Transition of Growth Strategy

**Vision2015 NRInnovation**

**Objective:** To provide a business platform that laterally spans the industry and market

**V2015 Growth Targets and Results**

- Increase sales to the industry average and profitability and NRInnovation in the industry
- 2015 Growth Rate (CAGR) 2.6% (from FY March 2009 to FY March 2015)
- Operating profit: ¥12.3 billion or more
- Overseas revenue: ¥123.2 billion or more

**Powerful business portfolio**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>471.4 billion</td>
<td>501.2 billion</td>
</tr>
<tr>
<td>Operating profit</td>
<td>71.4 billion</td>
<td>73.8 billion</td>
</tr>
<tr>
<td>Operating margin</td>
<td>14.3%</td>
<td>15.7%</td>
</tr>
<tr>
<td>ROE</td>
<td>12.9%</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

**Specific Initiatives**
- Established joint ventures: 4 firms
- Established overseas bases: 3 offices mainly in Asia

**Strategy and Main Results**

**Vision2022 Share the Next Values!**

**Objective:** Expand the customer base and take on the challenge of new areas, including global and digital

**Growth Strategy**

- Target profitability in specialty areas in Japan
- Expand industry-standard business platforms and develop large-scale clients
- Establish joint ventures: 4 firms
- Global acquisition: Australia, 2 firms; North America, 1 firm

**Financial Targets and Results**

<table>
<thead>
<tr>
<th>FY March 2016 Results</th>
<th>MTP2018 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>¥501.2 billion</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥71.4 billion</td>
</tr>
<tr>
<td>Operating margin</td>
<td>14.3%</td>
</tr>
<tr>
<td>ROE</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

**DX Strategy**

- Business Platform Strategy
- Cloud Strategy
- Global Strategy

**Human Resources Strategy**

**Growth Strategy**

- DX Strategy
- Business Platform Strategy
- Cloud Strategy
- Global Strategy

**Human Resources Strategy**

**Revenue / Operating Profit (billion yen)**

**Operating Margin / ROE (%)**

**Ratio of Revenue in Japan and Overseas**

**Ratio of External Revenue by Segment**

**Message from the CEO**

NRI's Value Co-Creation

**Integrated Report 2023**
Looking Back on V2022

NRI achieved the planned values for all financial targets in its Long-Term Management Vision “Vision 2022.” We also received high recognition from external evaluation organizations for our efforts to solve social issues through value co-creation (CSV: Creating Shared Value) and our ESG initiatives.

Results of V2022

Through efforts in the Medium-Term Management Plan (2016–2018) and the Medium-Term Management Plan (2019–2022), we achieved the planned values for all of the indicators of financial targets set in V2022.

As the five pillars of NRI’s growth strategy, V2022 promoted 1) dramatic expansion of globalization, 2) enhancement of the IP lineup, 3) promotion of business value creation, 4) further pursuit of production innovation, and 5) collaboration and mobilization of diverse human resources. We worked to achieve our financial targets of operating profit of ¥100 billion, an operating margin of 14% or higher, overseas revenue of ¥100 billion, and ROE of 14%.

NRI overcame the new issues that became apparent as our initiatives progressed, and we grew at a high compound annual growth rate (CAGR) of +9.8% for operating profit and a CAGR of +35.6% for overseas revenue.

V2022 Financial Targets and Results

<table>
<thead>
<tr>
<th>FY March 2016 (Results)</th>
<th>FY March 2023 (Results)</th>
<th>V2022 Targets</th>
<th>Compound Annual Growth Rate (CAGR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥421.4 billion</td>
<td>¥692.1 billion</td>
<td>+7.3%</td>
</tr>
<tr>
<td>Overseas revenue</td>
<td>¥14.6 billion</td>
<td>¥123.2 billion</td>
<td>+35.6%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>¥58.2 billion</td>
<td>¥111.8 billion</td>
<td>+9.8%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>13.8%</td>
<td>16.2%</td>
<td>14% or more</td>
</tr>
<tr>
<td>ROE</td>
<td>10.6%</td>
<td>20.7%</td>
<td>14%</td>
</tr>
</tbody>
</table>

ESG Initiatives Highly Recognized by External Evaluation Institutions

Under V2022, we worked not only to achieve our financial targets, but also actively pursued initiatives in non-financial areas, including ESG.

These efforts have been recognized by various external evaluation agencies and have received the highest ratings from Dow Jones, MSCI, and CDP.

NRI was also selected as a Winner Company for Corporate Governance of the Year 2022, which was held by the Japan Association of Corporate Directors.

External Recognition (Examples)

Dow Jones Sustainability Indices

- World Index
  - Adopted for five consecutive years from 2018
- Asia Pacific Index
  - Adopted for seven consecutive years from 2016

MSCI ESG Ratings*

- MSCI ESG Leaders Index®
  - Adopted for seven consecutive years from 2016
  - Awarded the highest rating, AAA, for two consecutive years from 2021

CDP

- Certified as a CDP climate change A-list company for four consecutive years from 2019
- Awarded the highest rating for the CDP Supplier Engagement Leaderboard for four consecutive years from 2019

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NRI Group Vision 2030 (V2030)

The basis of NRI's concept is to integrate economic value and social value throughout our corporate philosophy and business plans.
Under the NRI Group Vision 2030, we are engaging in the integrated pursuit of “creating a sustainable future society” and “achieving the NRI Group’s growth strategy,” based on our basic sustainability policy (materiality).

