

# Medium-Term Management Plan (2023-2025)

Nomura Research Institute, Ltd.

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April 27, 2023



**1 Reflecting on the MTP2022**

**2 NRI Group Vision 2030 (V2030)**

**3 Medium-Term Management Plan (2023-2025)**

# Reflecting on Medium-Term Management Plan (2019-2022)

## ■ Achieved the financial targets

(Non-percentage numbers below are in units of billion yen)

	<u>2018 Results</u>	<u>2022 Results</u>	<u>Target</u>	<u>CAGR</u>
Revenue	501.2	692.1	670.0	+8.4%
Overseas revenue	53.0	123.2	100.0	+23.4%
Operating Profit (Operating Margin)	71.4 (14.3%)	111.8 (16.2%)	100.0 (14%)	+11.9%
ROE	12.3%	20.7%	14%	

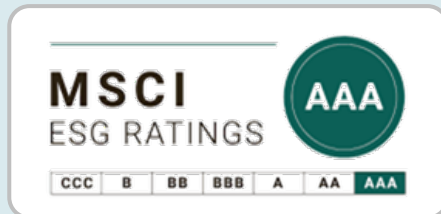
# ESG efforts that have earned strong recognition from external evaluation organizations

## Dow Jones Sustainability Indices

Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA

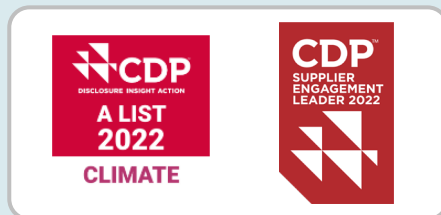
- World Index  
Adopted for five consecutive years from 2018
- Asia Pacific  
Adopted for seven consecutive years from 2016

## MSCI ESG Ratings\*



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

## CDP



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

## (Main points that were recognized)

- Environment : Scenario analyses of the financial impact of climate change
  - Society : Enhance human resource data and invest in human resource development
  - Governance : Initiatives for compliance
- 
- Efforts to mitigate ESG-related risks
    - Diversity & Inclusion
    - Strengthen Data Security etc.
  - Initiatives for corporate governance and compliance
- 
- Deliver more information disclosures (green gas emissions etc.)
  - Well engagement with business partner companies
    - Encouragement to set greenhouse gas reduction targets
    - Urging information disclosures pertaining to greenhouse gas emissions

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# Corporate Philosophy and Structure of Group Vision 2030

- Vision that places the idea of social value at its core



# Corporate Philosophy

## Mission

### For Society:

Envision and realize new paradigms

### For Customers:

Be a trusted partner for mutual growth

## Society We Innovate

**Prosperous society** that nourishes potential and brings dreams to life

**Sustainable society** that connects knowledge to treat the planet wisely

**Resilient society** that promotes safety and security

## Values

**Foresight and thoroughness** to exceed expectations

**Mutual respect** to unite diverse individuals

**Passion and pride** to pursue new challenges

## Corporate Statement

Dream up the future.

未来創発

# 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”.

### Society We Innovate

Prosperous society

Sustainable society

Resilient society

### Towards 2030

Create “**Digital Social Capital**” for a prosperous and thriving society through the advancement of 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.

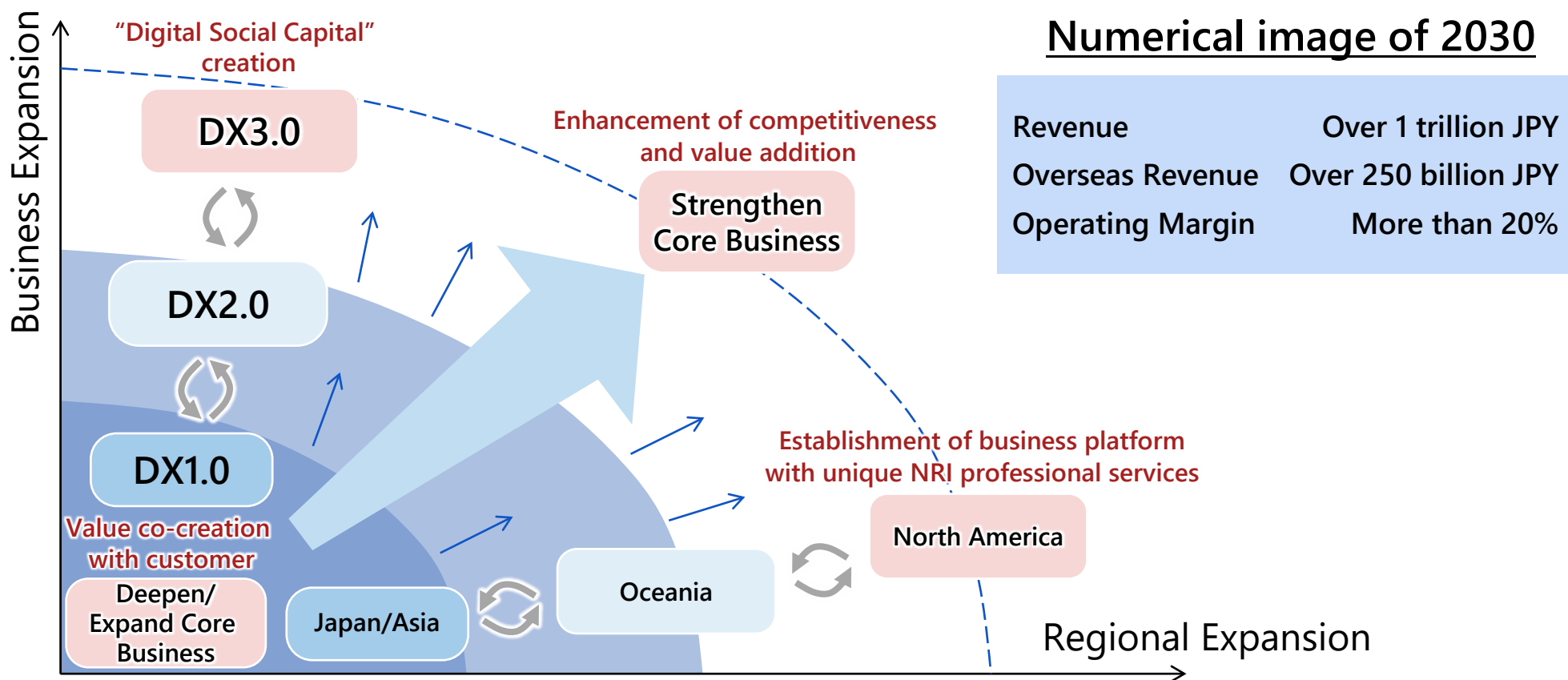
Establish IT infrastructure that is **resilient to disasters and cyber risks** so that people can utilize safe and secure digital services.

