ESG Briefing

Value Co-Creation Efforts in the NRI Group
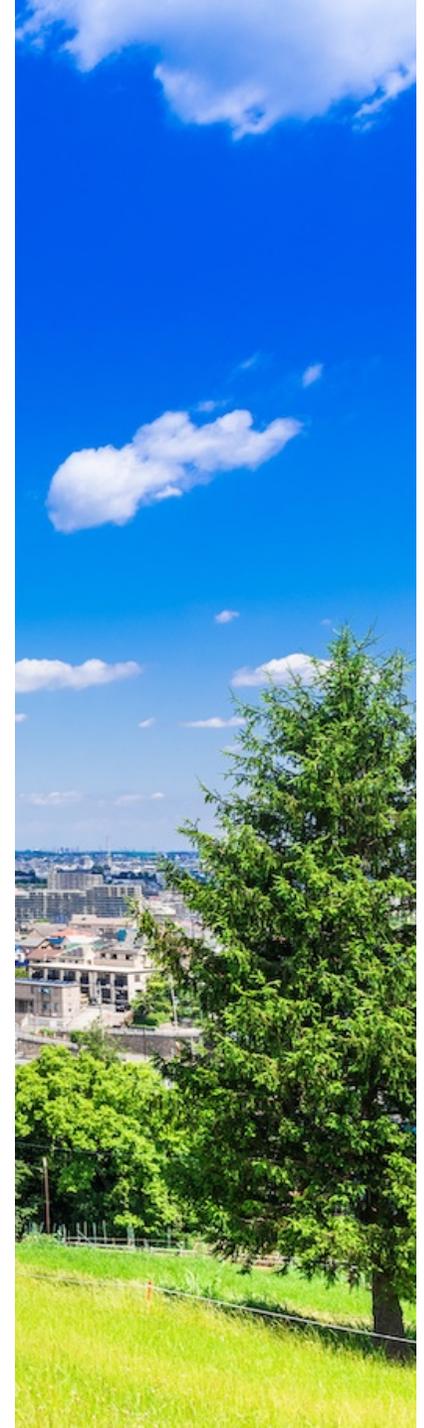
Ichiro Morisawa, Senior Managing Director

Yuzo Kimura, Ayano Sonoda, Value Co-Creation Leader

Nomura Research Institute, Ltd.

Feb. 25, 2022

NRI

Share the Next Values!

Establishing a committee aiming to solve social Issues via value co-creation

Sustained Growth of the NRI Group　　**Building Sustainable Futures**

Corporate Philosophy "Dream Up the Future"

NRI Group Sustainability Management (Medium-Term Management Plan 2019 − 2022)

Share the Next Values!

[Vision 2022 Numerical Targets]

Consolidated operating profit (JPY billion)	100
Consolidated operating profit margin	14% or more
Overseas sales (JPY billion)	100
ROE	14% [*]

* Continuously aiming for higher capital efficiency

Solving social issues through value co-creation (CSV)