NRI Group in 2030

Our Goal

To be ahead of the times through the convergence of business and technology, with insight into the prosperity that lies beyond DX, and to dynamically transform the world with “Digital Social Capital”.

In order to create a prosperous and active society, it is necessary to realize a society with extremely high productivity. Japan is facing a declining population. Therefore, all stakeholders, including the government, industry, and consumers, must realize and utilize “digital social capital” that differs from future industrial capital.

The former Nomura Research Institute, Ltd., was established based on the concept of integrating economic value and social value. The concept of integrating economic value and social value was described in our founding prospectus, “Nomura Research Institute: Its Concept and Policies,” and is now clearly stated in our corporate philosophy. NRI’s ideal form for V2030 is consistent with the business activities that we have practiced over many years. We continue to refine this ideal form. In other words, building digital social capital for various stakeholders is the true business of NRI.

In V2030, we examined how to realize a “society we innovate” by 2030, which is a goal that we newly set in our corporate philosophy.

- Create “Digital Social Capital” for a prosperous and thriving society through the advancement of the NRI Group’s human and intellectual capital
- Promote initiatives such as business platforms for the effective use of social resources, and digital twin for the realization of an efficient society
- Establish IT infrastructure that is resilient to disasters and cyber risks so that people can utilize safe and secure digital services

By concentrating management resources on areas and themes that meet these policies, we will pursue business expansion and regional expansion in NRI’s growth story, while further deepening value creation with clients.

* Digital social capital: Common infrastructure and services that support society and industry by creating new value through digital technology

Growth Story

Core Business
In addition to “deepening and expanding” for further deepening value creation with clients through Con-Solution, we will pursue growth through the two aspects of “evolution” to achieve overwhelming competitiveness and high added value by implementing business platform expansion and comprehensive innovation of production. NRI believes that further refinement of our core areas, which are the cornerstone of our growth story, will lead to the integrated realization of NRI’s growth and the creation of social value that we aim for in V2030.

DX
In addition to DX1.0 and DX2.0, NRI will take on the challenge of DX3.0, which will have an impact on society beyond companies and industries. We will work to create digital social capital through DX2.0 and DX3.0.

Global
From a long-term perspective, relying solely on the Japanese market is risky and limits our growth potential. Moving forward, we will expand into markets of developed countries where continued growth is expected due to population growth and where the intellectual capital of IT services is well protected and managed.

DX Classifications Envisioned by NRI

Society transformation
- DX3.0: Paradigm transformation
  - Solve social issues and realize a paradigm transformation

Enterprises and Industry transformation
- DX2.0: Business model transformation
  - Create a new business model through digital technology
- DX1.0: Process transformation
  - Contribute to process transformation and infrastructure transformation of existing businesses

Value co-creation with customer

DX3.0
- Enhance competitiveness and value addition
- Strengthen Core Business
- Establish business platform with unique NRI professional services
- Strengthen business in Australia
- Growth in Japan / Asia
- Expand Core Business
- Deepen / Expand Core Business
- Establish business platform

Regional Expansion

Numerical image of 2030

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Over V1 trillion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Revenue</td>
<td></td>
<td>Over V250 billion</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>More than 20%</td>
<td></td>
</tr>
</tbody>
</table>
Sustainability Strategy (Materiality)

In V2030, we have newly incorporated a basic sustainability policy (materiality). In this policy, NRI’s materiality is defined as priority themes to be addressed as we head toward 2030 specifically, “creating a sustainable future society” and “realizing the NRI Group’s growth strategy.” We believe that pursuing these themes in an integrated manner will lead to the implementation of our corporate philosophy.

NRI’s materiality has a three-tiered structure. First, “Value Creation” refers to the realization of a sustainable future society through value co-creation with clients. Second, “Value Creation Capital” refers to the use of human capital and intellectual capital to support that value creation. Third, “Management Basis (ESG)” refers to the expansion of ESG initiatives, which is a prerequisite for value co-creation, to the supply chain with the cooperation of our business partners.

V2030’s Sustainability Strategy (Materiality)

Integrated Pursuit of Building a Sustainable Future Society and Realizing NRI Group’s Growth Strategies

<table>
<thead>
<tr>
<th>Value Creation</th>
<th>Value Creation Capital</th>
<th>Management Basis (ESG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-create a thriving future society through expansion of digital social capital</td>
<td>Co-create an optimal society through effective utilization of resources</td>
<td>Contribute to global environment through collaboration with business partners</td>
</tr>
<tr>
<td>Co-create a safe and secure society through sophistication of infrastructure</td>
<td>Advance human capital through bold actions and growth of diverse professionals</td>
<td>Fulfill our social responsibilities through strengthening of relationships with stakeholders</td>
</tr>
<tr>
<td></td>
<td>Accumulate intellectual capital through elevation of individual knowledge into organizational strength</td>
<td>Evolve governance through realization of strategic risk control</td>
</tr>
</tbody>
</table>

