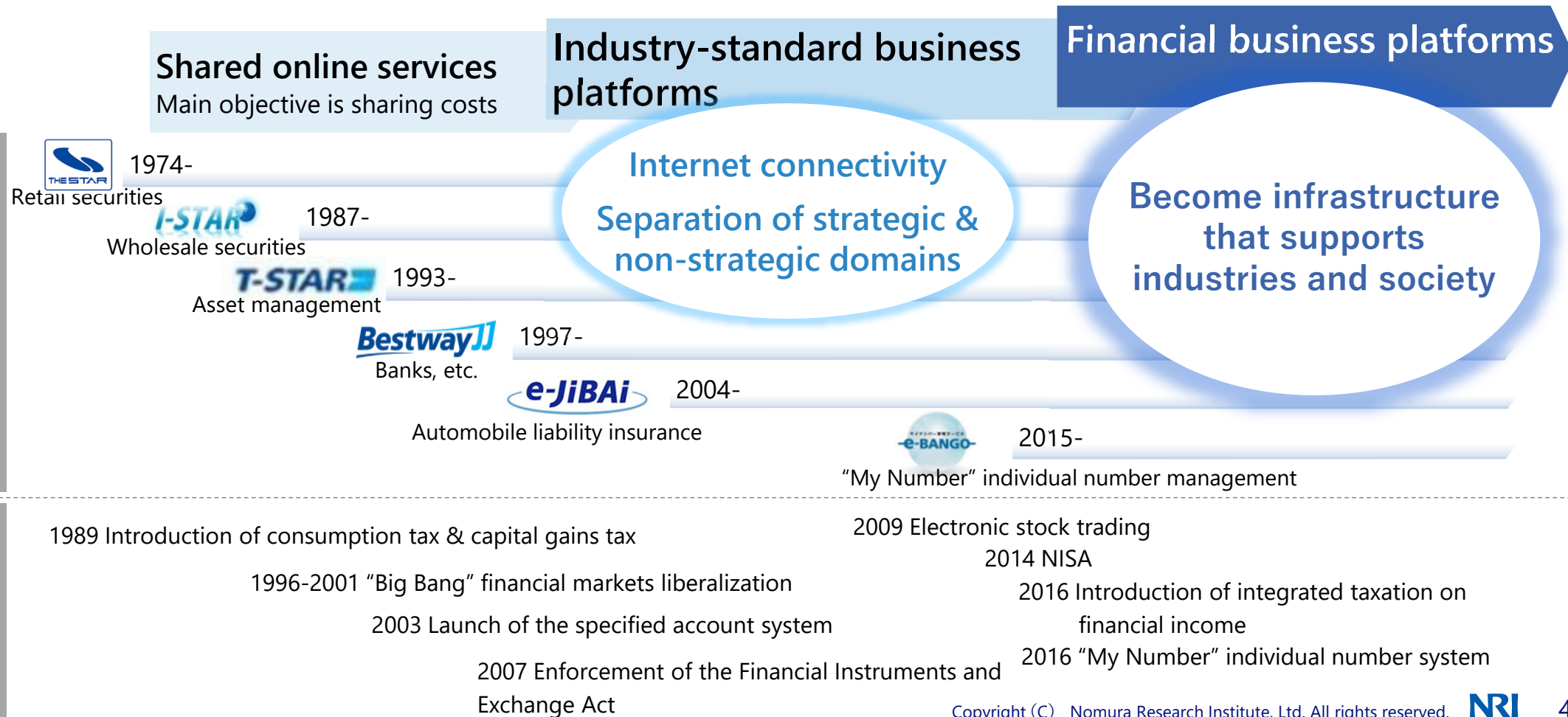
## Financial Business Platform Strategy

3

## Looking Toward Continued Growth






# The Story of Our Growth in Financial Business Platforms

- “Strategic domains” and “non-strategic domains” for financial institutions have been increasingly divergent since Japan’s “Big Bang” financial markets liberalization reforms and the spread of the internet in the late 1990s.  
NRI provides industry-standard business platforms in non-strategic domains
- With momentum from numerous institutional reforms, we expanded our client base in the first decade of the 2000s. Our infrastructure came to support industries
- Going forward, we aim to evolve into financial business platforms that support the advancement of industries and society



# Our Financial Business Platforms Client Base in V2022

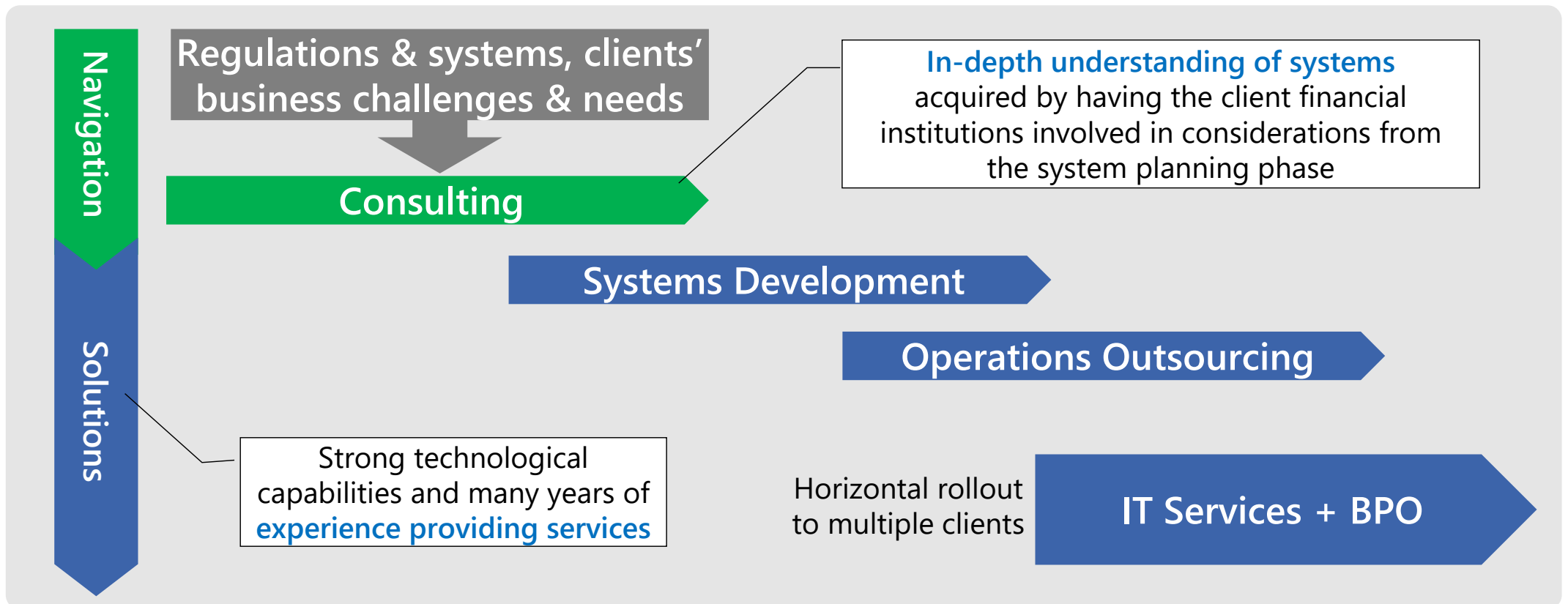
- Capture the advantages of shifting to industry-standard business platforms in non-strategic domains in V2022
- Advance usage by major financial institutions, and successfully expand and gain deeper penetration in core areas
- Usage of My Number-related services is expected to grow even more as the cards become more prevalent

Major Shared Online Services		the end of Mar. 2016		the end of Mar. 2022
	Back-office solution for retail brokerage firms	68firms	+7firms →	75firms <small>From July 2022 + Mizuho Securities</small>
	Back-office solution for wholesale brokerage firms	26firms	+3firms →	29firms
	Back-office solution for asset management firms	73firms	+6firms →	79firms
	Back-office solution for mutual fund sales at banks	109firms	+1firms →	110firms
	My Number management services	—		Approx. 31million cases

# Strengths of NRI's Financial Business Platforms

- NRI has strength in the ability to provide everything from consulting with an in-depth understanding of regulations and systems to IT services and Business Process Outsourcing (BPO)
- Going forward, we will continue to sure-handedly accommodate regulations, systems, and client needs, and help drive the advancement of industries and society through financial business platforms

Major systems & policies going forward: Amended Act on the Protection of Personal Information, Economic Security Promotion Law, Doubling Asset-based Incomes Plan, Individual Retirement Accounts, My Number cards (unified driver's license/health insurance cards, etc.)