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

Value Co-Creation Committee
by Morisawa / Kimura / Sonoda

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

+

Materiality for sustainable growth

Reduction of environmental impact for preserving global environment

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

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

Management of the information systems that form social infrastructure

Sustainability Activities Committee

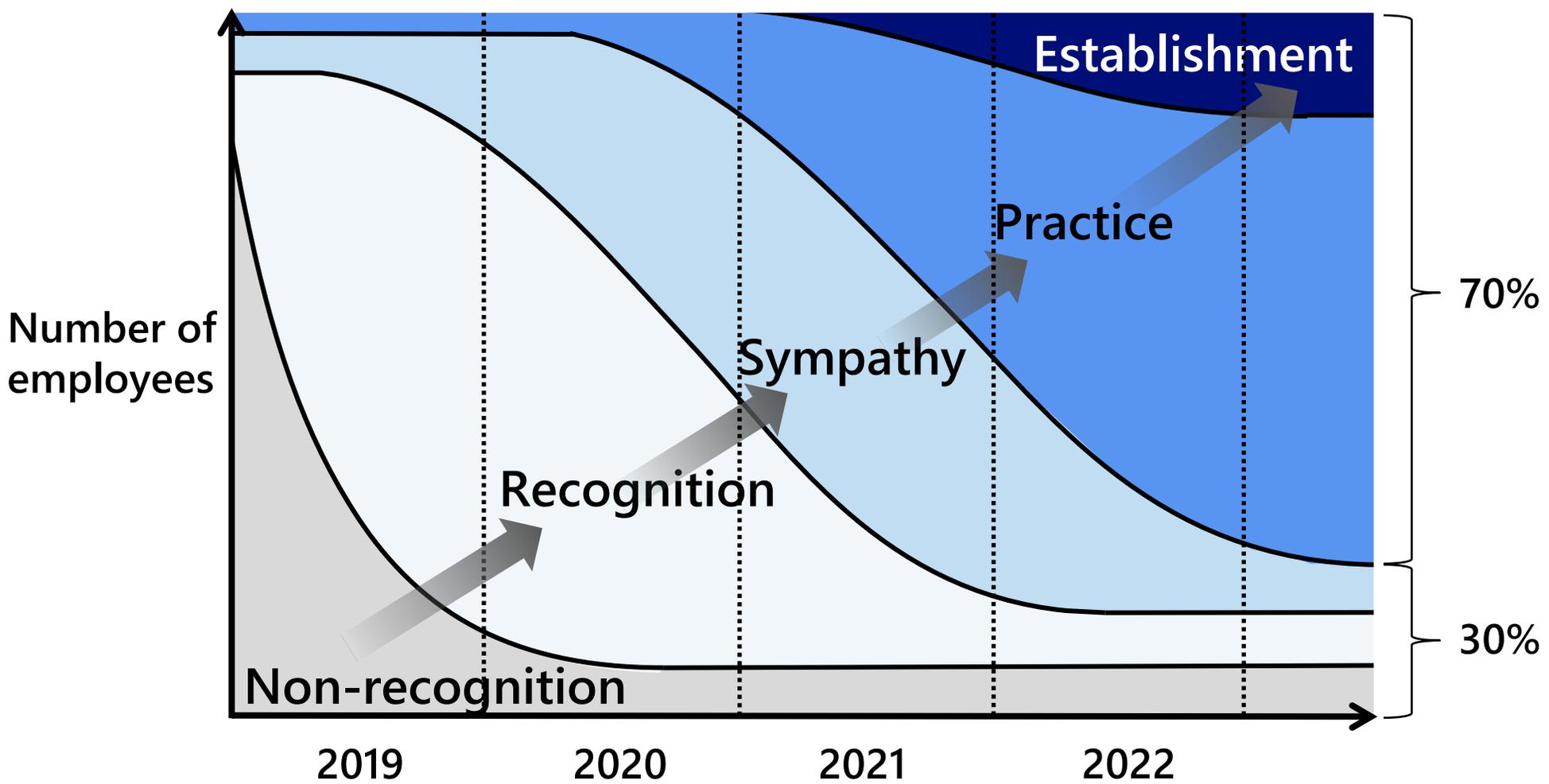| 1	**Increased voluntary initiatives from workplace**
2	**Continuous support from the committee and deployment to group companies**
3	**Examples of value co-creation activities**

