

Business Briefing

Business Strategy of Industrial IT Solutions Segment in Japan

Nomura Research institute, Ltd.

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Senior Executive Managing Director

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Professional Experience

1990 - Present Nomura Research Institute, Ltd.

- 2023 Senior Executive Managing Director
Head of Industrial IT Solutions
Division Manager of Industrial Solution Business Development Division
(present)
- 2022 Senior Executive Managing Director
Head of Industrial IT Solutions
Division Manager of Industrial Solution Business Development Division
Division Manager of Distribution Solution Division
- 2020 Senior Corporate Managing Director
Division Manager of Industrial Solution Business Development Division
- 2017 Senior Corporate Managing Director
Division Manager of Systems Consulting Division
- 2014 Senior Managing Director
Division Manager of Platform Services Division
- 2013 Senior Managing Director
Division Manager of Systems Consulting Division
- 2011 Senior Managing Director
Division Manager of IT Platform Integration Division
- 2010 Senior Managing Director
Deputy Division Manager of Systems Consulting Division

Today's Topic

- NRI has expanded its industrial fields to build a powerful business portfolio.
- Our Industrial IT solutions segment in Japan applies expertise established over many years by working together with consulting segment to support clients' transformations.
- We seek further growth by continuing to be a main partner for DX growth companies and expanding our client base leading up to 2030.

DX growth companies are expected to advance business transformations envisioned for the next 10 years while actively investing in digital

Trends in client DX initiatives

DX growth companies

- Growing in new business fields, spearheading industry restructuring and business transformations
- Senior managers exercising leadership and reforming how work is done company-wide, assuming usage of digital and AI



(Examples)
AI ordering system
Supply chain optimization



More sophisticated e-commerce
shipping & transport/delivery
operations



Building regional coverage &
maximizing added value per ID

The environment surrounding companies is changing irreversibly

- Importance of solving social & environmental issues, addressing geopolitical risk
- More activity entering different industries & restructuring of industries
- Expanded utilization of AI business, evolution of cloud & generative AI
- Emerging state of personnel shortage

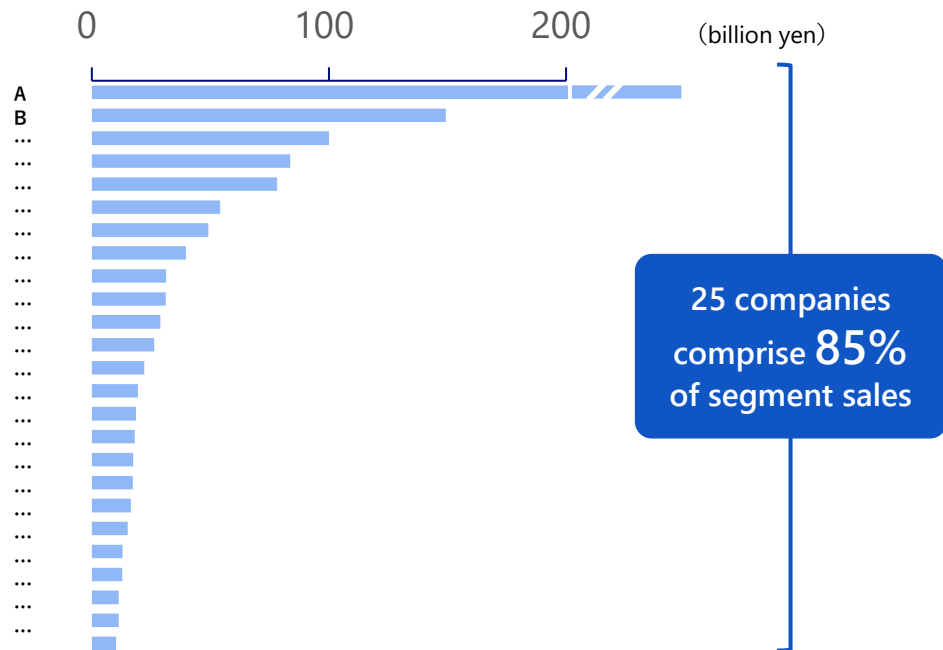
**Difficulty of transformations is increasing and the investments are larger in scale.
Transformations are not transitory, they are ongoing efforts**

Business with major clients will drive earnings growth in the Industrial IT solutions segment in Japan by supporting DX growth companies