Digital Social Capital: Infrastructure and services with new value created by digital technology



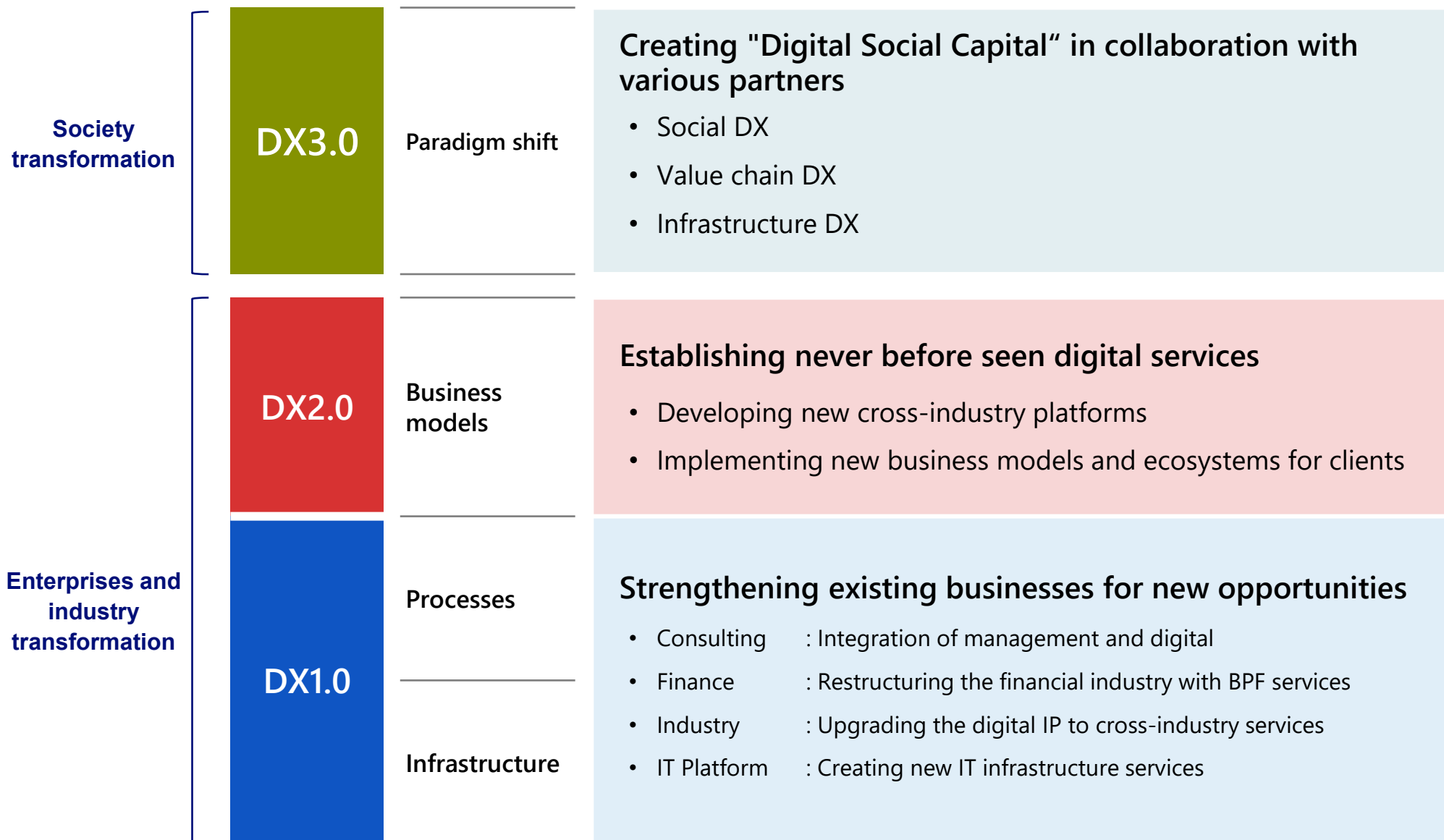
# Growth Story for 2030

- **Core Business:** We will further deepen value creation with clients via **Con-solutions**. We will also enhance competitiveness and added-value through the **expansion of Business Platforms** and **productivity innovation**.
- **DX:** Through **DX 3.0**, we will take on challenges to go beyond companies and industries, to make an impact to the society as a whole
- **Global:** In addition to Asia and Oceania, we will also expand into **North America**, which is an enormous and fast-growing market.



(Reference)

## Accelerate transformation of enterprises, industry, and society



# Growth Story (Deepen and Strengthen Core Business)

## Deepen/Expand Core Business

Further deepen **value co-creation**  
**with clients** via Con-solutions



## Strengthen Core Business

**Enhance competitiveness and added-value**  
through the expansion of Business Platforms  
and productivity innovation



### Consulting

Make a significant impact on society

- Creating a **business model for social transformation**
- Promoting new corporate transformation by integrating **management and digital**
- Becoming “**global one firms**”

### Financial IT Solutions

Establish an assertive position as financial BPFers

- Creating **new business platforms** (Social DX, XaaS, GRCS, etc) and aiming for **highly profitable business models**
- Promoting legacy IT transitions and accelerating **clients' DX shifts**

### Industrial IT Solutions

Become a main partner for growing DX companies

- DX partner of leading companies through **Con-Solution**
- Increasing productivity with **advanced digital IP**

### IT platform services

Strengthen services for safety and security

- Providing **new IT infrastructure services** such as digital security
- Contributing to digital society through **advanced technologies and IP acquisition**

# Reference : Sustainability Strategy (Materiality)

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

## Value Creation



**Co-create a thriving future society**  
through expansion of digital social capital



**Co-create an optimal society**  
through effective utilization of resources



**Co-create a safe and secure society**  
through sophistication of infrastructure

## Value Creation Capital



**Advance human capital**  
through bold actions and growth of diverse professionals



**Accumulate intellectual capital**  
through elevation of individual knowledge into organizational strength



## Management Basis (ESG)



**Contribute to global environment**  
through collaboration with business partners



**Fulfill our social responsibilities**  
through strengthening of relationships with stakeholders



**Evolve governance**  
through realization of strategic risk control

# Vision Statement



## Envision the value, Empower the change

In an era of uncertainty, we envision a clear path toward unprecedented prosperity.

We lead the way with boldness and precision, realizing our customers' aspirations for a better society.

Creativity drives us to take on challenges, taking on challenges to growth, and growth to new possibilities. With every step forward, we open a greater tomorrow.