# Changes in the Environment Surrounding the Finance Industry

- Facing major changes in the environment, including digitalization, global regulations and risks, and action to address social issues
- Financial institutions are under pressure to reallocate business resources, and re-examine their strategies and governance

## Major industry changes

### Diversification & digitalization of financial products

- Securitization of real estate with security tokens, issuance of bonds

### Spread of ecosystems

- Incorporating financial functions into industrial processes
- Expanding the economic zones that use financial functions

## Major social changes

### Structural changes domestically

- Labor shortages due to Japan's declining population and aging society

### Increasing complexity of global society

- International regulations such as GDPR & FATF
- Trend toward greater instability in international politics

## Business challenges for financial institutions (tentative)

Shifting business resources to link the process of digitalization with business expansion

Advance business through partnerships that go beyond any particular business format

Comply with global regulations  
Operational efficiency



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Our History in Financial Business Platforms

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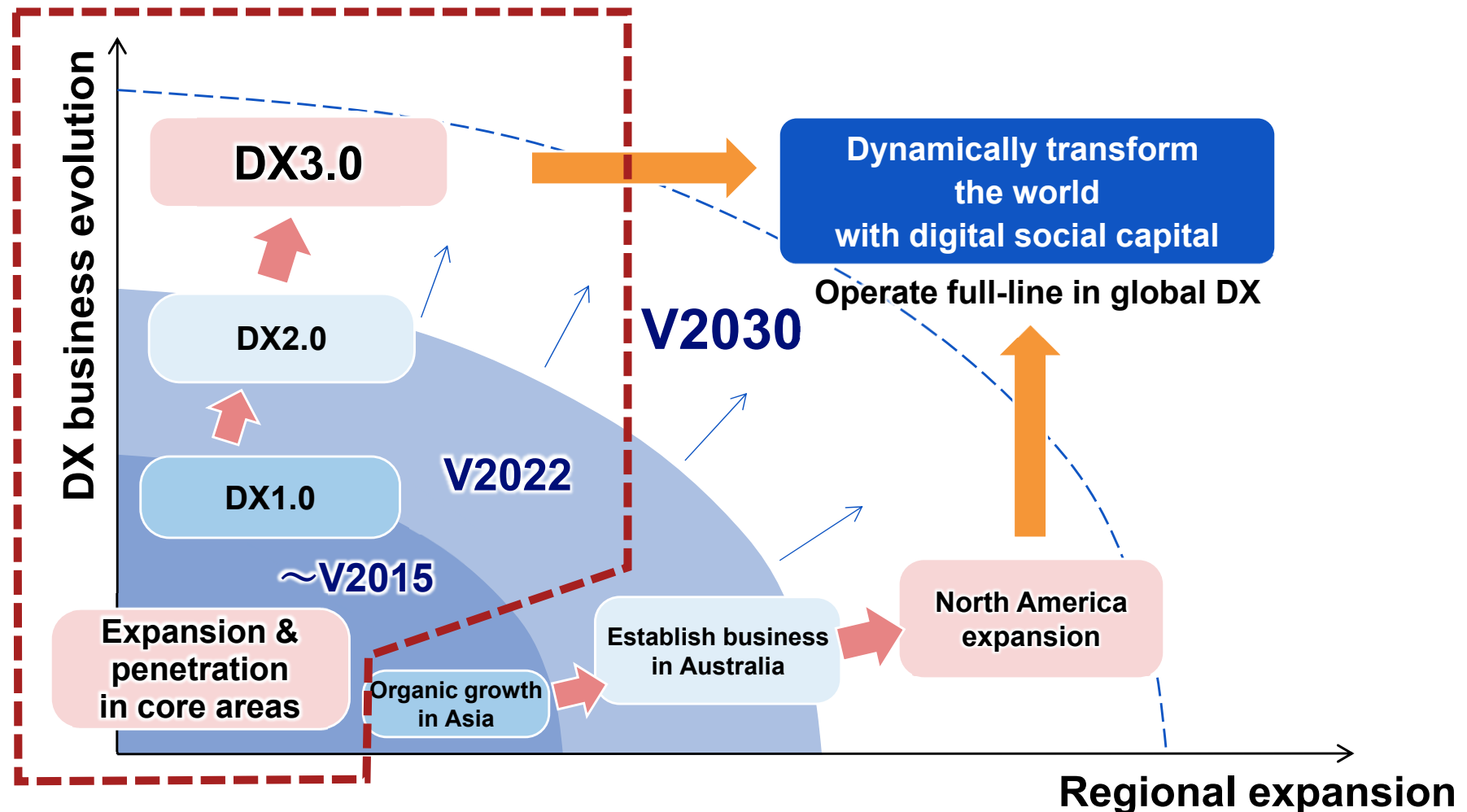
Financial Business Platform Strategy

3

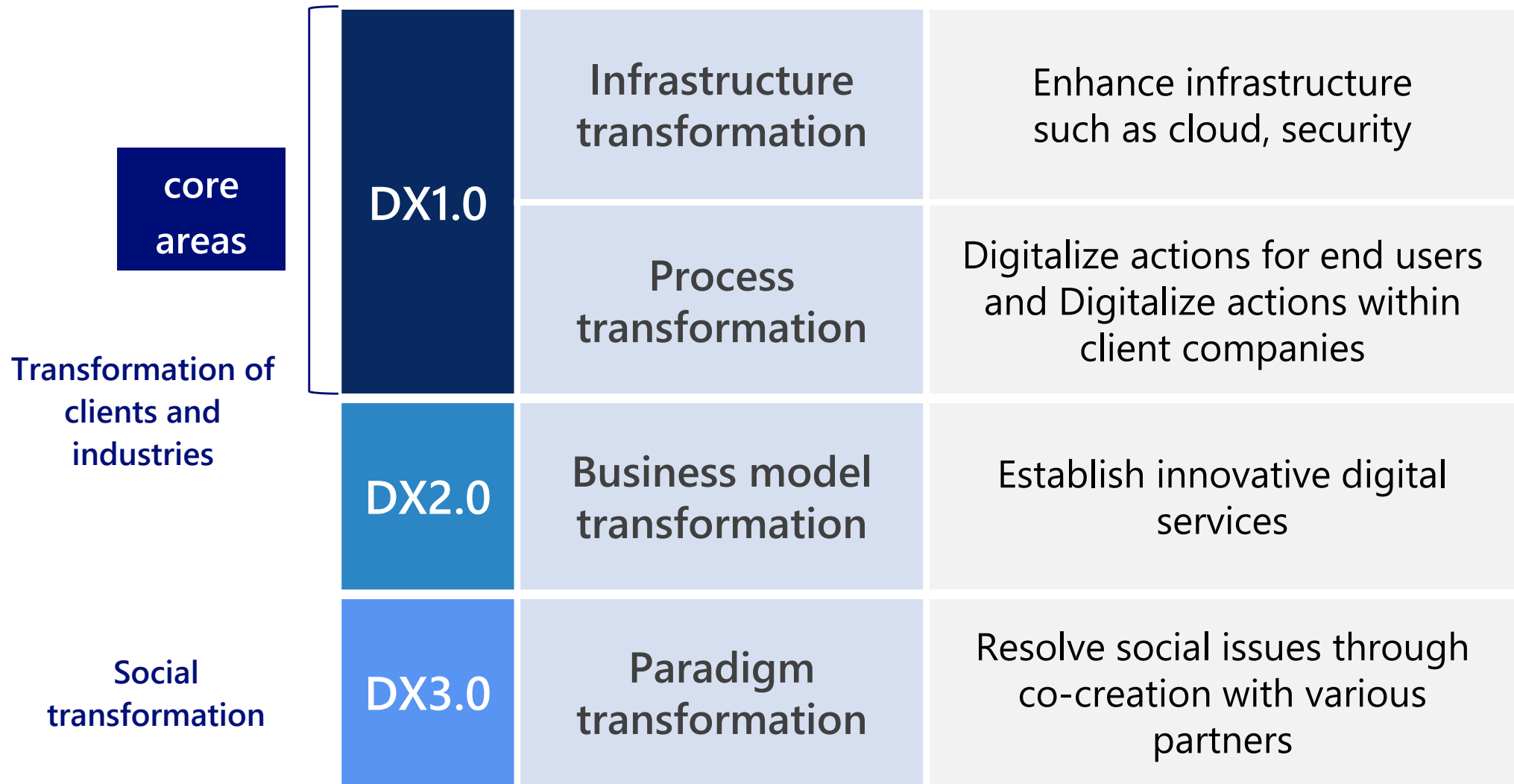
Looking Toward Continued Growth

# Positioning in V2030 (Framework)

- Our financial business platform strategy primarily supports “**expansion and deeper penetration in core areas**” and “**evolution of DX business**” in V2030 (framework): Our growth story from now until 2030