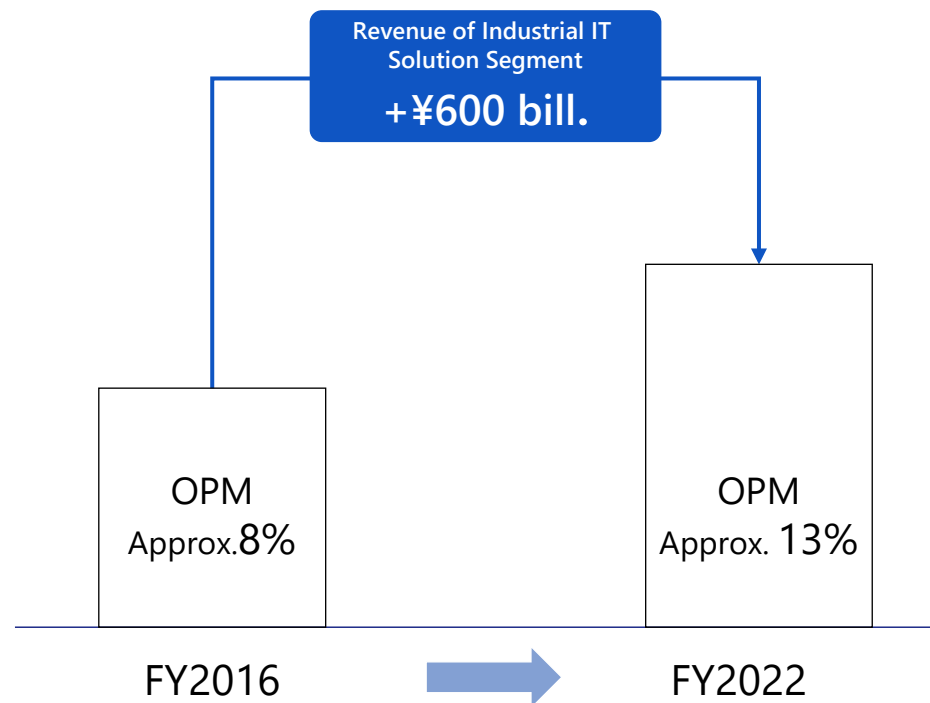
25 clients with revenue of at least ¥1 billion comprise 85% of Industrial IT solutions segment (Japan) sales

Revenue has grown by approx. ¥60 billion over the past 6 years
Operating profit margin has improved by 5 points

Revenue of main clients in FY2022



Profit growth from FY2016 to FY2022



Companies whose senior managers exercise leadership pursuing transformation and growth have high expectations for NRI

Portraits of clients who have expectations for added value offered by NRI

Companies who share long-term visions at the management level

Companies who see themselves driving industries through DX and innovation

Companies whose senior managers make decisions to spearhead transformations

Industry-leading companies who demand NRI's high quality*

* Contributing to stability, ease-of-use, and business for systems intended to handle large transaction volumes and large volumes of data

Main clients

- Main Industry : Retail & Distribution, Service, Consumer goods, Real estate, Manufacturing, Automobile
- Seven & i HD, KDDI, Ajinomoto, Yamato HD etc

NRI's added value lies in offering functionalities essential to clients' transformations and growth from a medium- to long-term perspective, supported by high quality

Case Study :
Company A in the
Service Industry

NRI has been working alongside clients on their growth strategies to transform their business stages and expand their regional coverage for over 10 years

Client's business stages

2010

2020

Platform providers
for future society

Client's business challenges

Our value-added services

Create new lifestyles & services

Digital technology x New customer experiences

Ecosystem
(core + new
services)

Expand regional coverage by creating & integrating new services

Planning new services x enterprise agile development

Core business

Establish revenue base with high added-value services

Business consulting x
designing large-scale high-difficulty systems

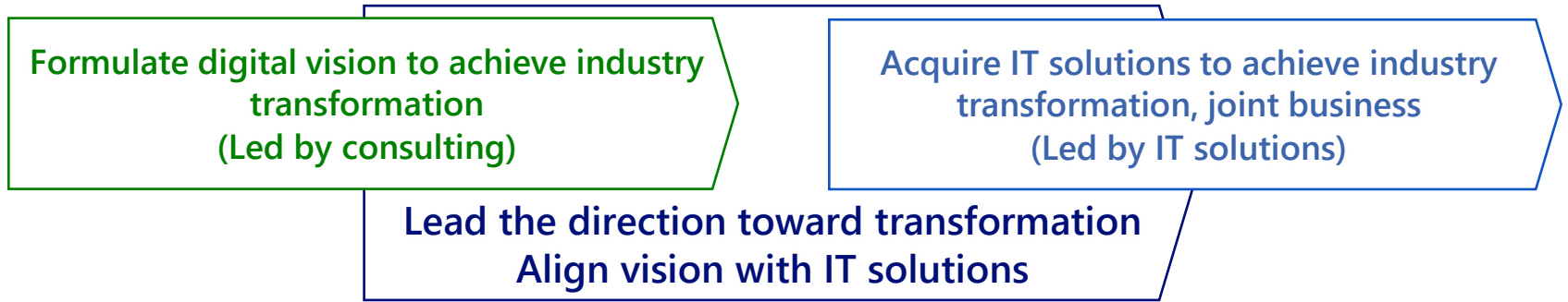
Maximize NRI's added value by working together with consulting on client development (PAR actions)