**Envision the value, Empower the change**

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# Business Environment Towards 2025

- The economic environment is at a turning point, but DX needs are still robust and ever-evolving

## Volatile social transformations and resulting impact on companies

### Complexed social issues

- **Solving social issues** will be companies' most important challenge. Shifting away from winner-take-all and toward **collaborative frameworks**
- **Increasingly chaotic international political trends** will drive complexity



## Changes in business environment between now and 2025

- **Companies' performance is being squeezed** in 2023 due to inflation and interest rate trends, but will gradually recover from 2024 onward
  - **Issues related to macroeconomic factors** such as geopolitical risk, resource prices, and exchange rate risk must be addressed
  - **GX\*-related investments** are expanding as the impact of climate change worsens. Financial investments are also experiencing an **ESG Shift**
- \* Green Transformation

### Fluidization of industrial structure

- Companies will explore **new areas of business** spanning multiple industry types
- **Convergence of management and technology** will advance, and usage of technology will separate winners from losers



- **Industry shakeouts and entries into other sectors** will accelerate, and competition will be decided by anticipation of the business climate and maneuverability
- Leading companies will accelerate their conversions to **digital-first** (XaaS, digital twins, etc.)
- DX demand is spilling over from industry leaders to the lower levels. **IT investment remains strong in the DX space**

### Technological progress and commoditization

- Latest technologies keep emerging (**cloud, AI, next-gencommunication**, etc.)
- **Commoditization** of technology proceeds at the same time



- Major global IT companies are shifting to high-functionality cloud. **Utilization of AI from a business perspective** will be increasingly important
- **Modernization of corporate legacy IT assets** is long overdue. Renewal is spreading to mission-critical systems
- Needs for **cybersecurity** will grow as digital risk becomes more sophisticated & complex

### Diversified values and working styles

- Economic disparities and other **polarization & diversification** of groups will advance
- Utilization of diverse human resources & talents will be prerequisite to a company's survival



- **Competition for IT personnel is intensifying.** The ability to secure personnel directly affects a company's ability to grow
- **Diversity and engagement** are important for each individual to be creative

# Medium-Term Management Plan (2023-2025) Pillars of growth strategy

## Core

### Increase competitiveness and value addition

- Be a long-term strategic partner for our clients, and further **expand our client base**
- Expand **IP based business model**
- Improve productivity through **radical production innovations**

## Strengthen DX (DX2.0/3.0)

### Co-create “Digital Social Capital” and new business

- Strengthen think tank functions to accelerate DX2.0/3.0 businesses
- Develop pipeline for **“Digital Social Capital”** creation (My number related services, NRI-CTS\* etc.)