Value Creation Indicators and Targets

<table>
<thead>
<tr>
<th>Indicator</th>
<th>FY March 2023 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-create a thriving future society</td>
<td>Overall investment and spending on measures for SQ2.0.3.0 that transforms industries and society ¥35.0 billion*1</td>
</tr>
<tr>
<td>Co-create an optimal society</td>
<td>Revenues of business platforms that help to achieve an optimal society ¥141.0 billion</td>
</tr>
<tr>
<td>Co-create a safe and secure society</td>
<td>Revenues related to safety and security to enable a more resilient society*5 ¥216.0 billion</td>
</tr>
<tr>
<td>Value Creation Capital</td>
<td>Employee engagement score (NRI Payroll) female opportunity offering rate<em>6</em>7 (Non-consolidated) More than 70 continued 17%</td>
</tr>
<tr>
<td>Advance human capital</td>
<td>Amount of investment in creating and accumulating intellectual capital ¥41.0 billion*2</td>
</tr>
<tr>
<td>Accumulate intellectual capital</td>
<td>FY2030 Targets Scope 1+2 Net-Zero*3 Scope 3: Reduced by 30% Renewable energy usage rate 100%</td>
</tr>
<tr>
<td>Management Basis (ESG)</td>
<td>Greenhouse gas emissions reduction rate / Renewable energy usage rate (Base year: 2019)</td>
</tr>
<tr>
<td>Contribute to global environment</td>
<td>Rate of consent to the NRI Group Business Partner Code of Conduct*8 or possessing own such codes of conduct</td>
</tr>
<tr>
<td>Fulfill our social responsibilities</td>
<td>Number of cases in which severe risk materializes reports to regulatory authorities or incidents of equivalent severity for which the NRI Group is responsible</td>
</tr>
<tr>
<td></td>
<td>Selection Continued</td>
</tr>
</tbody>
</table>

Materiality Governance System

PDCA Management of Materiality

In order to evaluate/manager risks and opportunities related to sustainability and to promote materiality, NRI has set key indicators (materiality indicators) and target values in our Medium-Term Management Plan 2023–2025. We manage important indicators through the PDCA cycle of the business plan and report to the Board of Directors on a quarterly basis.

Sustainability Management Process

- Formulate long-term vision
- Formulate Medium-Term Management Plan (once every 3 or 4 years)
- Formulate Business Plan (annually)
- Monitoring by Board of Directors (quarterly)

Sustainability Governance

NRI positions sustainability as an important management issue. Sustainability is considered in the composition and supervision of the Board of Directors. In addition to appointing outside directors with knowledge of sustainability, the Board of Directors passes resolutions on the basic sustainability policy (including materiality).

Furthermore, under the supervision of the Board of Directors, the Sustainability Committee (chaired by the director in charge of promoting sustainability management and related subcommittees), the Value Co-Creation Promotion Committee (chaired by a senior corporate managing director), and the Sustainability Activities Committee (chaired by a senior corporate managing director) promote sustainability throughout the entire Group and periodically report to the Board of Directors on the progress of activities. The role of the Sustainability Activities Committee is to advance activities that form a foundation from the perspective of ESG.

Moreover, when determining stock-based compensation for directors and senior managing directors, we have introduced a mechanism that considers the status of efforts to achieve our sustainability indicators, including the reduction of greenhouse gas emissions and the expansion of human capital. Please refer to page 116 for information on the introduction of the mechanism that considers the status of efforts for sustainability indicators for stock-based compensation.

Sustainability Governance System

Board of Directors

- Supervision
- Presentation and report

Sustainability Committee

- Discussion of important sustainability issues, monitoring of materiality progress, etc.
- Chairperson: Head of Sustainability Management
- Members: Elected Directors

Value Co-creation Promotion Committee

- Promotion of MV (Mission & Values, V2030) and value co-creation promotion, growing of value co-creation leaders, implementation of monitoring and evaluation, etc.
- Chairperson: Senior Corporate Managing Director
- Members: Elected Directors and General Managers, etc.

Sustainability Activities Committee

- Sustainability management framework, decarbonization, sustainability disclosure, stakeholder dialogue, global response, etc.
- Chairperson: Senior Corporate Managing Director
- Members: Elected Directors and General Managers, etc.
V2030 Consideration Process and Materiality Identification Process

In order to crystallize V2030 and the materiality into content unique to NRI, we conducted a detailed consideration and identification process with involvement from many executives and employees.

V2030 Consideration Process

Surveys and research for discerning the future (foundation for formulating a vision)

- Surveys and Research for Discerning the Future
  As activities for discerning the future, our president takes the initiative in disseminating information (NRI Dream Up the Future Forum, book publishing, etc.), while consultants and system engineers also utilize their expertise to disseminate information. NRI is also deepening its consideration of integrating social value and economic value. For example, at internally held study sessions for young executives, we invite outside lecturers in order to input diverse ways of thinking.

- Environmental Analysis Aggregating Knowledge from Inside and Outside NRI
  We utilize the knowledge of the consulting segment to identify issues that should be addressed over the medium to long-term. In the process of building a long-term vision, we report the details of consideration to directors (three reports submitted in FY March 2022). We then receive advice mainly on the important themes of solving social issues, human resources and globalization. In addition, we held debriefing sessions for independent officers in order to focus on listening to the opinions of independent officers.