# Framework of NRI's DX Strategy



# DX Strategy in Financial Business Platforms

- Provide solutions to financial institutions' business challenges through financial business platforms

## Business challenges for financial institutions (tentative)

Shifting business resources to link the process of digitalization with business expansion

Advance business through partnerships that go beyond any particular business format

Comply with global regulations  
Operational efficiency

## Main actions

DX1.0

- (1) IT services + more in-depth BPO
- (2) Incorporate GRCS's services

DX2.0

- (3) Handling digital assets
- (4) Cross-industry financial intermediary services

DX3.0

- (5) More convenience for consumers with My Number as infrastructure

## (1) IT Services & More In-depth BPO

DX1.0	IT services + BPO
	GRCS
DX2.0	Digital assets
	Cross-industry services
DX3.0	My Number

- In addition to IT services, help boost the quality and efficiency of operational processes in their entirety by providing operations standardization integrated with the related outsourcing services
- Successfully provide high-quality services for a broad range of operations by joining forces with group companies DSB and NRI Process Innovation with strengths in each respective field



### Financial instruments trading

- Orders, execution, and payments for stock exchanges
- Account management and money transfers

### Back-office tasks in securities

- Printing, envelopes, document enclosures, shipping, etc.

### Middle & back-office operations

- Standard price calculations for asset management companies
- Investment trust accounting operations
- Creating investment reports

### General My number management operations

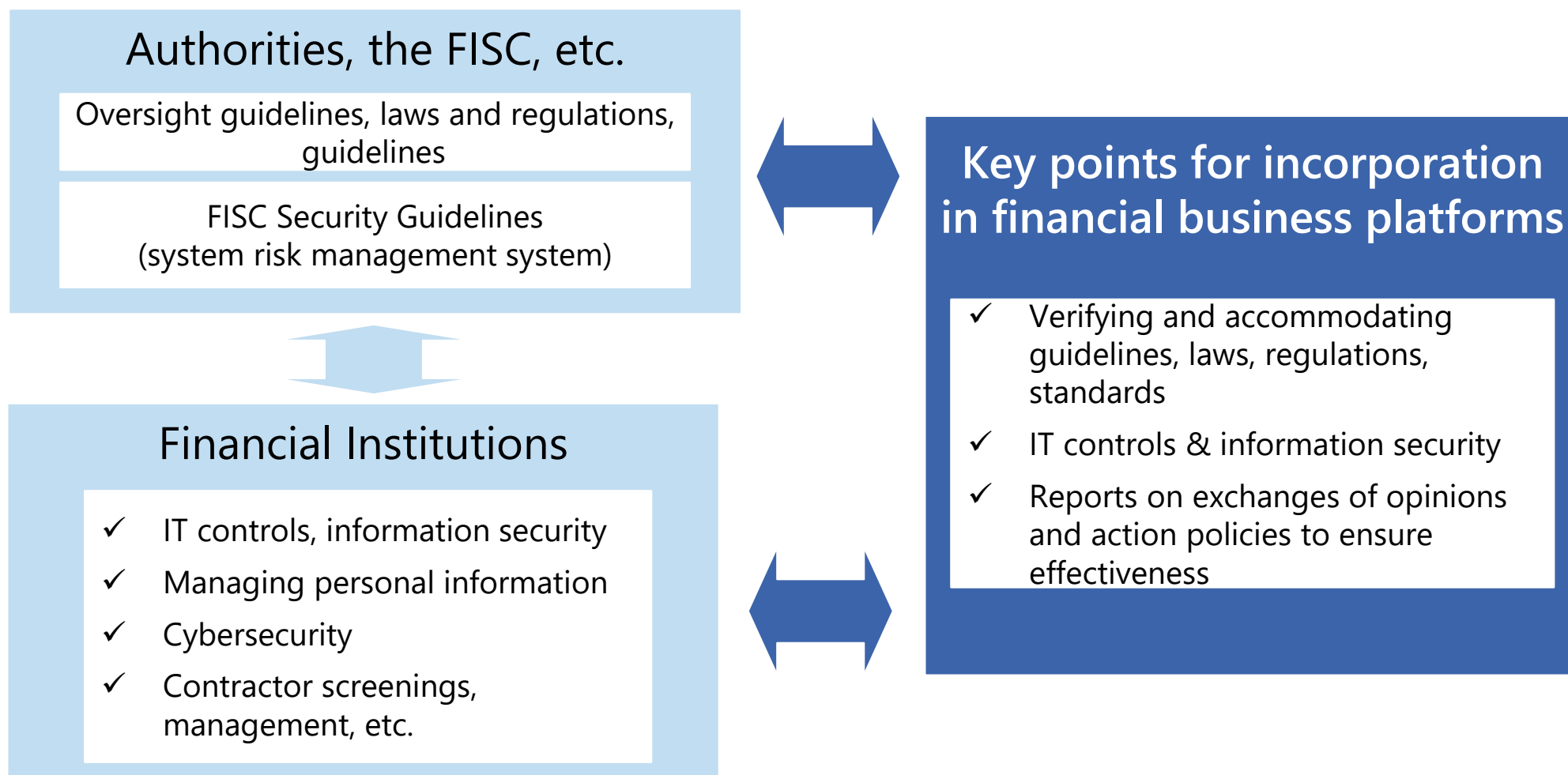
- My Number aggregation and registration
- My Number management and utilization

## (2) Implement GRCS's Services

### ① GRC: Governance, Risk, Compliance

- Timely and accurate understanding of information communicated by the authorities, the FISC, and others, and embed control and auditing requirements for financial institutions into services

DX1.0	IT services + BPO
	GRCS
DX2.0	Digital Assets
	Cross-industry services
DX3.0	My Number