Ensuring 70% of employees are putting into practice/establishing the measures by FY2022
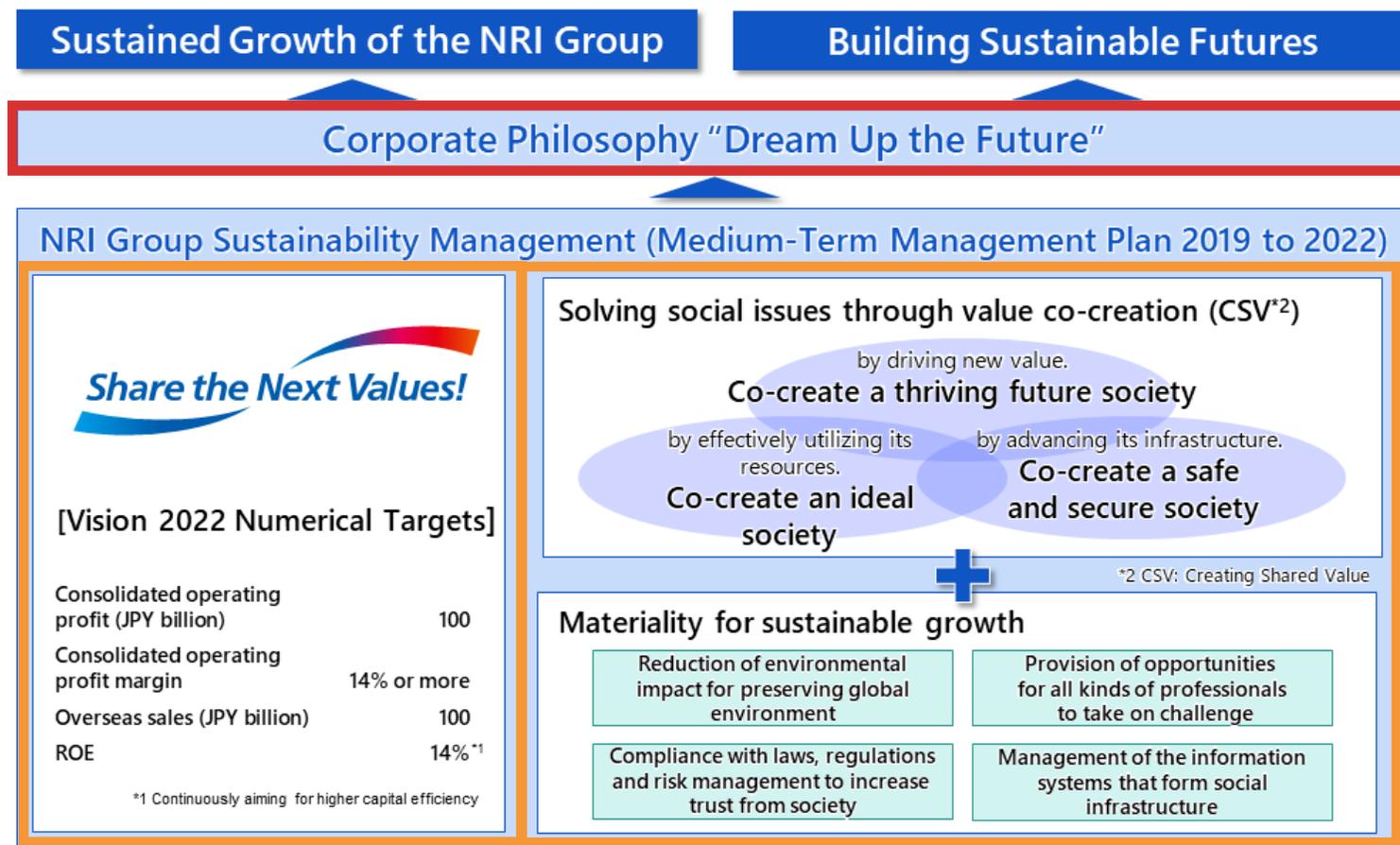
Promoting bottom-up activities to achieve NRI's sustainability management

Value co-creation refers to NRI's CSV efforts for sustainable growth by continuous co-creation of economic & social value with client society

Sustained Growth of the NRI Group

Building Sustainable Futures

Corporate Philosophy "Dream Up the Future"

Economic value

Social value

NRI Group Sustainability Management (Medium-Term Management Plan 2019 to 2022)

Share the Next Values!