- MVV Dialogue and Value Co-Creation Activities
  In the process of considering V2030, NRI’s diverse human resources shared their thoughts based on MVV (Mission & Values, V2030) through MVV dialogue and value co-creation activities. This initiative is a bottom-up reconsideration of MVV, which had been considered top-down by management. It is an extremely important activity for fostering a sense of unity and improving organizational strength.

  Furthermore, as part of value co-creation activities, in June 2022, we started activities with the theme of “Creating a scenario which would disrupt NRI in realizing V2030, and determining how to prevent such a scenario.” In these activities, a team consisting of value co-creation leaders selected from various departments engaged in repeated dialogue to delve deeper into actions that are essential for the co-creation of social value with various stakeholders.

Materiality Identification Process

Based on international standards and guidelines, requests from ESG evaluation agencies, consistency with our corporate philosophy and growth strategies, opinions of outside directors and experts, etc., NRI’s materiality (important issue) was identified in 2010 from the perspectives of management and outside stakeholders, and then revised in 2017. Afterwards, in consideration of changes in NRI’s business environment and the social environment, as well as the concept of double materiality, we re-identified in 2023 a materiality accounting for not only the impact on the Company (financial aspects), but also the expectations and requirements of stakeholders (environmental and social impacts). We then incorporated that materiality into V2030.

<table>
<thead>
<tr>
<th>STEP</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2</td>
<td>Identification of Materiality</td>
</tr>
<tr>
<td>3.4</td>
<td>Finalization of Materiality</td>
</tr>
<tr>
<td>4.5</td>
<td>Reflection in Business Plan</td>
</tr>
<tr>
<td>5.6</td>
<td>Resolution of the Board of Directors</td>
</tr>
</tbody>
</table>

Incorporation of three social values specified through past to ongoing discussion including executives

Finalizing materiality through the following steps:
1. Discussions with outside directors and experts
2. Internal management debates

- Materiality: Value Creation
- Materiality: Capital and Management Basis
- Value Creation
- Management Basis (ESG)

Reflect the finalized materiality in midterm plans and business plans of each business segment

Resolved by the Board of Directors as the sustainability strategy (March 2023)
Consideration of the necessity of revision by the Sustainability Committee once a year

MVV Dialogue / V2030

Surveys and research for discerning the future (foundation for formulating a vision)

Environmental Analysis / V2030 Outline

FY March 2022 FY March 2023

Integrated Report 2023
Environmental Recognition Toward FY2025

We view the outlook of the business environment during the three years of the Medium-Term Management Plan 2023–2025 as follows.

We recognize the potential for risks to materialize, such as geopolitical risks and uncertainty in financial policies. On the other hand, demand for digital transformation (DX) remains robust in the pursuit of improved productivity, given the backdrop of labor shortages and other factors. The significance of DX for business model transformation aimed at improving capital efficiency will continue to increase. Moreover, we anticipate that DX will evolve further, including the utilization of AI in core systems and the modernization of legacy systems, among other aspects.

Business Environment Recognition

<table>
<thead>
<tr>
<th>Complex social issues</th>
<th>Fluidization of industrial structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Solving social issues will be companies’ most important challenge. Shifting away from “winner-take-all” and toward collaborative frameworks.</td>
<td>• Companies will explore new areas of business spanning multiple industry types.</td>
</tr>
<tr>
<td>• Increasingly chaotic international political trends will drive complexity.</td>
<td>• Convergence of management and technology will advance, and usage of technology will separate winners from losers.</td>
</tr>
<tr>
<td>• Solving social issues will be companies’ most important challenge. Shifting away from “winner-take-all” and toward collaborative frameworks.</td>
<td>• Industry shakeouts and entries into other sectors will accelerate, and competition will be decided by anticipation of the business climate and maneuverability.</td>
</tr>
<tr>
<td>• Increasingly chaotic international political trends will drive complexity.</td>
<td>• Leading companies will accelerate their conversions to digital-first (IoT, digital twins, etc.)</td>
</tr>
<tr>
<td>• Solving social issues will be companies’ most important challenge. Shifting away from “winner-take-all” and toward collaborative frameworks.</td>
<td>• DX demand is spilling over from industry leaders to the lower levels. IT investment remains strong in the DX space.</td>
</tr>
<tr>
<td>• Increasingly chaotic international political trends will drive complexity.</td>
<td>• Major global IT companies are shifting to high-functionality cloud. Utilization of AI from a business perspective will be increasingly important.</td>
</tr>
<tr>
<td>• Solving social issues will be companies’ most important challenge. Shifting away from “winner-take-all” and toward collaborative frameworks.</td>
<td>• Modernization of corporate legacy IT assets is long overdue. Renewal is spreading to mission-critical systems.</td>
</tr>
<tr>
<td>• Increasingly chaotic international political trends will drive complexity.</td>
<td>• Needs for cybersecurity will grow as digital risk becomes more sophisticated and complex.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Technological progress and commoditization</th>
<th>Diversified values and working styles</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Latest technologies keep emerging (cloud, AI, next-gen communication, etc.)</td>
<td>• Economic disparities and other polarization and diversification of groups will advance.</td>
</tr>
<tr>
<td>• Commoditization of technology proceeds at the same time</td>
<td>• Utilization of diverse human resources and talents will be prerequisite to a company’s survival.</td>
</tr>
</tbody>
</table>