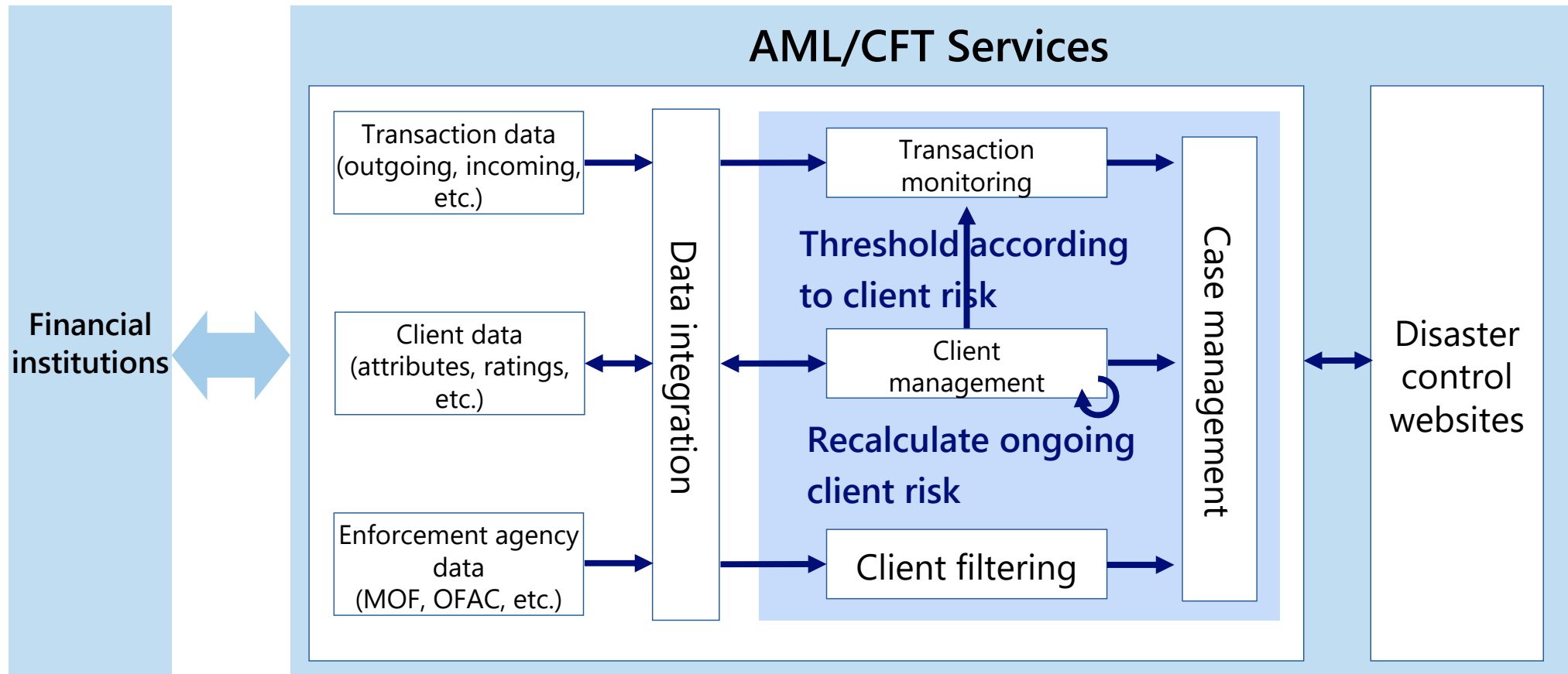


## (2) Implement GRCS's Services

### ② GRC: Governance, Risk, Compliance

- Provide AML/CFL Services to financial institutions as a measure for anti-money laundering and against the financing of terrorism
- NRI experts take a panoramic view of laws and regulations within the country and the operations of each financial institution, and propose improvements

DX1.0	IT services + BPO
	GRCS
DX2.0	Digital assets
	Cross-industry services
DX3.0	My Number

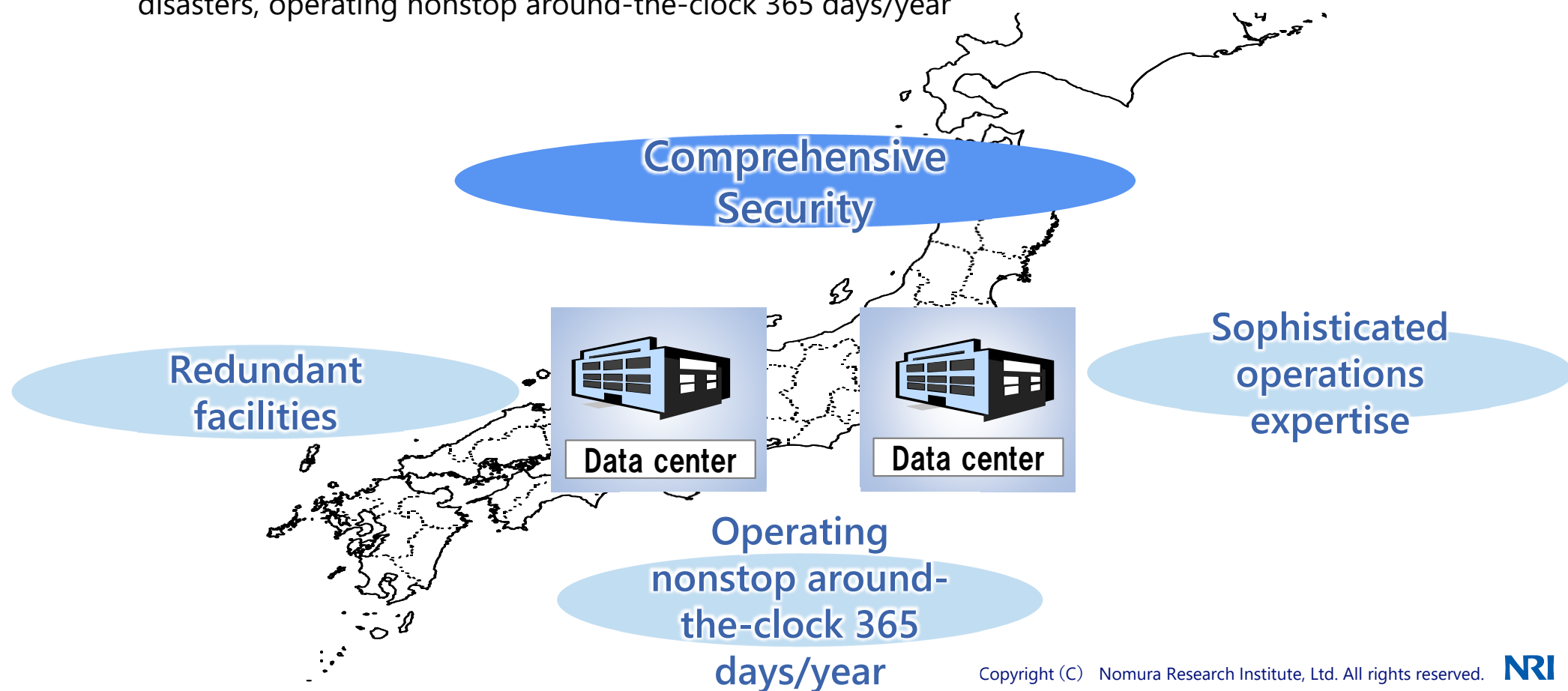


## (2) Implement GRCS's Services

### ③ S: Security

#### ■ Deliver sophisticated, formidable security against outside attacks

- Partner with NRI SecureTechnologies to deliver sophisticated security against outside attacks occurring through networks
- Redundant facilities with data centers located in both the Kanto and Kansai regions to counter natural disasters, operating nonstop around-the-clock 365 days/year



DX1.0	IT services + BPO
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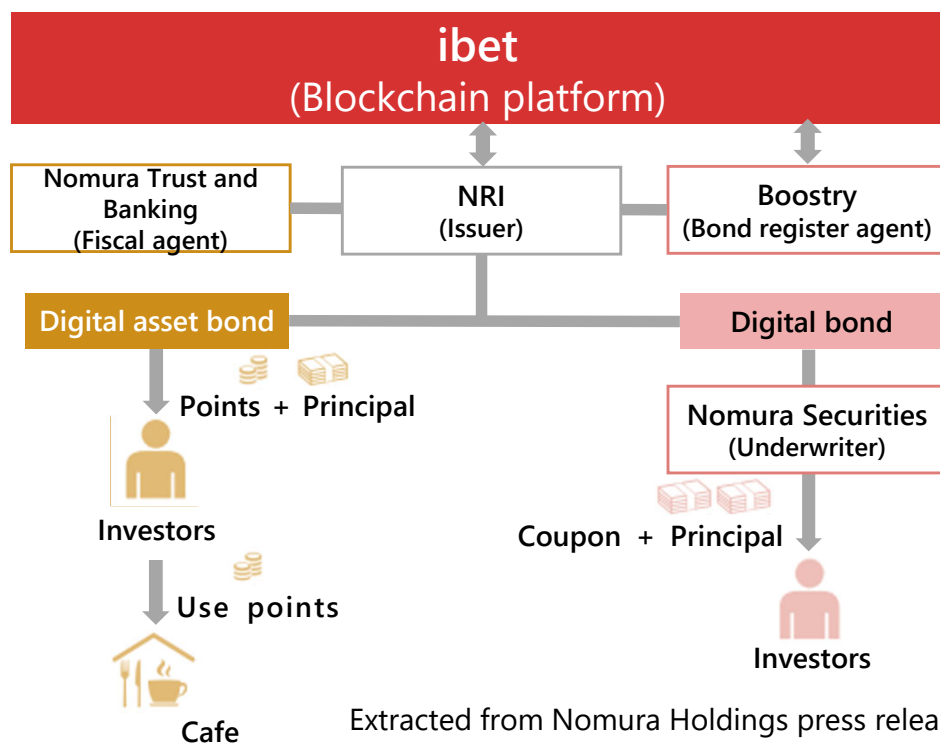
## (3) Handling Digital Assets

DX1.0	IT services + BPO
	GRCS
DX2.0	Digital assets
	Cross-industry services
DX3.0	My Number