PAR actions are:

Activities to increase client scale by determining strategic clients and having executives play a leading role in company-wide efforts from a medium- to long-term perspective

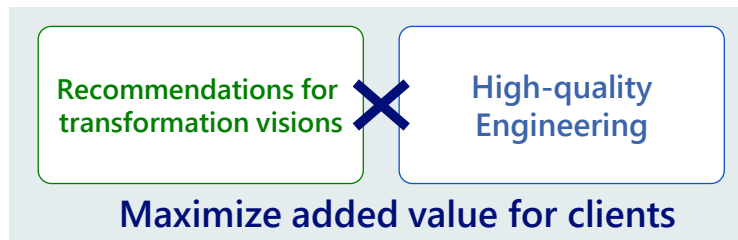
- Assign NRI representatives (PARs: Prime Account Representatives) for each strategic client

Industrial IT solutions segment: Steps to successfully increase client scale



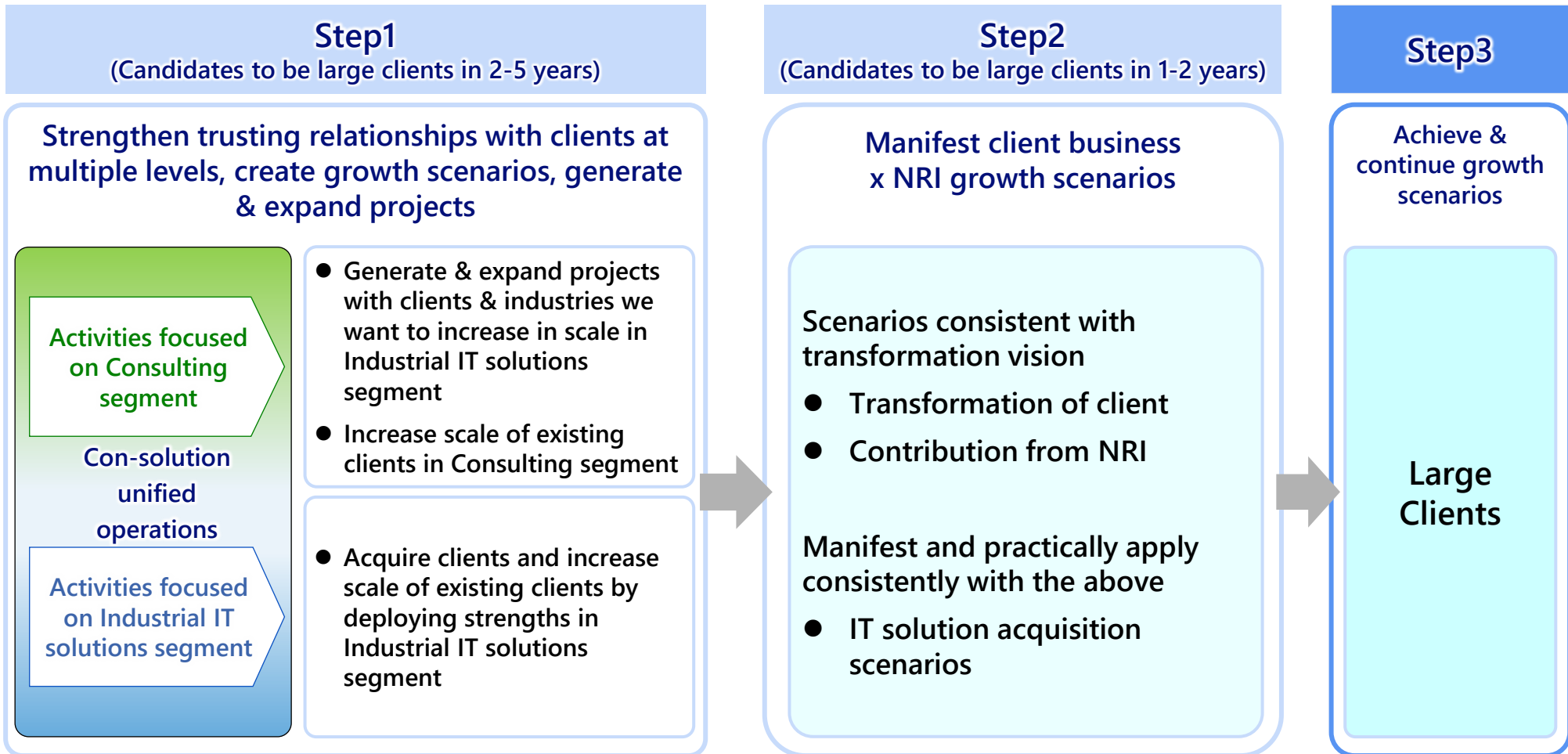
Con-solution teamwork is:

Maximizing NRI's added value with consulting and IT solutions working together



Working together with consulting to create client business growth x NRI growth scenarios and expand client base from a medium- to long-term perspective

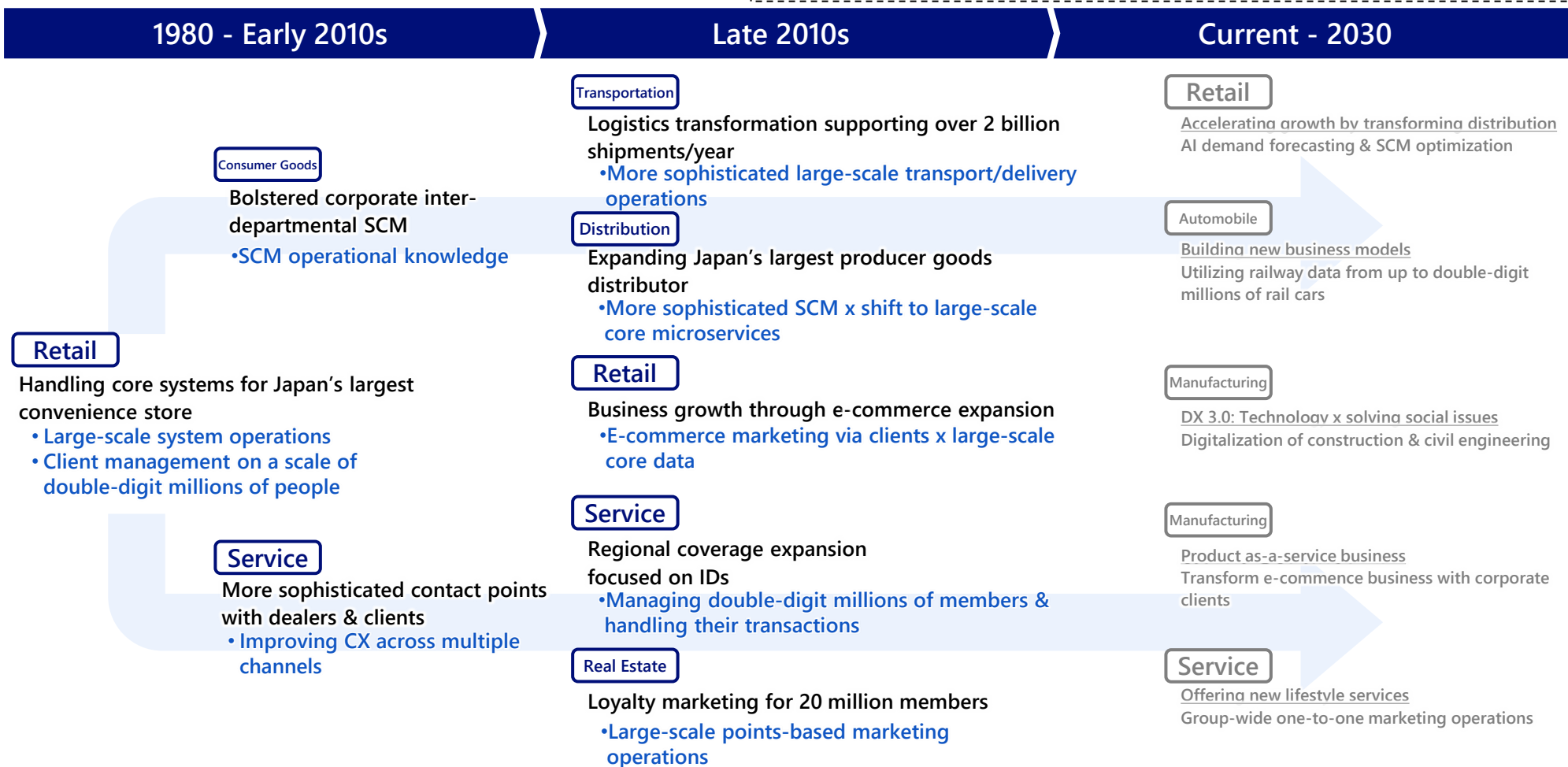
Steps to becoming a main partner to DX growth companies (= Steps to increasing client scale)