Changes in business environment between now and 2025

<table>
<thead>
<tr>
<th>Companies’ performances are being squeezed in 2023 due to inflation and interest rate trends, but will gradually recover from 2024 onward.</th>
<th>Competition for IT personnel is intensifying. The ability to secure personnel directly affects a company’s ability to grow.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issues related to macroeconomic factors such as geopolitical risks, resource prices, and exchange rate risk must be addressed.</td>
<td>Diversity and engagement are important for each individual to be creative.</td>
</tr>
<tr>
<td>DX-related investments are expanding as the impact of climate change worsens. Financial investments are also experiencing an ESG Shift.</td>
<td></td>
</tr>
</tbody>
</table>
Deepening of Core Business (Expansion of the Client Base in Japan)

We anticipate progress in the fusion of management and technology within the business environment surrounding our Core Business. DX is expected to become more complex, and there will be a noticeable emergence of large-scale DX demand integrating business processes, operations, and core systems. Our profound understanding of our clients’ business and IT will enable us to achieve greater competitiveness. For NRI, this presents an opportunity to further leverage our strengths in Con-Solutions.

MTP2025: Measures by Segment (Examples)

**Consulting (more than ¥15 billion)**
- Total support from setting agendas to execution support for increasingly complex DX geared toward digital-first, including business model and organizational reforms, setting KPIs and PDCA through data, etc.
- Expand social issue-related consulting projects, including for the public sector, while incorporating new topics such as DX

**Financial IT Solutions (more than ¥40 billion)**
- Unbundle business platforms and deploy cross-industry services. Also expand our services lineup to address needs
- Expand modernization support, including client needs to break away from legacy systems, cloud migrations, etc.
- Address industry reorganizations such as securities + local banks, entry into other industries, etc.

**Industrial IT Solutions (more than ¥40 billion)**
- Capture demand for shifts to DX business such as e-commerce, which is spreading to second-tier groups of companies
- Handle business process reforms utilizing AI through Con-Solution, and establish deeper connections with clients
- Handle large-scale overhauls of core systems including accounting, HR, call centers, and CRM that accompany front-end DX

**IT Platform Services (more than ¥5 billion)**
- Digital risk is getting more advanced and sophisticated. Bolster efforts to address growing cybersecurity-related needs amid requirements such as legal system compliance
- Offer more cloud platform services, including new services that leverage the advantages of both on-premises and cloud

Evolution of Core Business (Comprehensive Production Innovation)

We will embark on comprehensive innovation of production through the modernization of existing IT assets, including financial business platforms such as THE STAR, the revitalization of development frameworks contributing to standardization and efficiency in system development, and the integration of AI into the development process. Additionally, we are planning a total investment of approximately ¥20 billion over the three years of MTP2025 to improve productivity.

MTP2025: Production Innovation Measures (Examples)

**Modernize existing IT assets**
- Optimize system sizes, including functional integration of financial business platforms
- Modernize the industrial field, including infrastructure overhauls and cloud migration

**Development framework**
- Version upgrades for development frameworks
  - Build embedded development frameworks such as low-code, no-code, and automation
  - Expand sharing of in-house expertise and establish mechanisms for sharing common modules

**Establish development processes that utilize AI**

**STEP 1**
- AI testing support
  - Utilize AI to reduce work-hours in testing processes

**STEP 2**
- Generate AI programs
  - Automate AI testing
  - Reduce work-hours in testing and development processes

**STEP 3**
- Display NRI version AI engines
  - Expand application of work-hour reductions in testing processes and development processes

Creation of DX2.0/3.0 Businesses through a Next-Generation Think-Tank Function

In the areas of DX2.0, which supports business model transformation, and DX3.0, which addresses social issues and supports paradigm shifts, we will work toward creating new businesses. In the context of DX2.0/3.0, it becomes increasingly important to proactively engage in creation of mechanisms that shape the market, taking into consideration not only the needs of individual clients but also the challenges of entire industries and society. To promote such “enabler functions,” NRI will establish new organizations and improve the next-generation think-tank function over the past by combining them with the Center for Strategic Management & Innovation, focused on social recommendations and information dissemination. This will enable us to create new markets for platform-based businesses that utilize IT solutions.

Overview of DX2.0/3.0 Businesses

- **Front Player Transformation**
  - Promote DX involving multiple industries

- **IT Platform Provision**
  - Digital Twin × Real PF

- **Intelligence Function**
  - Deriving social issues through information dissemination

- **Code* Creation Function**
  - Building operational efficiency of processes

- **Enable Function**
  - Opportunity Discovery & Ecosystem Building
  - Strategic creation and commercialization of digital social capital

* Code: Rules, customs, and values

**Related Information**
- * Code: Rules, customs, and values

**Key Milestones**
- Through new DX3.0 organization
- Through Center for Strategic Management & Innovation
- Promoting DX through consulting
- PF development and operation through IT solutions
- Overview of DX2.0/3.0 Businesses
**North America: Establishing the Business Infrastructure with Core BTS at the Center**

Core BTS, which was made a subsidiary in December 2021, is a company with an inherited network structure. Between 2019 and 2021, we expanded our business areas through mergers and acquisitions, incorporating companies with capabilities in cloud consulting, DX application development, and more. In the medium to long term, we aim to offer a full lineup of solutions for digital transformation in cloud and network businesses, centered around Core BTS. Specifically, we aspire to provide digital engineering business in the North American IT services market, covering consulting, system development, implementation, and operation, especially in specialized areas like cloud infrastructure, application development, and security that require expertise beyond in-house capabilities.