\* Carbon tracing system

## Global

### Establish business framework based on 3 regional pillars

- **Grow stably in Australia and establish business infrastructure in North America**
- Expand our global governance system and bolster our business deployment and administrative functions

## Management

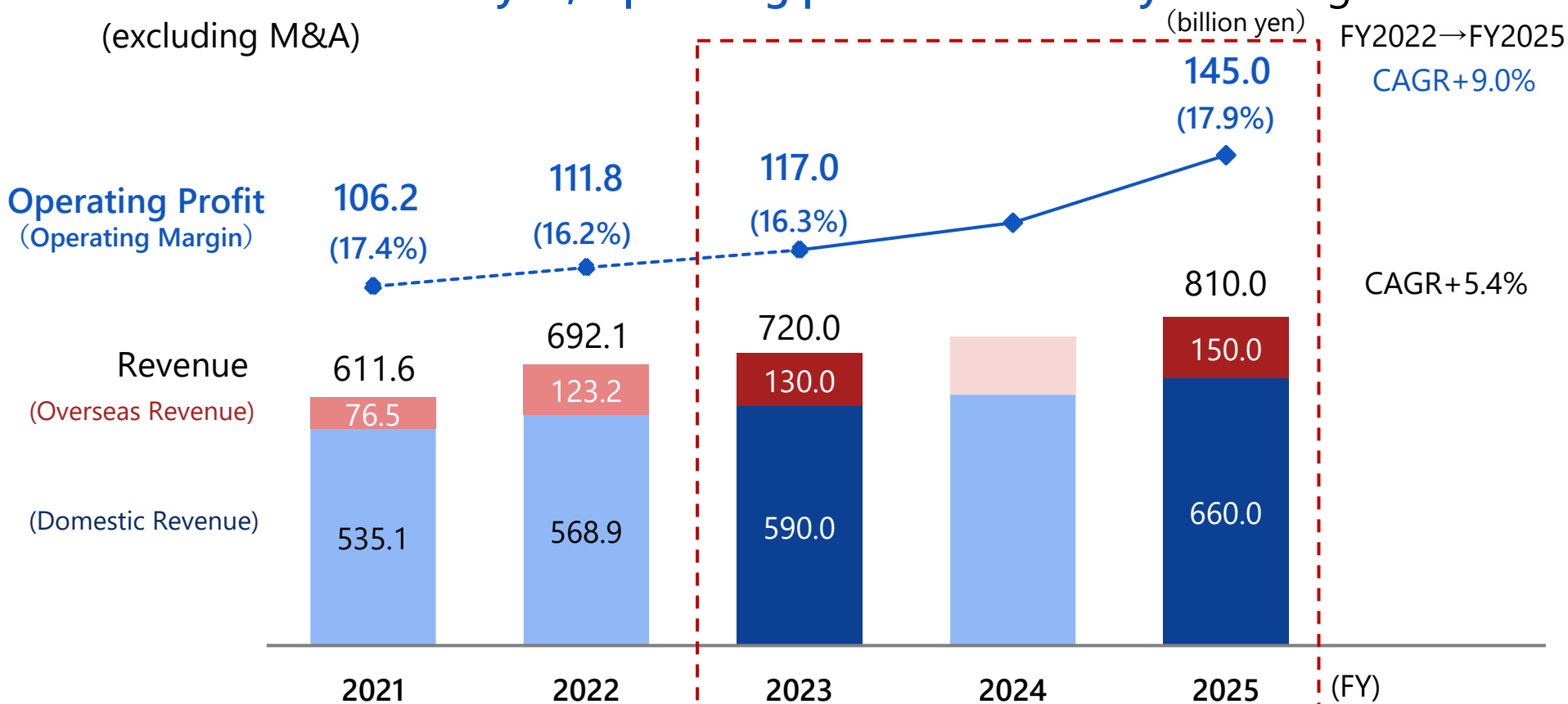
### Solidify management platform

- Accelerate growth through increased hiring and **greater investments in human capital** such as normalizing D&I
- Bolster our **sustainability management. Expand** environmental efforts **to our supply chain**