Business Strategy | Our Areas of Expertise and Strengths

NRI's strengths lie in designing and realizing competitive domains for clients based on our expertise in operating large-scale systems and contributing to business (promoting functionalities essential for growth, not standardized domains)

Black text: Clients' business challenges Blue text: NRI's established expertise



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Our Areas of Expertise and Strength (1)

Large-scale supply chain optimization

Bolstered corporate inter-departmental SCM
•SCM operational knowledge

operations
Distribution

Expanding Japan's largest product goods

Our Areas of Expertise and Strength (2)

Large-scale client management x More sophisticated customer experience (CX)

double-digit millions of people

Service

Regional coverage expansion

Our Areas of Expertise and Strength (3)

Contributing to high-quality system operations & business growth

assuming large data & transaction volumes

operations

Topics of large-scale transformations will continue to expand regardless of industry

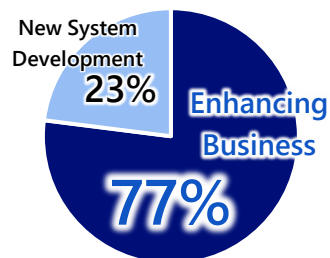
- Business transformation utilizing AI
- Building new businesses that use IoT/AI data
- Product as-a-service business
- Structural reforms combining front end x supply chain
- Offer new services focused on IDs

NRI supports clients' transformation & grows together with them

Supporting clients' continuous growth by contributing to long-term transformations

Achieve continuous growth for NRI originating in contributions to long-term continuous transformations
(= enhancing business)

Revenue Ratios in the Industrial IT solutions segment



Maintenance for existing systems, ongoing improvement activities with existing clients (planned to start from last fiscal year)

New clients and new projects form existing clients (Within the current fiscal year)

Contribute to continuous transformations by working together with consulting

Top 10 companies by revenue in FY2022	Retention Rate (Past 7 years)	100%
	Average Revenue* per company	

FY2015 **58bill.** → FY2022 **107bill.**

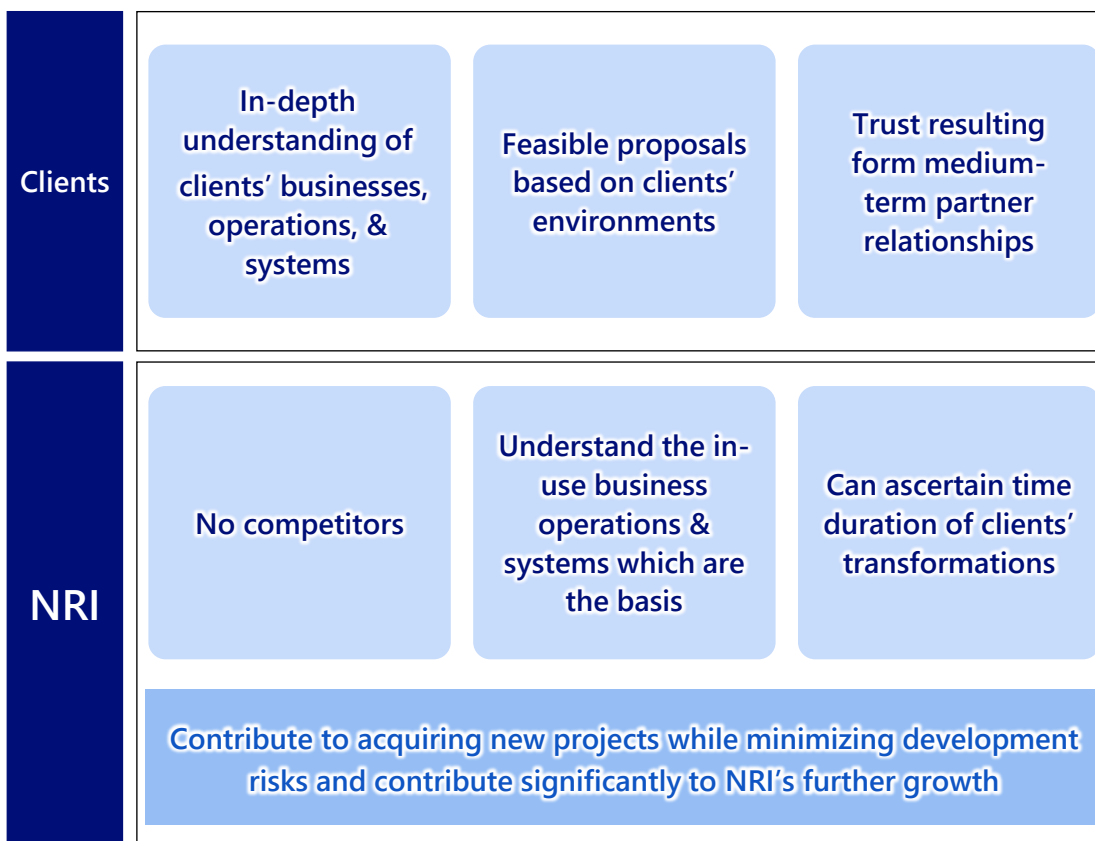
- SEVEN-ELEVEN JAPAN CO.,LTD.
- KOKUBU GROUP CORP.
- ONWARD KASHIYAMA Co.,Ltd.