- Provide platform services associated with digital assets via BOOSTRY

### BOOSTRY

BOOSTRY, providing rights exchange services to a diverse range of participants for instruments such as digital bonds, was established with Nomura Holdings (NRI digital bonds scheme)



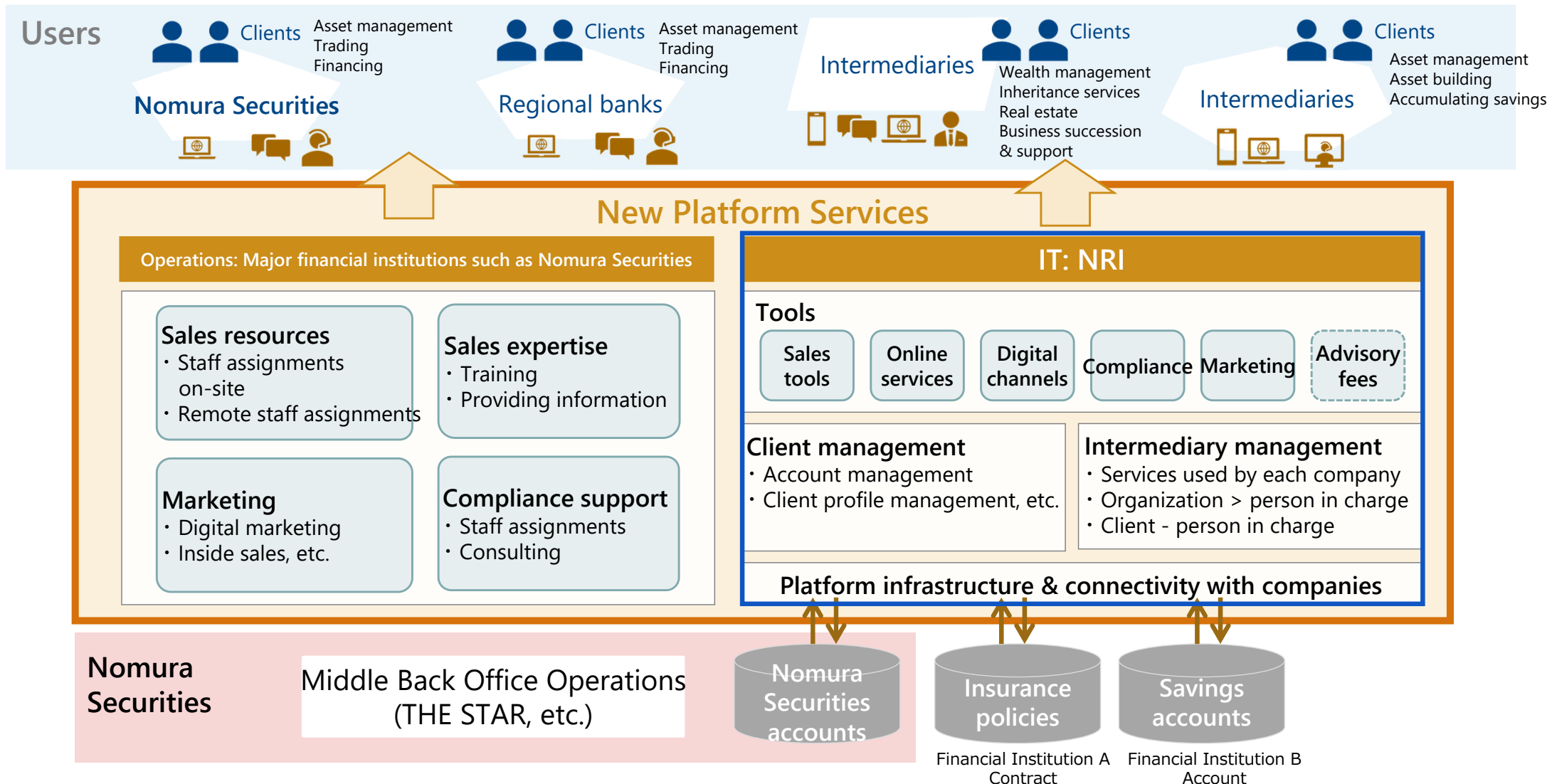
### History of major movements

2020.03.30	NRI issues Japan's first digital bonds
2021.04.01	ibet for Fin consortium established
2021.04.20	SBI Securities conducts Japan's first STO for ordinary investors
2022.04.25	Mizuho Trust & Banking joins consortium
2022.05.24	The Nomura Trust and Banking joins consortium
2022.06.01	Japan Exchange Group determines terms and conditions for issuance of Digitally Tracked Green Bonds, Japan's first green bonds using a digital scheme
2022.06.21	Mizuho Securities joins consortium

DX 1.0	IT services + BPO
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DX 3.0	My Number

## (4) Cross-industry Financial Intermediary Services

- Provide services with operations expertise for supporting intermediary operations, combined with IT functionality
- Support the financial business of financial instrument intermediaries, including non-finance businesses



DX1.0	IT services + BPO
	GRCS
DX2.0	Digital assets
	Cross-industry services
DX3.0	My Number

## (5) More Convenience for Consumers with My Number as Infrastructure ①

- Primarily operate three services to promote use of the My Number system from the perspectives of citizens
- Help drive the prevalence of the My Number system as one of Japan's largest services providers

Number management service

**-e-BANGO-**

- Services to securely store and manage My Numbers in environments compliant with the security control measures specified in the My Number Act
- Managing 31 million records, the most in Japan, primarily of major financial institutions, etc.

Identity verification service

**-e-NINSHO-**

- Online identity verification and My Number collection services utilizing the electronic signatures stored in My Number cards
- Used broadly in both the private and public sectors, with the largest usage volume of any service in the private sector

Digital platform linking private and public

**-e-私書箱**

- Service for private companies and businesses to send notifications and other info to individuals electronically using the Mynaportal government services app
- Providing electronically-issued documents such as insurance premium deduction certificates needed for filing tax returns. Planning to expand the scope of applicable documents.

## (5) More Convenience for Consumers with My Number as Infrastructure ②

DX1.0	IT services + BPO
	GRCS
DX2.0	Digital assets
	Cross-industry services
DX3.0	My Number

- Advancing initiatives for public services and government administrative procedures that deliver tangible convenience for consumers

### Financial institutions

- Open brokerage and bank accounts
- Identity verification for funds transfers



Save time and labor in procedures at financial institutions

PayPay Bank account opening screen



### Government administrative procedures

- Applications for issuing documents such as deduction certificates electronically
- Submit applications to local governments (Yahoo! Kurashi, LINE)