[Vision 2022 Numerical Targets]

Consolidated operating profit (JPY billion)	100
Consolidated operating profit margin	14% or more
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ROE	14% [1]

*1 Continuously aiming for higher capital efficiency

Solving social issues through value co-creation (CSV[2])

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

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

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

*2 CSV: Creating Shared Value

Materiality for sustainable growth

Reduction of environmental impact for preserving global environment	Provision of opportunities for all kinds of professionals to take on challenge
Compliance with laws, regulations and risk management to increase trust from society	Management of the information systems that form social infrastructure

Awareness building activities by the committee are driving voluntary initiatives at each workplace
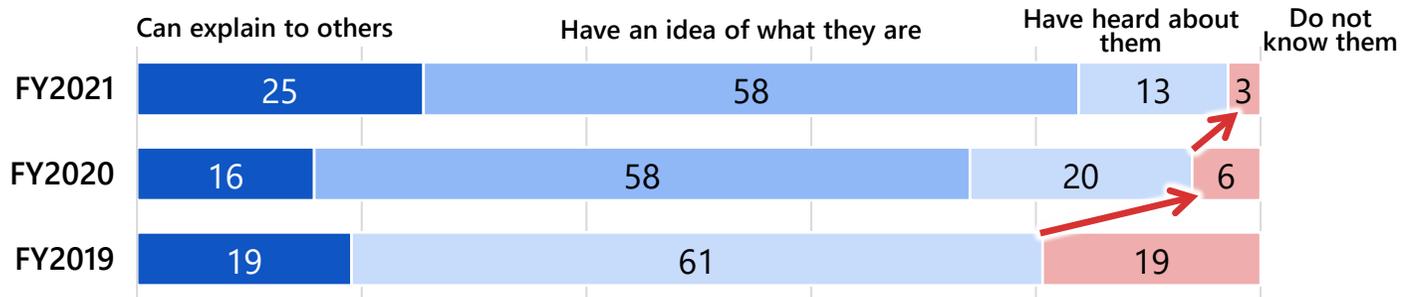
Division/Group Company	Awareness building activities
Consulting	External information dissemination, Knowledge sharing session, Dream Up the Future Forum
Systems Consulting	External information dissemination, various seminars, department training camps, open innovation activities
Financial Technology Solution	External information dissemination, value co-creation workshops with banks
Capital Markets & Wealth Management Solution	Securities Division value co-creation committee, Social value creation working, Securities Division value co-creation day
Asset Management Solution	Organizational revitalization meetings, exchange of opinions internally and externally
Insurance Solution	Social value co-creation working, DX Insurance Business Lab
Financial Solution	Financial services division's value co-creation committee
Industrial Solution Business Development	Exchange of opinions with other companies about CSV
Distribution Solution	Value co-creation hub (Challenge Subcommittee)
Services & Industrial Solution	Sabi Industry Headquarters awareness building activities for value co-creation, data science study meetings
Kansai & Chubu Regional Headquarters	Value co-creation working (within offices and sections)
DX Systems Development Innovation	DX Livelihood and Innovation Social Value Creation Committee, Social Value Creation Workshops (for GMs etc.)
Multi Cloud Integration	Study meetings and meetings to share business ideas
Cloud Computing Service	StartUP Challenge, cloud study meeting
Data Center Service	DCS Division Value Co-creation Committee, DCS Future Creation Activities, Safety and Security Convention, Safety and Security Forum
Corporates, etc.	Value Co-creation Promotion Committee, Sustainability Promotion Committee, external information dissemination, value co-creation website
NRI Netcom, Ltd.	NCC (Netcom Challenge Connect)
NRI SecureTechnologies, Ltd.	Idea contests, group meetings
NRI Digital, Ltd.	NRI CODO, Value Co-Creation Association

Efforts to date have steadily increased "Recognition" & "Sympathy"