# Numerical Targets for MTP2025

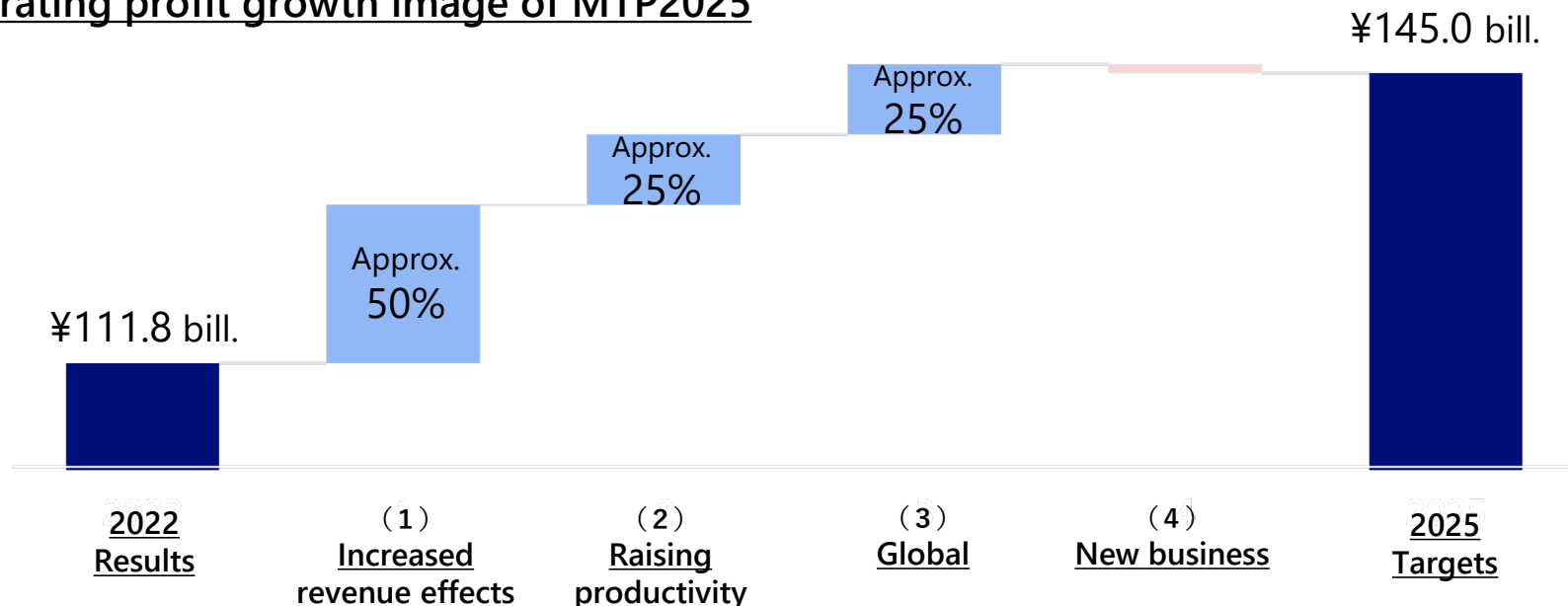
- Revenue 810 billion yen, Operating profit 145 billion yen as target for FY2025 (excluding M&A)



	FY2022 Results	FY2023 Plan	FY2025 Plan
Revenue	692.1	720.0	810.0
Operating Profit	111.8	117.0	145.0
Operating Margin	16.2%	16.3%	17.9%

# Operating Profit Growth Outlook

## Operating profit growth image of MTP2025



Increased revenue effects  
(Core business)

- Expanding finance business platforms and modernizing legacy IT assets
- Capturing DX demand aimed at digital-first

Raising productivity

- Increasing efficiency of existing IT assets and overhauling development framework
- Radical production innovations utilizing AI, etc.

Global

- Stable growth in Australia and establishing business infrastructure in North America with Core BTS as the nucleus

New Business  
(DX2.0/3.0)

- Strengthen think tank functions to accelerate DX3.0 businesses
- Develop pipeline for “Digital Social Capital” creation

## Deepen Core Business (expanding domestic clientele)

[Environment awareness]

- ✓ Integration of management and technology is advancing. DX is growing more complex, and business-operations-core systems integrated large-scale DX demand is emerging. Harness the strength of NRI Con-Solution which knows clients' business and IT inside and out

### Consulting (more than ¥5 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 GX**

### 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 cyber security-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

\* The number in ( ) shows revenue growth from FY2022 to FY2025

# Strengthen Core Business (radical production innovations )

- Work on **radical production innovations** such as functional integration and cloud migration of existing IT assets, overhauling development frameworks, and leveraging AI in development processes
- Planning a total **of approx. 20 billion yen in productivity improvement investments** during the term of Medium Term Management Plan 2025