In the fiscal year ended March 2023, we undertook initiatives to accelerate the development of our managing workloads in hybrid cloud environments. With the formulation of Core BTS’s “Vision” (implementation of DX on a hybrid cloud), our direction has become clearer. We are striving for growth toward achieving this vision.

**M&A in the U.S.**

[Diagram showing the timeline and key events related to Core BTS's expansion in the U.S.]

**Australia: From the Expansion Phase Driven by M&A to Stable Growth and Increased Profitability**

Over a period of seven years from the fiscal year ended March 2017 to the fiscal year ended March 2023, we expanded our business areas and regions mainly through M&A, and established a solid business foundation. In MTP2025, we aim for stable growth and enhanced profitability while pursuing qualitative growth, such as creating synergies among Japan, the United States, and Australia (the three key regions).

**NRI Australia (formerly ASG)**

ASG, which was acquired in December 2016, undertook a name change to NRI Australia in February 2023. Through a series of mergers and acquisitions from 2017 to 2022, ASG expanded its capabilities from downstream processes (managed services) to upstream processes (advisory & solutions), strengthened functions such as DX consulting and application development, and achieved geographic expansion. It now offers a comprehensive lineup of services characteristic of NRI, covering everything from consulting to development and operations. This name change aims to enhance the permeation of the NRI brand in the Australian IT market, and unify various operating companies in Australia under the NRI holding company. This will facilitate stronger business collaboration and integration, fostering steady growth as a cornerstone of NRI's global business. NRI Australia has also signed a sponsorship agreement as the principal partner of the New South Wales Waratahs, a popular rugby team in Australia (contract period: September 2022 to August 2025). Through this sponsorship agreement, NRI aims to enhance its visibility not only in Australia but also in the wider Oceania region.

**Planit**

The testing specialist Planit provides services ranging from consulting related to maintaining and improving the quality of IT systems to support for executing test processes and the provision of automated tools for testing. We work closely with the subsidiary acquired in 2022 to achieve stable growth.

**AUSIEX**

AUSIEX underwent cost structure reforms in 2022 to address sluggishness in the financial market and other factors. Additionally, we are moving forward in our efforts to transfer I-STAR / GV, the engine of NRI’s global solution for securities back-office operations, to AUSIEX’s system. This initiative is aimed at expanding our service lineup from wealth management to securities back-office operations.

**NRI Australia Holdings**

NRI Australia Holdings, which oversees operations in Australia, is dedicated to increasing profitability. This includes efforts toward ERP integration and shared services for indirect operations within the Group, aimed at enhancing productivity.

**M&A in Australia**

[Diagram showing the timeline and key events related to M&A activities in Australia]
Human Capital Enrichment

To achieve NRI’s growth story, we are actively expanding our workforce through both new graduate hires and mid-career hires. Additionally, we aim to accelerate the growth cycle of human capital by considering employees’ aspirations and experiences and maximizing individual capabilities. We will continue our efforts in diversity and inclusion, building an engaged organization where diverse professionals can thrive.

MTP2025: Human Capital Measures (Examples)

<table>
<thead>
<tr>
<th>Measure</th>
<th>2021 Results</th>
<th>2023 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>New graduate hires</td>
<td>390</td>
<td>Approximately 500</td>
</tr>
<tr>
<td>Mid-career hires</td>
<td>335</td>
<td>Approximately 370</td>
</tr>
</tbody>
</table>

- Bolster new graduate and mid-career hiring
- Strengthen hiring of recent graduates who are unemployed
- Take in more student interns
- Expand hiring channels such as alumni and referrals

- Increase growth opportunities
- Provide growth opportunities and a sense of growth through talent management
- Visualize capabilities in areas such as DX, business creation, and global, while systematically providing opportunities

- Diversity and inclusion
- Expand opportunities for women’s participation and advancement through promotions to management roles, etc.
- Improve the engagement of the Group as a whole - Bringing together diverse individuals with MVV as the centerpiece through MVV Dialogues*, attended by all employees - Bolster onboarding of mid-career hire employees

Expanding ESG Initiatives Globally in the Group and into the Supply Chain

To extend decarbonization efforts throughout the entire supply chain, we have set a new goal to achieve net-zero greenhouse gas emissions (Scope 1 + Scope 2 + Scope 3) for NRI by the fiscal year ending March 2051. Additionally, we are targeting net-zero greenhouse gas emissions for Scope 1 + Scope 2 by the fiscal year ending March 2031.

Regarding the fulfillment of social responsibilities, we are working toward initiatives across the entire supply chain, including the expansion of the NRI Group Business Partner Code of Conduct’s application scope.

In terms of governance, we are enhancing the structure and initiatives in response to the growing number of Group companies and global geographic expansion. We are also strengthening sustainability governance by expanding committees that promote foundational activities from an ESG perspective.