■A certain level of "recognition" has been achieved within NRI

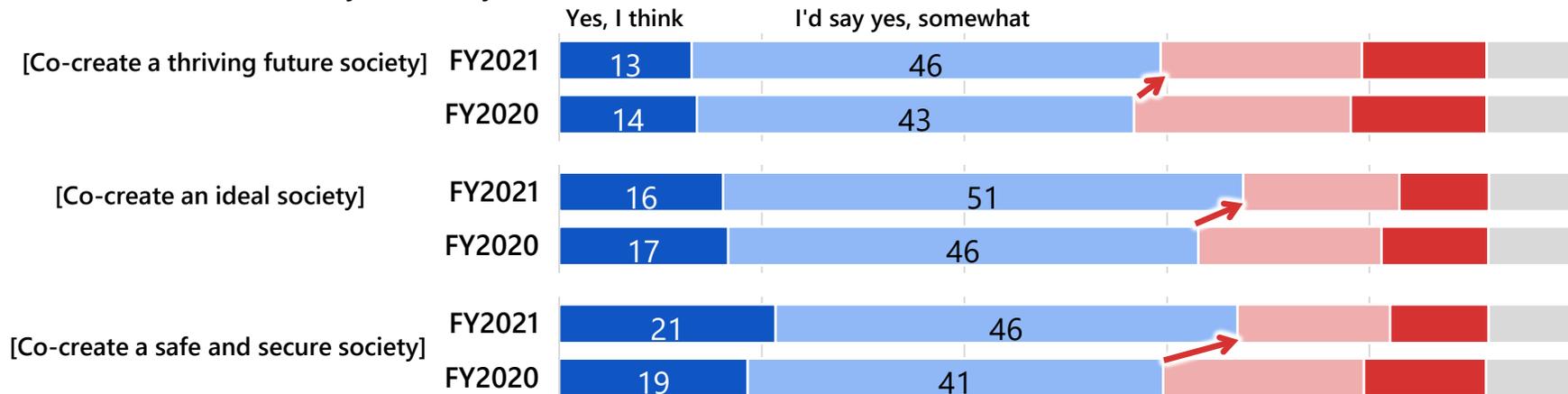- 97% of all employees have heard about value