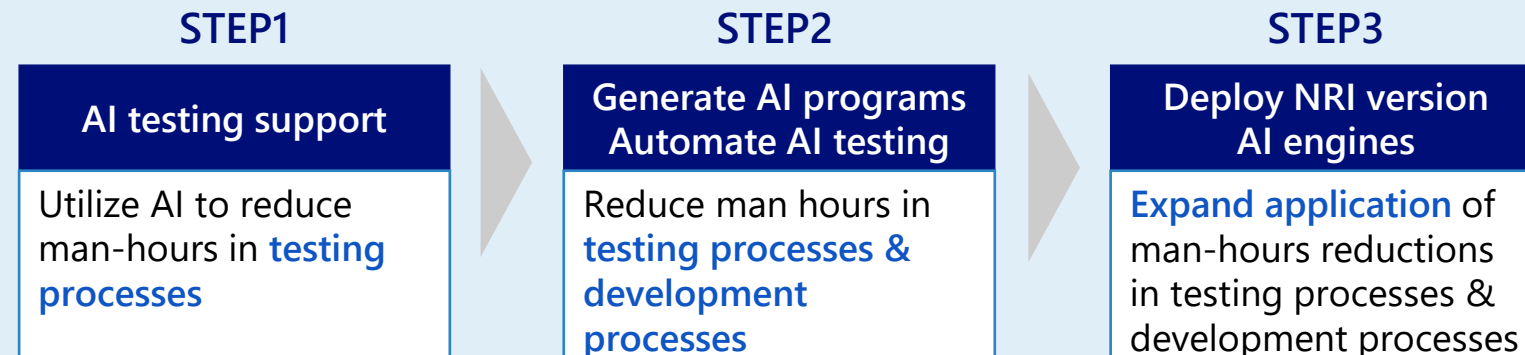
Modernize existing  
IT assets

- ✓ 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



## Growth Strategies : Global

### Australia:

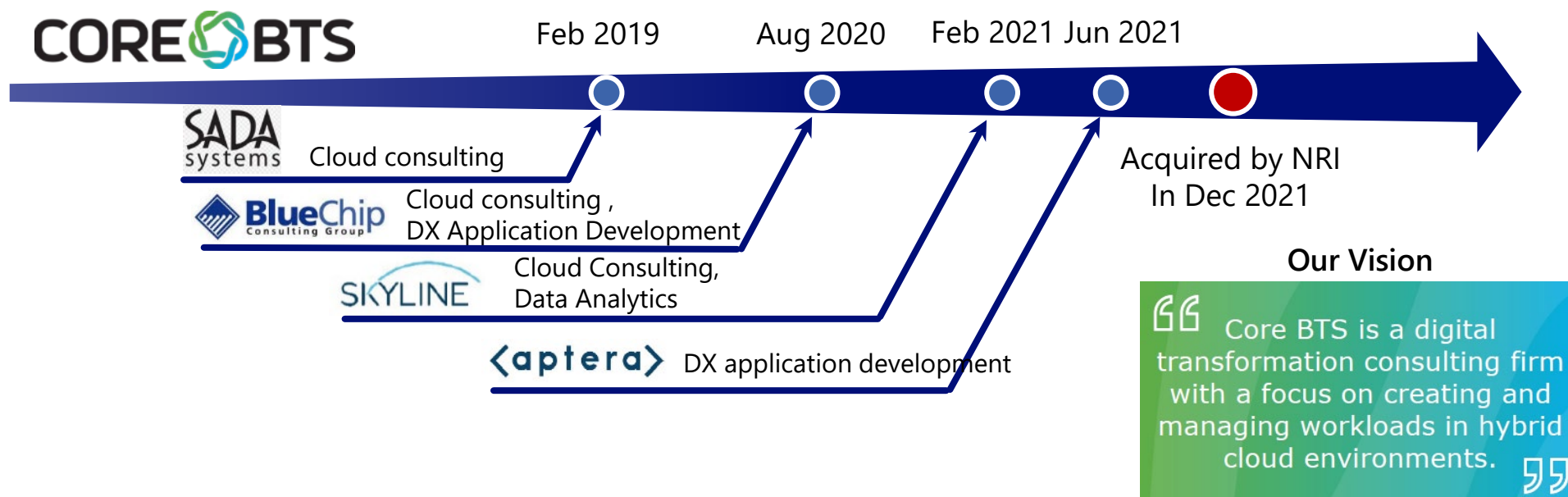
## From the phase of expansion through M&A to stable growth and improving profitability

- During the term of the previous vision, we mainly expanded business areas and regions through M&A, accumulating overseas experience as a "base camp" for our global journey