MTP2025: ESG Measures (Examples)

- Collaborate with business partners for Environmental contributions
- Strengthen relationships with stakeholders to Fulfill social responsibilities
- Strategic risk control through More advanced governance

- Decarbonize throughout entire supply chains
- Efforts to achieve net-zero greenhouse gas emissions
- Renewable energy usage expansion
- TCFD-based climate change information disclosures and natural capital and biodiversity information disclosures

- "Work-in-life" balance with personal life and health and productivity management
- Expand the NRI Group Business Partner Code of Conduct
- Implement human rights due diligence: understand and address trends in AI ethics

- More information disclosures bolstering of the Group global NRI brand
- Governance system for sustainability
- Compensation design for directors and Audit & Supervisory Board members that accelerates sustainability management

Medium-Term Management Plan 2023-2025 in Figures

From the fiscal year ended in March 2023 to the fiscal year ending March 2026, we are targeting ¥810 billion in revenue, with a compound annual growth rate (CAGR) of 5.4%, an operating profit of ¥145 billion with a CAGR of 9.0%, and an operating margin of 17.9%. Additionally, we aim for overseas revenue of ¥150 billion for the fiscal year ending March 2026. All of these numerical targets are based on assumptions of organic growth that does not include M&A.

Of the three-year increase in operating profit aimed at reaching the target of ¥145 billion, approximately one-half is expected to come from increased revenue in domestic operations, about one-fourth from improved profit margins due to enhanced productivity in domestic operations, and the remaining one-fourth from improvements in growth and profitability in global operations.

MTP2025 in Figures

<table>
<thead>
<tr>
<th>Year</th>
<th>FY March 2023 (Results)</th>
<th>FY March 2024 (Forecasts)</th>
<th>FY March 2025 (Targets)</th>
<th>FY March 2026 (Targets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>692.1</td>
<td>720.0</td>
<td>810.0</td>
<td>880.0</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>111.8</td>
<td>117.0</td>
<td>145.0</td>
<td>178.0</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>16.2%</td>
<td>16.3%</td>
<td>17.9%</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

Note: The planned figures for FY March 2024 are as of July 27, 2023.

* Details regarding the expansion of human capital can be found starting on page 56.

Nomura Research Institute
Leading the way with flexible and proactive financial activities aimed at achieving the V2030 growth story

Yoshihiko Sunaga
CFO, Senior Corporate Managing Director

Please give us your overall assessment of the financial activities of the previous fiscal year.

The fiscal year ended in March 2023 saw the COVID-19 pandemic hit its peak, and social and economic activities gradually returned to normal. Turning our attention to the global economy, the excessive liquidity resulting from prolonged monetary easing policies by central banks worldwide, coupled with supply chain disruptions due to the COVID-19 outbreak, led to noticeable inflationary tendencies. This was further compounded by rising commodity prices due to the conflict in Ukraine, prompting central banks in various countries to collectively tighten their monetary policies. As interest rates in each country surged abruptly, the gap in interest rates against the Japanese yen widened, leading to significant depreciation of the yen. I vividly remember the anticipation of a revision in the yield curve control (YCC) policy in the middle of the fiscal year due to the upcoming change in leadership at the Bank of Japan, which was announced at a meeting of the Bank of Japan Policy Board shortly after the determination of conditions. The financial strategy must also align with this roadmap. By 2030, NRI aims for sales exceeding ¥1 trillion (including overseas sales of over ¥250 billion) and an operating margin of 20%.

It was a difficult environment. What do you think about the results of each type of measure?

I think it went well. In December 2022, we conducted fundraising for a 3-year total of ¥65 billion for 5-year, 7-year, and 10-year bonds. Ultimately, we achieved significantly higher demand than anticipated. This marked the largest bond issuance amount ever for the Company. In particular, for the long-term 7-year and 10-year bonds, we were able to reach favorable terms through meticulous dialogue with investors. Coincidentally, the revision of the yield curve control (YCC) policy was announced at a meeting of the Bank of Japan Policy Board shortly after the determination of conditions. This turned out to be optimal timing for the bond issuance. The funds raised were allocated toward the repayment of existing foreign currency borrowings, leading to a reduction in financial costs. To mitigate the impact of exchange rate fluctuations resulting from the shift to yen-denominated borrowing, we executed an appropriate hedging strategy while considering balance sheet variations.

At the same time, there was an event called a “stock offering” that originated from a request for the sale of NRI shares by a major shareholder.

This event was not originally part of our financial strategy. It was an event unrelated to the macroeconomic environment and was an issue that required careful and individualized handling. Due to the high total number of target shares, there were concerns about the potential impact on our stock price caused by the sale. Acquisition of treasury stock through debt financing needed to be approached from the perspective of the Company’s credit (financial soundness). After multiple discussions with internal and external stakeholders regarding the approach, we resolved the issue through the method of a “stock offering.” We conducted roadshows for both domestic and international investors, involving the entire Company, including the CEO. Eventually, culminating in a public offering (PO) of ¥120 billion, the highest ever for the Company. This approach minimized risks impacting stock prices, maintained financial soundness, and improved market liquidity through diversified ownership, making it the optimal scheme for both the Company and our stakeholders.

Please explain the concept of the financial policy for the Medium-Term Management Plan 2023–2025.