co-creation and NRI's 3 social values.

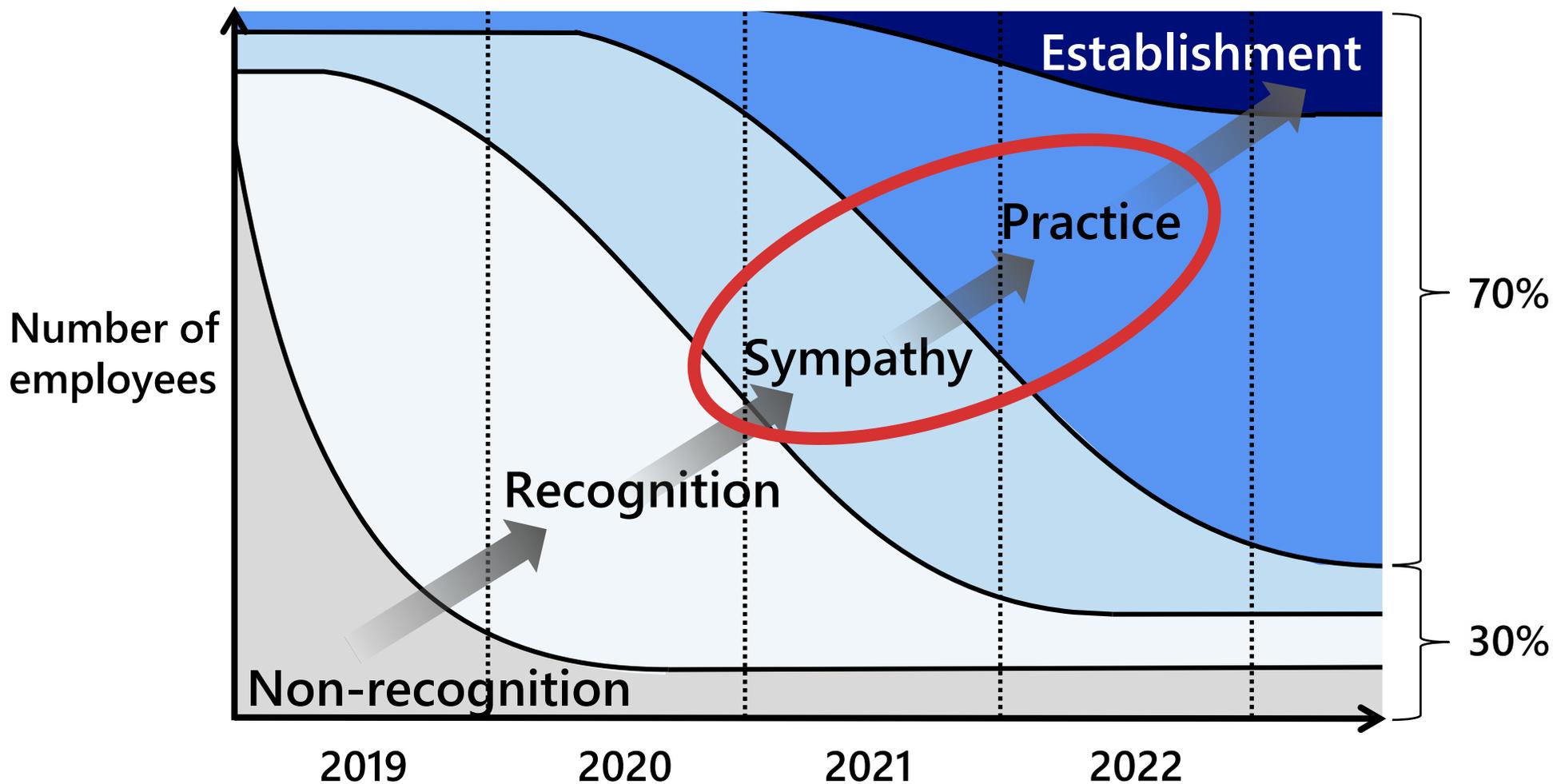### Q. Did you know about "value co-creation" and "NRI's 3 social values"?