Providing systems development & operations outsourcing for over 40 years

*Revenue of Industrial IT Solution Segment

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Our Value in Enhancing Business

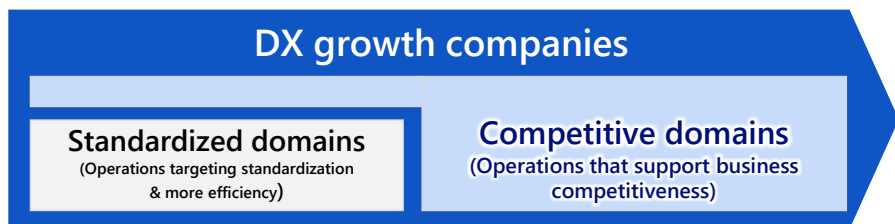


Continue stable growth supported by high added value & our client base

Advantage (1) : High added value

Added value provided:

- Recommend transformation visions to industry-leading companies, design clients' competitive domains together with them and turn these into reality



NRI

Process for providing added value:

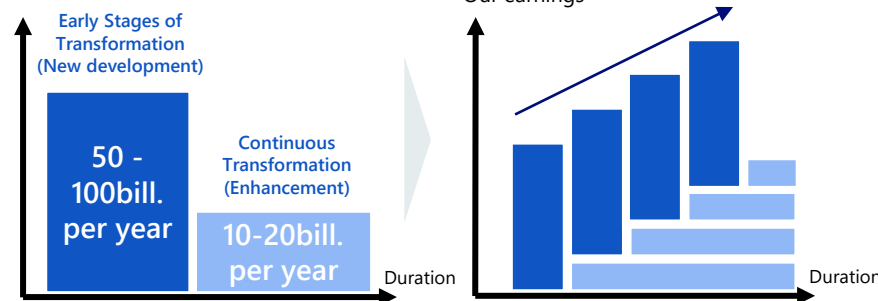
- Build medium- to long-term trusting relationships
- Repeat this process, recommend and achieve transformation visions over the long term
- Deliver high-quality engineering that assumes large data & transaction volumes

Advantage (2) : Medium- to long-term trust with clients

- Create broad-ranging medium- to long-term trusting relationships all the way from senior management to worksites and recommend ongoing transformations to clients who have high expectations for NRI's added value
- Deliver ongoing transformations (enhancements) & acquire new projects while minimizing development risk
- Consequently, minimize staffing excesses and deficiencies per fiscal year by combining large-scale development for multiple clients with enhancements

Continued stable growth with evened-out earnings growth

Investment size per client
(= Our earnings)