The Medium-Term Management Plan 2023–2025 (MTP2025) that was announced in April 2023 is positioned as the first half of the NRI Group Vision 2030 (V2030), which was announced at the same time. NRI envisions the V2030 growth story as having three pillars: Core Business, DX, and global. In the Core Business, alongside “deepeining and expansion” that enhances value creation with clients through Con-Solutions, NRI will achieve “evolution” by expanding its business platform and achieving overwhelming competitiveness and high added value through comprehensive innovation in production. In the DX area, NRI will take on the challenge of DX3.0, which impacts society beyond corporations and industries, creating digital social capital. In addition, on the global front, NRI will expand into the vast and highly growth-oriented North American market in addition to Asia and Australia, establishing a business foundation for NRI’s distinctive professional services.

The financial strategy must also align with this roadmap. By 2030, NRI aims for sales exceeding ¥1 trillion (including overseas sales of over ¥250 billion) and an operating margin of 20%.

Changes in Shareholder Composition Ratio

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Companies incorporated in Japan</th>
<th>Companies incorporated in other countries</th>
<th>Individually and other shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY ended March 2019</td>
<td>85%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>FY ended March 2022</td>
<td>67%</td>
<td>33%</td>
<td>5%</td>
</tr>
<tr>
<td>FY ended March 2023</td>
<td>59%</td>
<td>35%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Stock Price Trends

<table>
<thead>
<tr>
<th>Period</th>
<th>Stock price (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-2021</td>
<td></td>
</tr>
<tr>
<td>2022-2023</td>
<td></td>
</tr>
<tr>
<td>2023-2024</td>
<td></td>
</tr>
</tbody>
</table>

Ratings Information

<table>
<thead>
<tr>
<th>Name of rating organization</th>
<th>March 31, 2019</th>
<th>March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating and Investment Information, Inc. (R&amp;I)</td>
<td>AA- (Stable)</td>
<td>AA- (Stable)</td>
</tr>
<tr>
<td>S&amp;P Global Ratings Japan Inc.</td>
<td>A (Stable)</td>
<td>A (Stable)</td>
</tr>
</tbody>
</table>

Note: The stock price at the end of March 2019 is the adjusted stock price. In the graph above, the closing price at the end of March 2019 has been set to 1.

Source: Compiled by NRI

*Long-term rating (finanical)
Growth Story for 2030

As a result, the cash allocation policy for the period until MTP2025 is expected to prioritize "Investing in growth." However, considering the longer span until V2030, we believe that cash allocation for "maintaining existing business," "investing in growth," and "returning value to shareholders" will come into balance.

Please explain the reason for emphasizing ROE as a performance indicator in the financial policy of MTP2025.

ROE has been an important performance indicator that the Company has emphasized in the past. It is the most widely accepted measure of capital efficiency globally. Its ease of comparison with other performance indicators and other companies is one of the reasons for its adoption. While ROE is an important performance indicator, it is not the sole absolute measure.

We do not intend to achieve the ROE target of 20% or more for MTP2025 by adjusting capital through treasury stock acquisition or accounting methods. As indicated by the disclosed target of 17.9% for the final year's operating margin, our fundamental policy is to maintain and improve ROE in a healthy manner as the business grows.

Finally, please express your Goals for V2030.

We will lead the achievement of NRI's management strategy and growth story aimed at NRI's dramatic growth and transformation from the perspective of finance. Looking globally, there are expected to be rapid changes in future prospects due to geopolitical risks and shifts in various countries' financial policies. Specifically for that reason, we will implement flexible and agile financial management while maintaining the financial policy we have established this time as a significant pillar. We are committed to continuing to work toward gaining the understanding and support of all stakeholders.

As a result of the temporary working capital shortages or similar situations, we will proactively raise short-term funds as needed for funding requirements related to new business investments. We will utilize external funding as necessary.

Trends in Annual Dividends Per Share, Basic Earnings Per Share, and Dividend Payout Ratio

Balance Sheet Management Policy

Cash Allocation Policy for MTP2025

Cash Allocation Policy for MTP2025

<table>
<thead>
<tr>
<th>Cash Allocation Results</th>
<th>Medium-Term Management Plan (2019-2022) Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business investments (average of approximately ¥50 billion per year)</td>
<td>Aggregate investment in maintaining and expanding existing services, creating DX 2.0/3.0 businesses and productivity improvement.</td>
</tr>
<tr>
<td>Outside growth investment</td>
<td>External growth will continue to be considered primarily as a means of expanding in the North American region and expanding capabilities.</td>
</tr>
<tr>
<td>The performance targets for MTP2025 do not incorporate external growth and will be implemented opportunistically.</td>
<td></td>
</tr>
<tr>
<td>Returns to shareholders</td>
<td>Increase the dividend payout ratio from 35% to 40% by the end of the fiscal year ending March 2026.</td>
</tr>
<tr>
<td>ROE is 20% or higher.</td>
<td>Treasury stock acquisition will be carried out flexibly, taking into account factors such as stock price levels.</td>
</tr>
</tbody>
</table>

Materiality

Message from the CEO

Financial Policy (A View of 2025)

Returns to shareholders

Dividend payout ratio will increase to 40% by the end of the fiscal year ending March 2026.

20% or more

Working capital on hand

Equivalent to about two months of sales

Financial discipline

Cap on net D/E ratio: 0.5 times

Net interest-bearing debt within 1.3 times EBITDA

Cash Allocation Results

Growth Investment

Maintenance of existing businesses

Return to shareholders 20% Growth Investment 25%