## North America: Establish business infrastructure with Core BTS as the nucleus

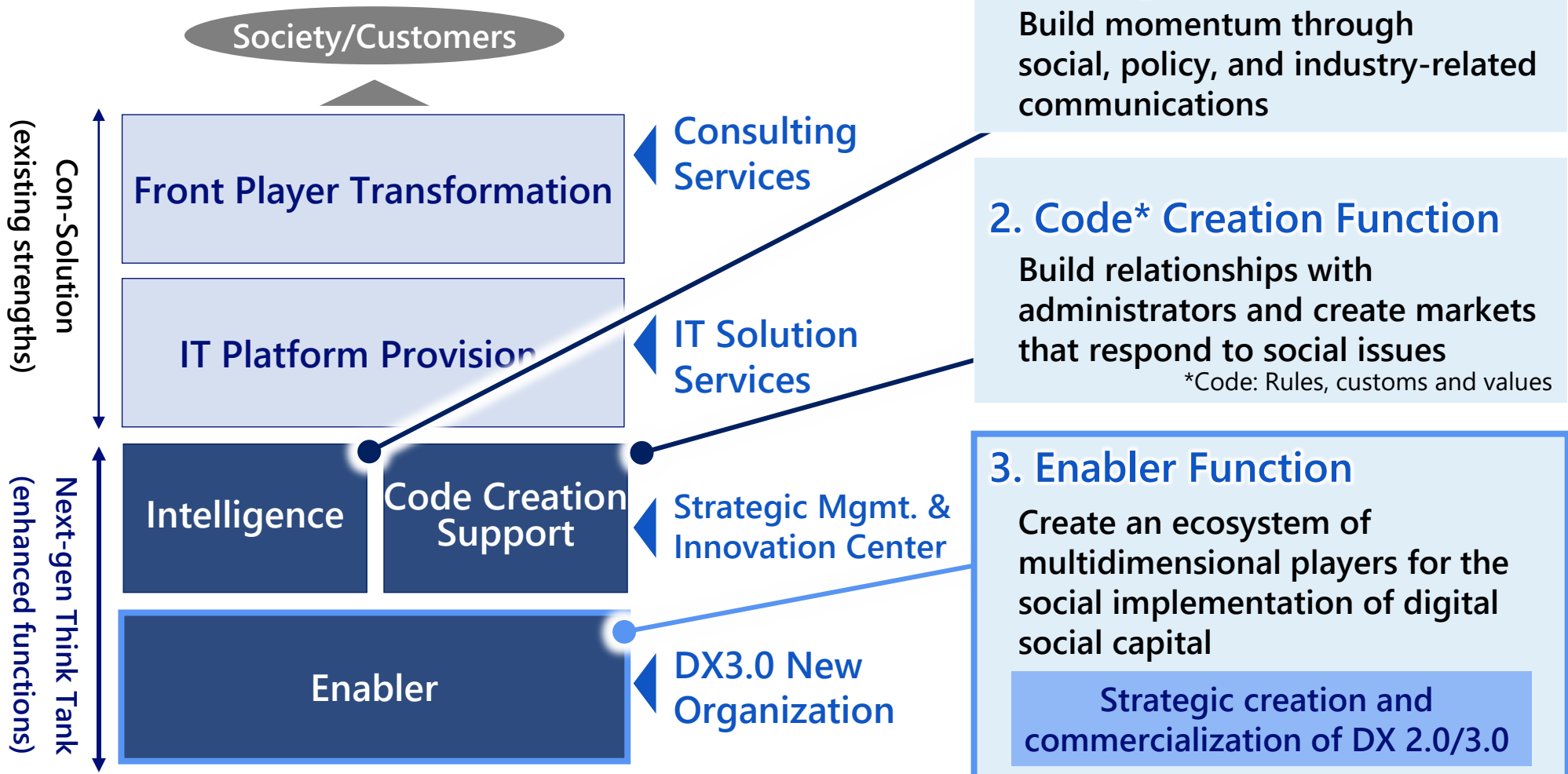
- Core BTS is expanding its business by adding companies with capabilities such as cloud consulting and application development to its original business of network architecture through M&A



- To establish business infrastructure in North America (efforts for the second half of FY 2022)
  - Changed the CEO (promoted the CFO) and formulated a "Vision" (deploying DX in hybrid cloud)
  - Hired a CRO\* to head sales and marketing, and replaced regional sales managers \* Chief Revenue Officer
  - Conducted sales training for DX consulting and established a new sales support organization for marketing, etc.
  - Considered collaborations between NRI & overseas group subsidiaries to supplement capabilities in sales & delivery to Japanese companies

# Strengthen think tank to accelerate DX2.0/3.0

## Overview of DX2.0/3.0 Businesses



# Advance human capital

- Along with increases in personnel numbers, also accelerate the growth cycle of human capital by taking employees' aspirations & experience into consideration and making the most of their individual capabilities
- Also continuously promote diversity & inclusion to build high-engagement organizations where diverse professionals can thrive

<p><b>Bolster new graduate and mid-career hiring</b></p>	<ul style="list-style-type: none"> <li>● <b>Boost new graduate &amp; mid-career hiring</b></li> <li>● Introduce hiring of recent graduates who are unemployed</li> <li>● Take in more student interns</li> <li>● Expand hiring channels such as alumni and referrals</li> </ul>	<table border="1"> <thead> <tr> <th colspan="2">(NRI Payroll)</th> <th>2022 Results</th> <th>2025 Plan</th> </tr> </thead> <tbody> <tr> <td colspan="2">New graduate hires</td> <td>399</td> <td>Approx. 500</td> </tr> <tr> <td colspan="2">Mid-career hires</td> <td>335</td> <td>Approx. 370</td> </tr> </tbody> </table>	(NRI Payroll)		2022 Results	2025 Plan	New graduate hires		399	Approx. 500	Mid-career hires		335	Approx. 370
(NRI Payroll)		2022 Results	2025 Plan											
New graduate hires		399	Approx. 500											
Mid-career hires		335	Approx. 370											
<p><b>Increasing Growth Opportunities</b></p>	<ul style="list-style-type: none"> <li>● <b>Provide growth opportunities and a sense of growth</b> through talent management</li> <li>● <b>Visualize capabilities</b> in areas such as DX, business creation, and global, while <b>systematically providing opportunities</b></li> </ul>													
<p><b>Diversity &amp; Inclusion</b></p>	<ul style="list-style-type: none"> <li>● <b>Expand opportunities for women's participation &amp; advancement</b> through promotions to management roles, etc.</li> <li>● Improve the engagement of the group as a whole                     <ul style="list-style-type: none"> <li>• Bring together diverse individuals around with MVV as the centerpiece through <b>MVV Dialogues*</b> attended by all employees</li> <li>• Bolster onboarding of mid-career hire employees</li> </ul> </li> </ul>													