Growth Goals

Become clients' long-term strategic partner & aim to achieve V2030

New potential Large Clients

— Focus Theme —

SCM, EC
Transportation,
AI, Ecosystem

— Focus Industry —

Service, Real Estate,
Retail/Distribution,
Manufacturing



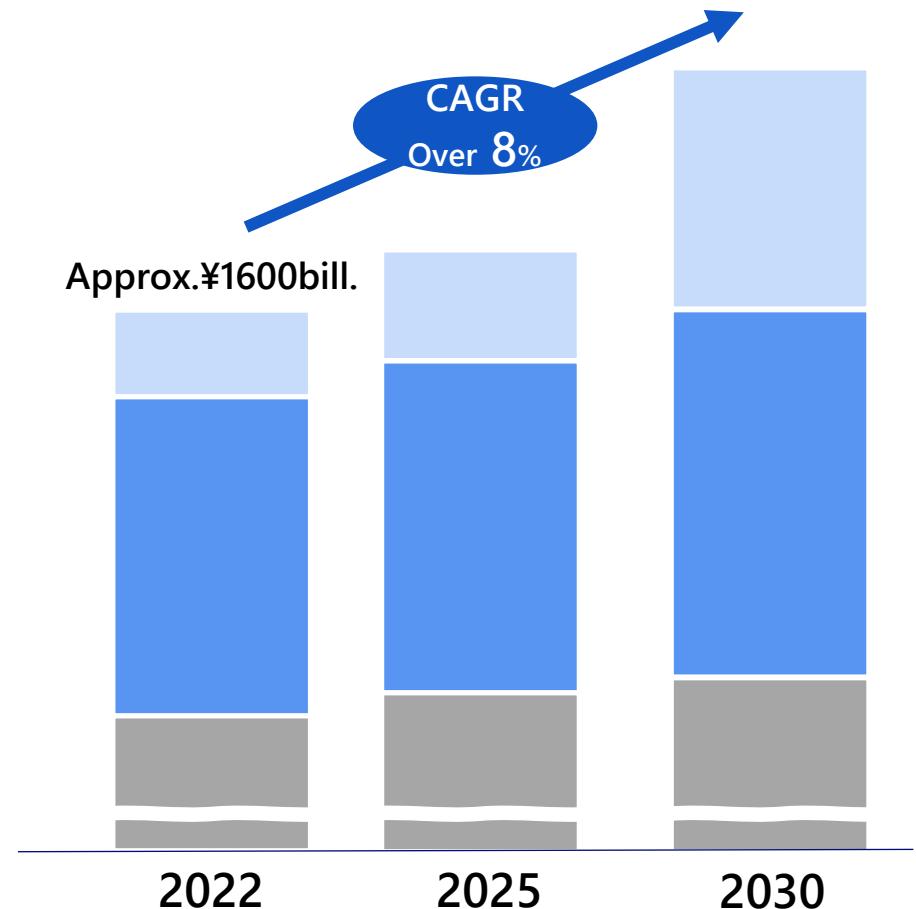
Consulting and IT solutions working together

Existing Large Clients

Seven & i HD/KDDI/Ajinomoto/
Yamato HD, Automobile, Services etc

Midsize Clients

Seek growth of at least **90%**
in FY2030 vs. FY2022



Activities for Sustainable Growth (NRI's value in accelerating DX growth companies)

Further increase client scale by providing the aforementioned high added value in combination with NRI's contribution methods to grow together with clients

Methods for contributing to clients' transformations

(provided in combinations)

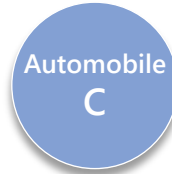
- 1 NRI owns the assets and provides them as a service
- 2 Deploy expertise that has competitive strength in multiple industry types (SCM optimization, more sophisticated customer experience, etc.)
- 3 Incorporate technical knowledge that clients no not yet possess
- 4 Create strong relationships through support by information systems staff and subsidiaries (includes establishing joint ventures)
- 5 Develop joint business committed to client's business transformation (includes establishing joint ventures)



Provide business systems which are the focal point as services via NRI's own investment from the beginning stages. Contribute to company's growth.



Contribute to growth by shifting client contact points to DX through horizontal deployment of NRI's expertise in retail and e-commerce



Acquire technical knowledge through advance investment by NRI and become the company's partner from the R&D stage. Assist the company's growth



Equity participation in information systems subsidiary and leveraging NRI's knowledge to bolster IT operational capabilities that support business growth



Establish new company for DX business
Seek to co-create business leveraging strengths of both the client and NRI

Real-world example



Activities for Sustainable Growth (AI Utilization)

Utilizing AI to advance productivity improvement at NRI and also support expanded AI utilization in clients' operations

Improve productivity through use of generative AI (within NRI)

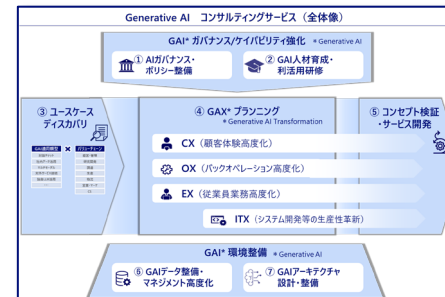
Expand usage of AI starting in effective processes according to the characteristics of clients' systems

Development Process	Utilizing AI for Activities
Planning & Investigation	Plan creation, review assistance and information gathering
Design	Design document review assistance
Development	Rewriting and code generation
Testing	Test case generation and Test automation
Operations & Maintenance	Inquiry support and semi-automation of investigation and counter measures

Expand AI usage in clients' operations

Together with consulting, work alongside clients from operational usage concept through implementation

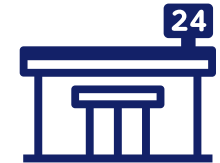
Provision of generative AI utilization consulting