Save labor in government administrative procedures

Yahoo! Kurashi (living) usage screen

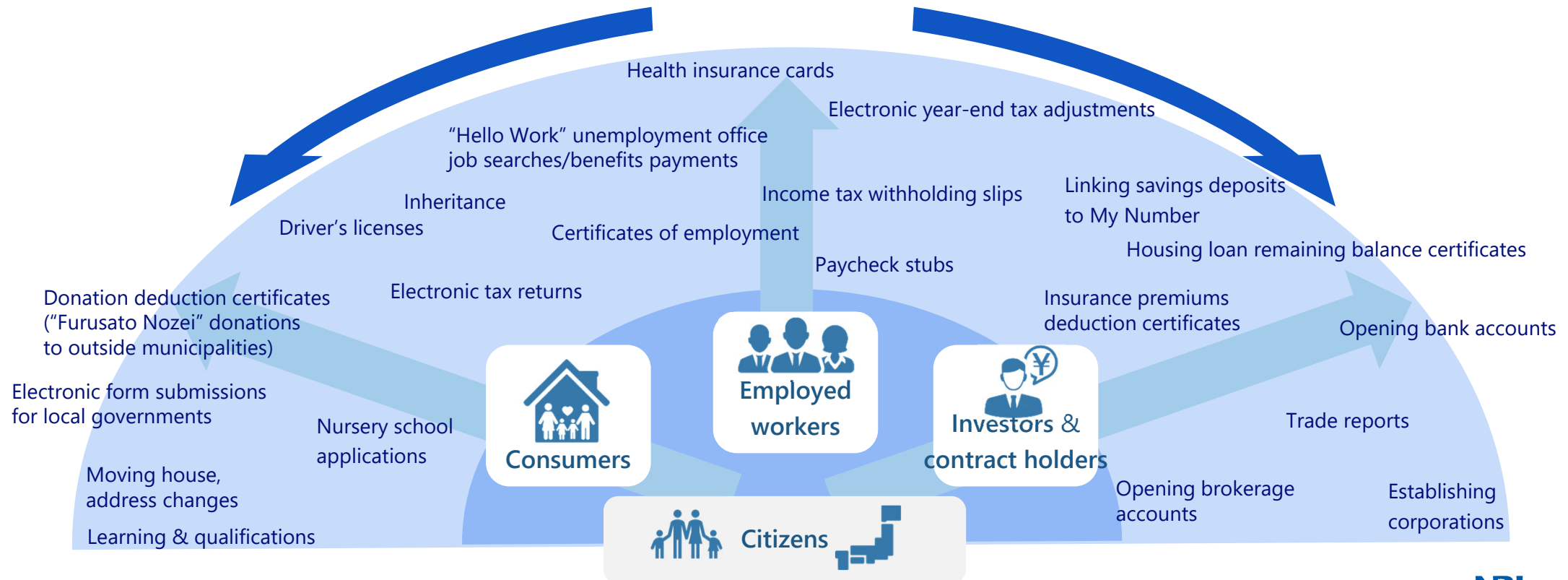


DX1.0	IT services + BPO
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DX2.0	Digital assets
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## (5) More Convenience for Consumers with My Number as Infrastructure ②

- Support incorporation of the My Number system into society, and find ways to grow business opportunities in many different areas by creating usage scenarios in the areas of life where we are in position to gain this experience
- Provide services that efficiently link governments with citizens, and work toward transforming society

### Strategically devise opportunities for digital experiences from the consumer's perspective



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Our History in Financial Business Platforms

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Financial Business Platform Strategy

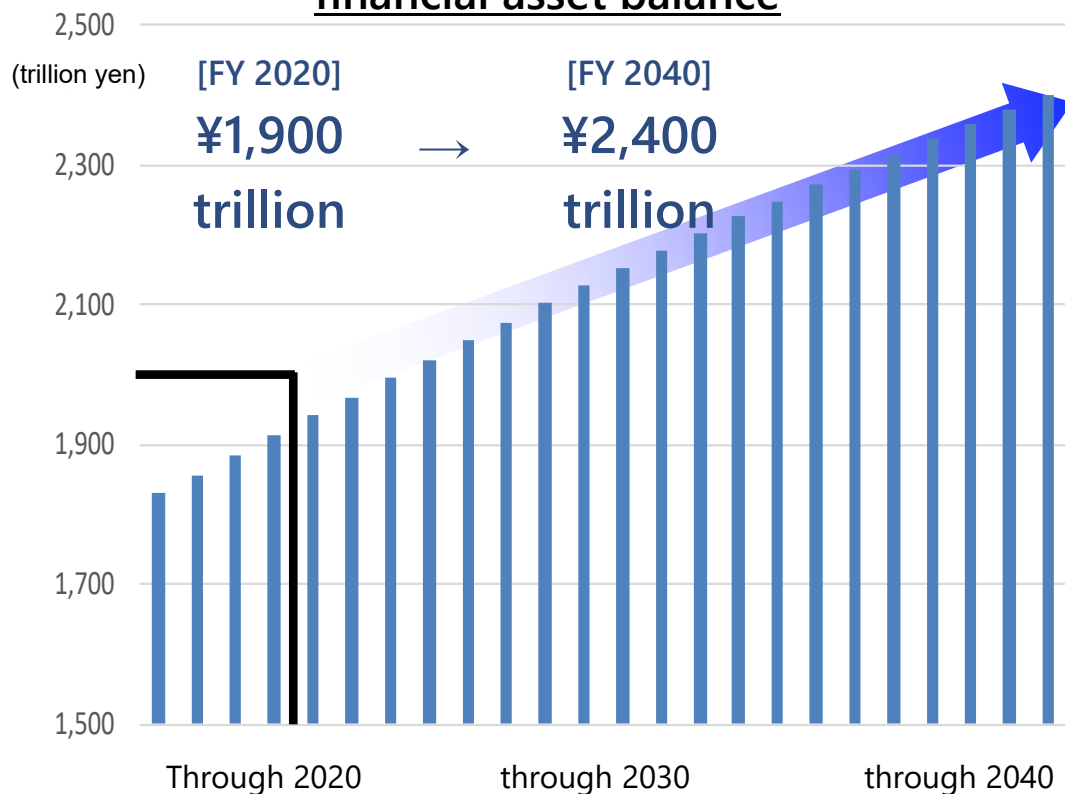
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Looking Toward Continued Growth

## Growth of Financial Assets and Number of Investment Accounts

- Financial assets have grown as a result of systems and policies such as the Doubling Asset-based Incomes Plan and the revised pension system
- The range of investors has grown as interest in investment management has grown among younger generations

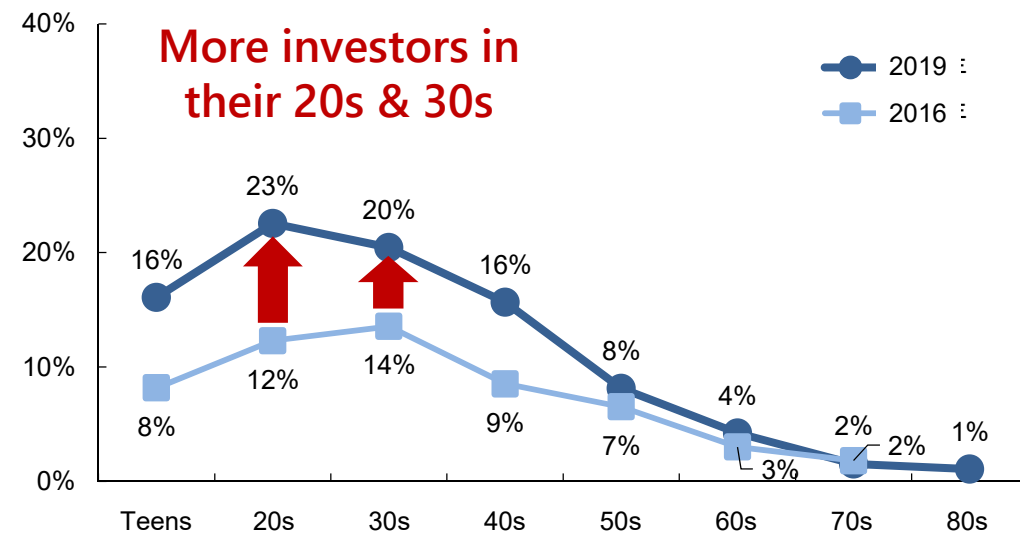
### Future calculation of household financial asset balance



Source: Created by NRI based on the Bank of Japan's "Flow of Funds Data" (2018)

### Potential growth in the number of investment accounts

<Change in the ratio of inexperienced investors (interested in asset management)>



Source: NRI "Questionnaire Survey of 10,000 Consumers (2016, 2019)

## More Financial Services Usage Scenarios

- Fueled by online investing, digital financial services are gaining prevalence, particularly among younger generations
- The ratio of experienced investors which had previously increased along with age is now evening out due to the sudden rise among younger generations