※ MVV : Mission & Values, V2030



# Expand ESG efforts to the group & globally, and to supply chains

- Evolve NRI's distinctive ESG, maintain high external recognition, and earn further trust from stakeholders



Collaborate with business partners for **Environmental contributions**



Stronger relationships with stakeholders to **Fulfill social responsibilities**



Strategic risk control through **more advanced governance**

**Decarbonize throughout entire supply chains**

- **Efforts to achieve net-zero**
- **Renewable energy usage expansion**
- **TCFD-based climate change information disclosures and natural capital and biodiversity information disclosures**









**Improve the well-being of stakeholders**

- **“Work-in-life”** (balance with personal life) **& health and productivity management**
- Expand the **NRI Group Business Partner Code of Conduct**
- Implement **human rights due diligence**, understand & address trends in **AI ethics**

**Accelerate efforts in the group & globally**

- **More information disclosures** befitting of the group global NRI brand
- **Governance system** for sustainability
- **Compensation design for Directors and Audit & Supervisory Board Members** that accelerates sustainability management

# Reference : Materiality KPI

		Materiality	KPI	FY2025 Targets	(Reference)FY2022 Results
Value Creation	Co-create a thriving future society 	Overall investment & spending on measures for DX 2.0/3.0 that transforms industries & society	¥63.0 billion <sup>*1</sup>	(Measurements starts in FY2023)	
	Co-create an optimal society 	Revenues of business platforms that help to achieve an optimal society	¥141.0 billion	128.5 billion	
	Co-create a safe and secure society 	Revenues related to safety & security to enable a more resilient society <sup>*2</sup>	¥216.0 billion	169.8 billion	
		Employee's sympathy for social value creation <sup>*3</sup> (Domestic Group Companies)	70%	64%	
Value Creation Capital	Advance human capital 	Employee engagement score (NRI Payroll) Female opportunity offering rate <sup>*4</sup> (Non-consolidated)	More than 70 continued 17%	71 14.3%	
	Accumulate intellectual capital 	Amount of investment in creating & accumulating intellectual capital	¥41.0 billion <sup>*1</sup>	13.2 billion	
Management Basis (ESG)	Contribute to global environment 	Greenhouse gas emissions reduction rate•Renewable energy usage rate (Base year : 2019)	2030 Targets <sup>*5</sup> Scope1+2 : <b>Net-Zero</b> Scope3 : Reduced by 30% Renewable energy usage rate : 100%	2021 Results <sup>*8</sup> Scope1+2 : 72% Scope3 : 15.8% Renewable energy usage rate: 51%	
	Fulfill our social responsibilities 	Rate of consent to the NRI Group Business Partner Code of Conduct <sup>*6</sup> or possessing own such codes of conduct <sup>*7</sup>	Domestic group 90% (Ref. Global 80%)	Domestic group 63% (Ref. Global 56%)	
	Evolve governance 	Number of cases in which severe risk materializes (reports to regulatory authorities or incidents of equivalent severity for which the NRI Group is responsible)	0	1	
		DJSI World	Selection Continued	Selection	

\*1 Cumulative values during the term of MTP2025 \*2 Including Inter-segment revenue for each segment \*3 Ratio of employees who feel strong buy-in for the concepts of “value co-creation” and NRI’s “three social values” \*4 Percentage of women responsible for projects and businesses \*5 97% reduction of Scope 1+2 emissions and neutralization of residual emissions \*6 Including environment, human rights, etc. \*7 Consenters or holders of equivalent standards in NRI Group’s procurement partner companies, such as system development contractors \*8 Base year: 2013

# Financial Policies

Financial Policies (The state of FY2025)	Shareholder returns	✓ Dividend payout ratio : <b>40%</b> by FY2025
	ROE	✓ <b>More than 20%</b>
	Working capital on hand	✓ <b>Approximately 2 months of revenue</b>
	Financial discipline	✓ Cap on net D/E ratio: <b>0.5 times</b> ✓ Maintain net interest-bearing debt below <b>1.3 times of EBITDA</b>

- **Business investment (average of approx. 50 billion yen/year)**
  - In addition to maintaining existing services and expanding services overall, actively invest also in DX 2.0/3.0 business creation and in productivity improvements
- **External growth investment**
  - For external growth, continue considering regional expansion and expanding capabilities primarily in North America
  - External growth will not be factored into performance targets in Medium-Term Management Plan 2025; we will make moves when we see opportunities
- **Shareholder returns**
  - Dividend payout ratio will be raised from **35% to 40%** by FY2025
  - ROE will be **more than 20%**. We will flexibly implement share buybacks with stock prices and other factors in mind



**Envision the value,  
Empower the change**