Examples of initiatives

- Service Industry Company A
Exploring business use cases for generative AI
- Service Industry Company B
Support for Building AI Governance

Enhancement of Business and Systems through AI Utilization

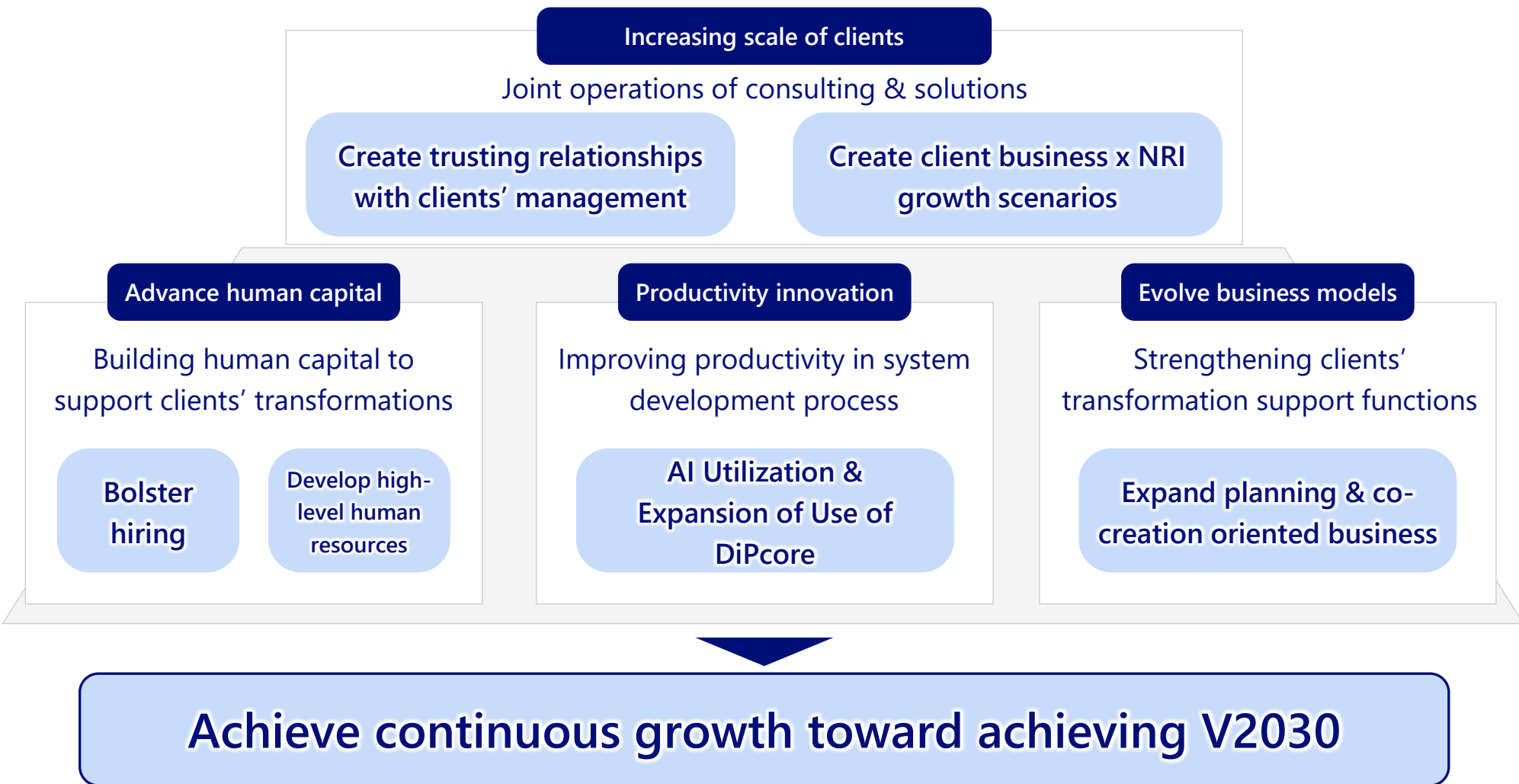


Examples of initiatives

- Retail Industry Company C
AI requires prediction and automatic ordering

Activities for Sustainable Growth (Summary)

In addition to increasing scale of clients, achieve continuous growth through progress in improving human capital, production innovation, and business model evolution



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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.

The Company does not undertake to revise forward-looking statements to reflect future events or circumstances.

Figures given in the reference data related to the financial results forecasts are figures which are only intended to convey the Company's current circumstances and outlook. The Company does not undertake to revise the forecasts to reflect new information or circumstances.



**Envision the value,
Empower the change**