### New online investing services

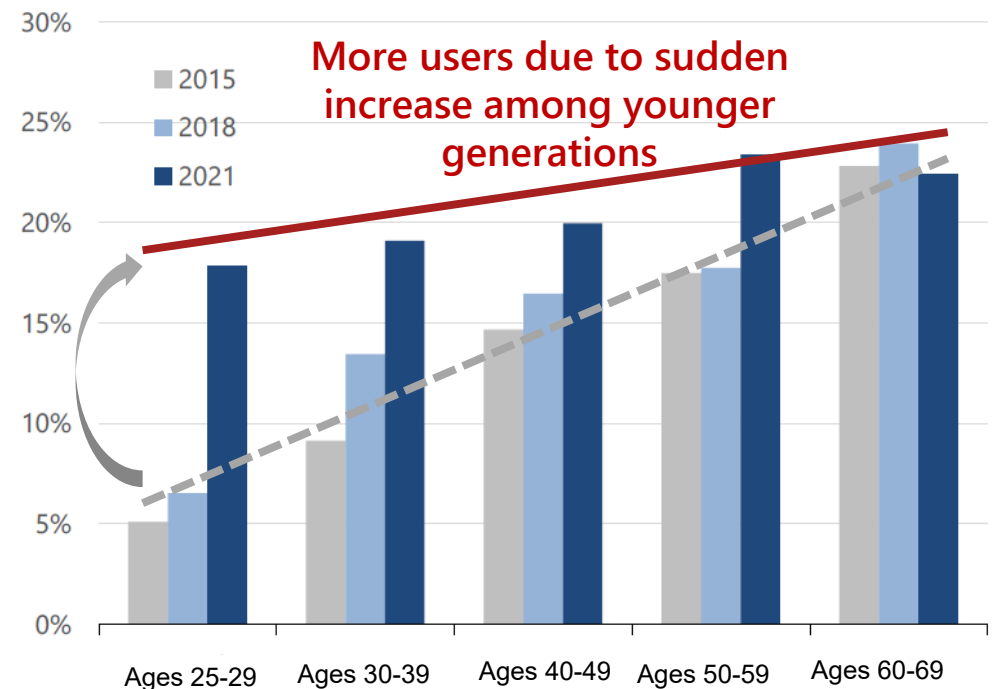
Purchasing at high-frequency  
(daily) and/or in small sums

Investing with credit or points

Robo-advisors

Remote financial consulting

### Ratio of individual investors



Source: NRI "Questionnaire Survey of 10,000 Consumers" (2016, 2018, 2021)

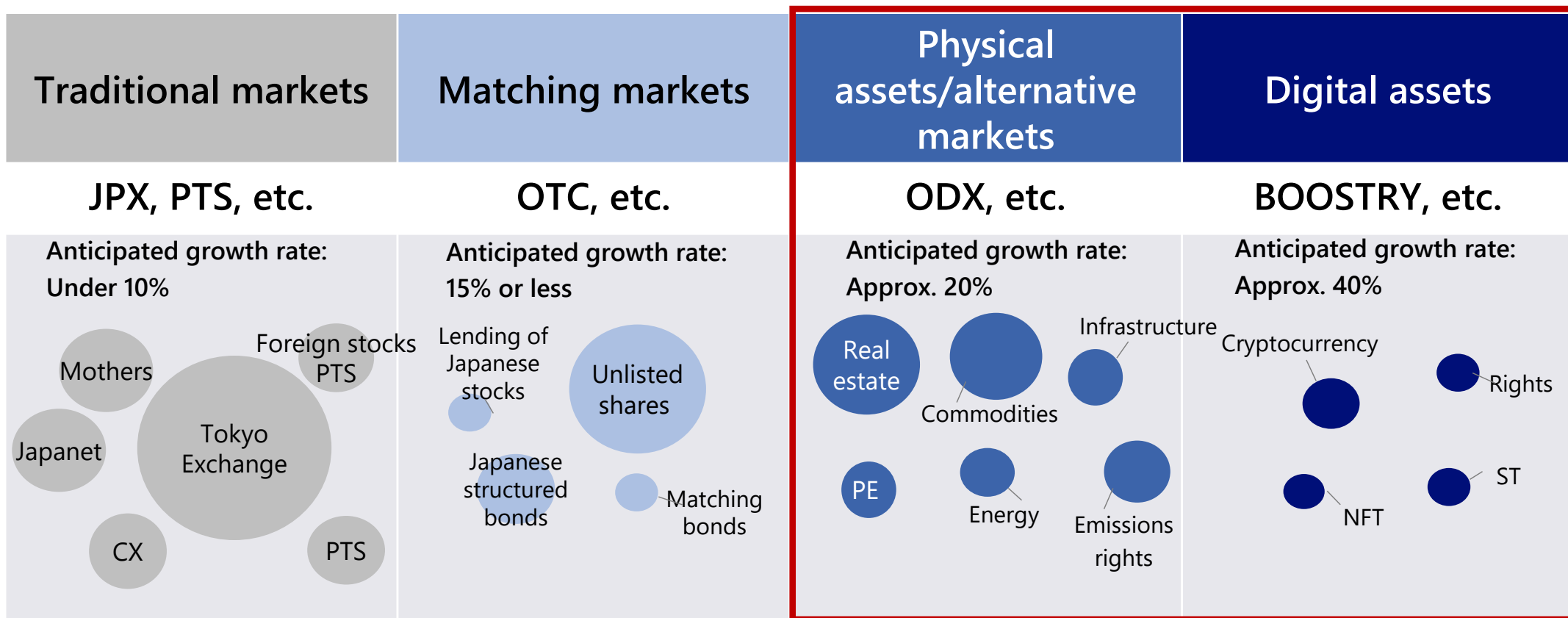


## Diversifying Instruments & Markets

- Instruments have been diversifying and digitalizing in recent years, including securitization and issuing security tokens in real estate
- Accompanying growth is therefore expected in physical assets/alternative markets and digital assets

### Diversifying instruments & markets

High growth rate expected



Tabulated by NRI (larger circles indicate larger markets)

# Evolution of Financial Business Platforms

- Incorporate three growth drivers into the evolution of financial business platforms, expand clients' business and turn it into business growth for the NRI Group
- Achieve growth also outside the trajectories of existing business between now and 2030

Currently

Transformation of clients, industries, and society

- ✓ Translate the digitalization trend into business expansion
- ✓ Develop business through partnerships spanning industries & business types
- ✓ Compliance with global regulations & more operational efficiency

Growth drivers (fueling change)

Growth of financial assets & number of accounts

More usage scenarios for financial services

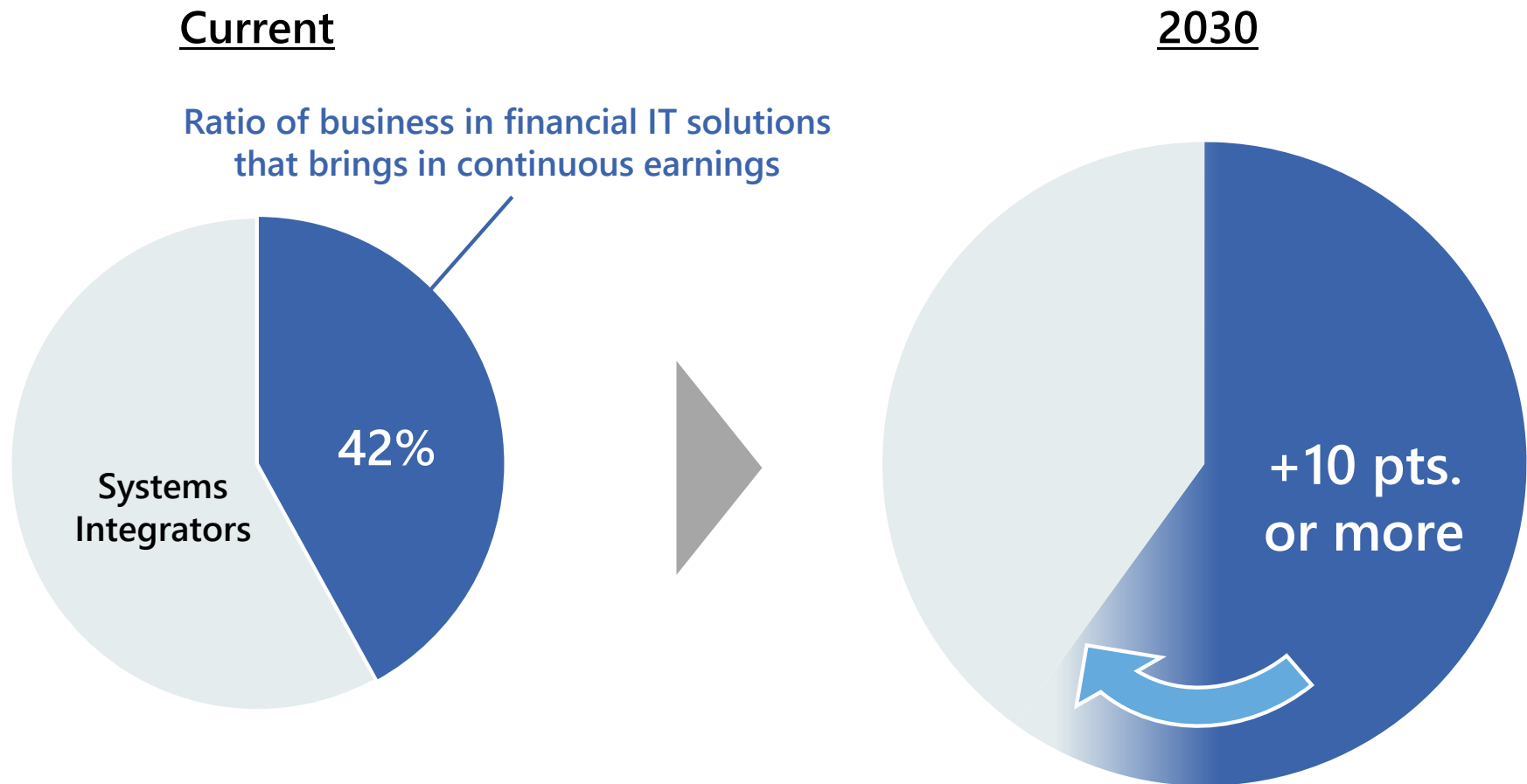
Diversifying instruments & markets

Evolution of financial business platforms

- ✓ All-inclusive services
- ✓ Schemes that are easy to link with peripheral services according to client strategy
- ✓ New earnings models & business schemes

## Ratio of Continuous Business in Financial IT Solutions

- We aim to increase the ratio of business in financial business platforms that brings in continuous earnings by 10 percentage points or more



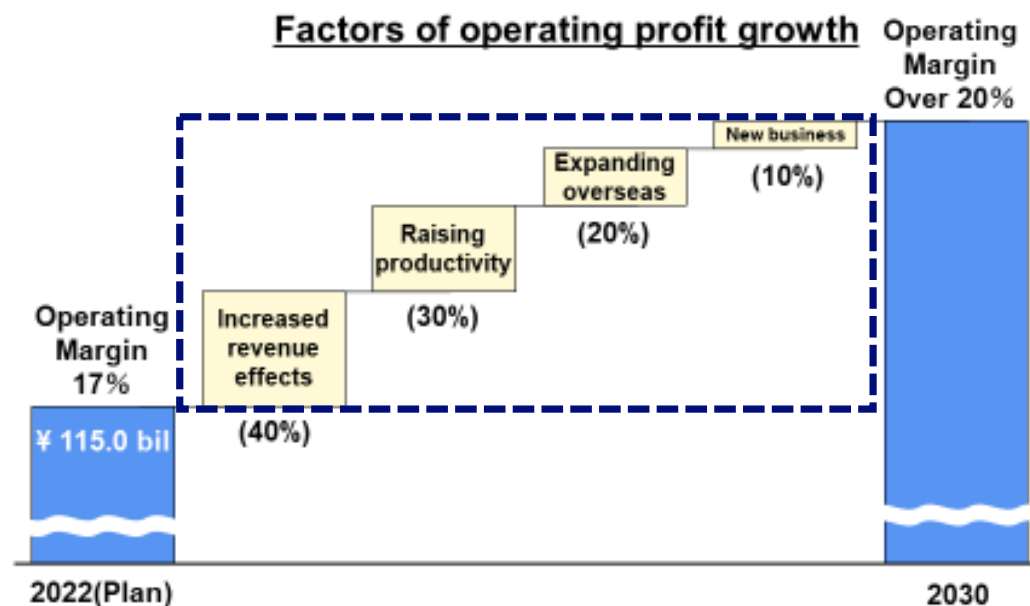
## Profit Contribution in Group Vision 2030

- Aiming to increase our ratio of platform business and have it comprise 50% or more of profit in financial IT solutions

### Group Vision 2030 (Outline)

## Operating Profit Growth Outlook

- **Increased revenue effects**: Profit growth through larger clients and other means to increase sales
- **Raising productivity**: Expand platform business and leverage digital IP, AI, and other properties to aid advancement in areas such as production innovation
- **Expanding overseas**: Increase profit margins in Australia and establish business infrastructure in North America
- **New business**: Monetize new types of services such as DX 3.0

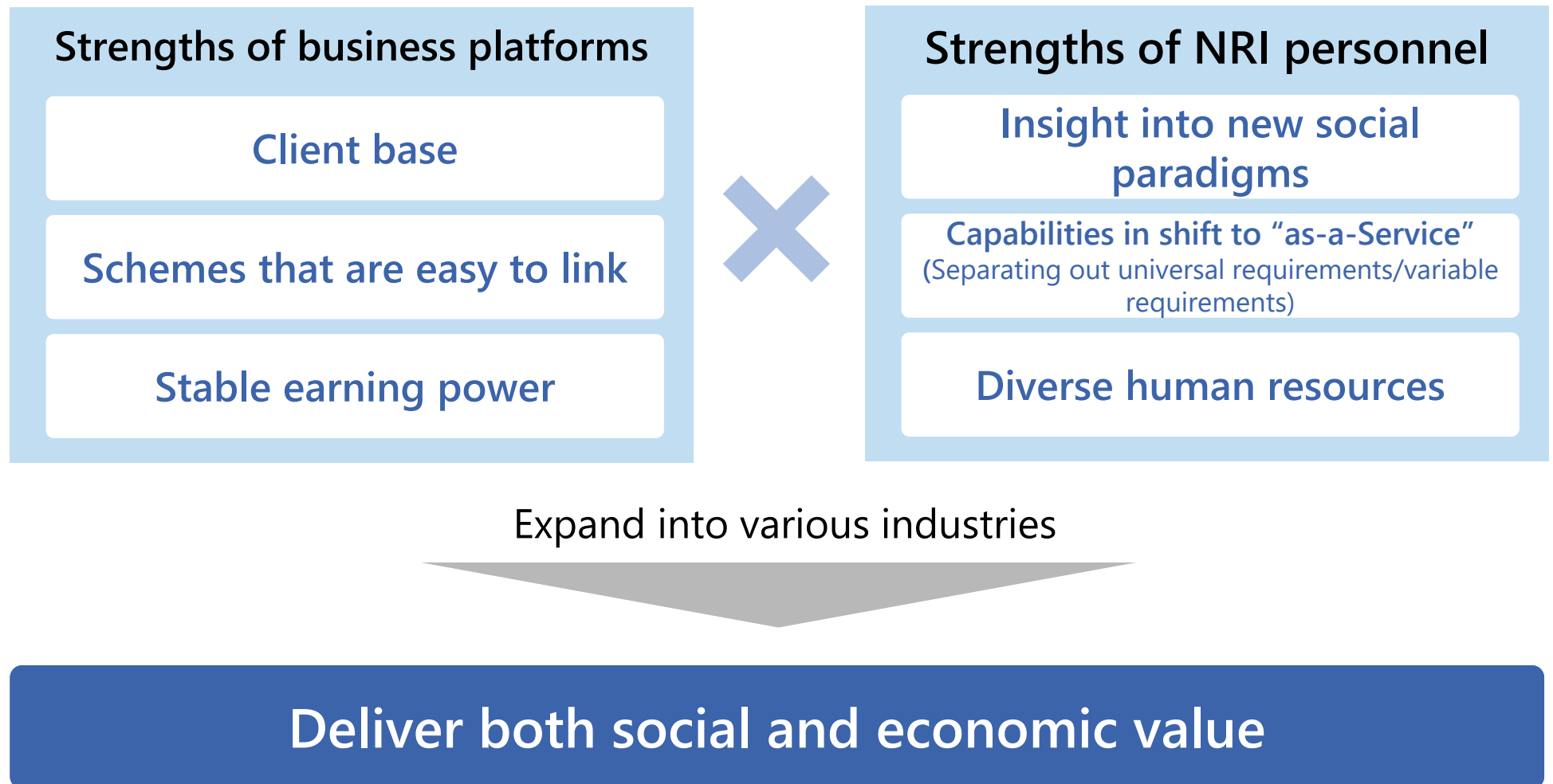


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# In Closing

- Leverage the strengths of financial business platforms and of NRI's personnel to expand into various industries
- Become an indispensable presence in society and boost earnings for NRI



# In Closing



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

## Social Value Creation through Business Platforms

Work on incorporating My Number into society, **promote digital government** for government agencies, and help to **make society more convenient overall**



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

**Create a society that utilizes human and physical resources effectively** by offering even better business platforms and making them more efficient



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

**Provide dependable services** through compliance with global regulations and more advanced infrastructure including security

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Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors.

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