	Can explain to others	Have an idea of what they are	Have heard about them	Do not know them
FY2021	25	58	13	3
FY2020	16	58	20	6
FY2019	19	61	19	

■Although "sympathy" has grown steadily, but there is still much room for improvement

- "Sympathy" in terms of the connection between the current business and 3 social values increased slightly in each area.

Q. Do you think your business creates or contributes to the creation of social value?

		Yes, I think	I'd say yes, somewhat			
[Co-create a thriving future society]	FY2021	13	46			
	FY2020	14	43			
[Co-create an ideal society]	FY2021	16	51			
	FY2020	17	46			
[Co-create a safe and secure society]	FY2021	21	46			
	FY2020	19	41			

Awareness building process moves from "sympathy" to "practice"

Establishment

Practice

Sympathy

Recognition

Non-recognition

Number of employees

70%

30%
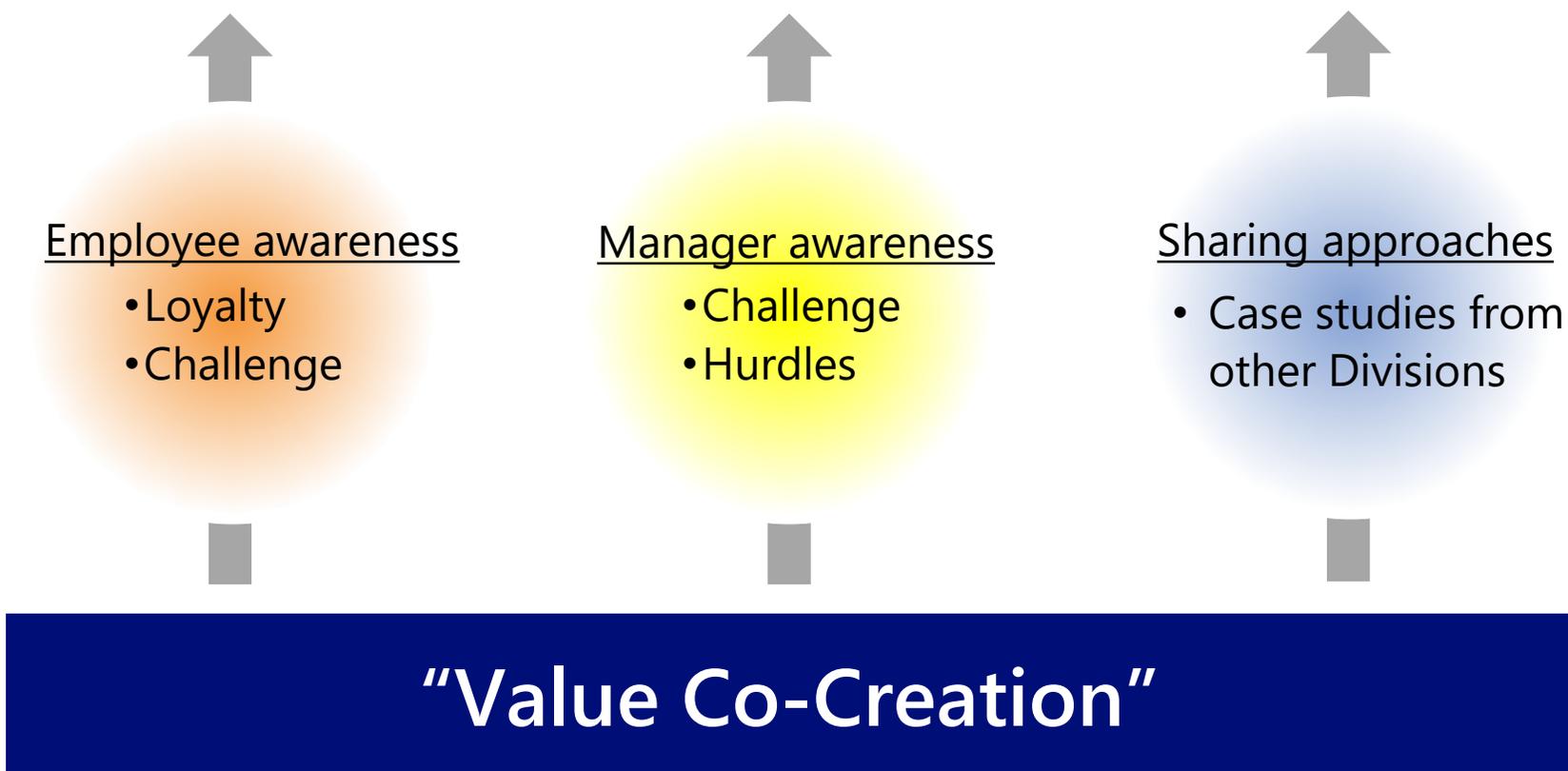
2019   2020   2021   2022

"Practices" are emerging at each workplace

Division/Group Company	Examples of "practice" efforts
Consulting	Consulting to solve social issues (carbon neutrality, circular economy, sustainable management, etc.)
Systems Consulting	DX3.0 (carbon neutral, circular economy, etc.), smart cities, logistics DX, DX human resource development
Financial Technology Solution	Cross-industry financial PF, promotion of investment in ESG, realizing cashless society, regional finance SDGs
Capital Markets & Wealth Management Solutions	Providing social infrastructure through shared use ASPs, achieving digital government policies, investment education activities
Asset Management Solution	Providing ASP services for the asset management industry, promoting ESG investment, promoting social transformation from savings to investment
Insurance Solution	Providing a shared infrastructure for the life and non-life insurance industry, providing shared PF through the utilization of my number, and developing new areas of insurance
Financial Solution	Providing ASP services for financial institutions, developing financial inclusion solutions and upgrading the AML/CFT sector
Industrial Solution Business Development	Optimizing logistics and reducing losses, saving store labor and achieving a Physical Internet
Distribution Solution II	Improving logistics efficiency, reducing food loss and promoting ethical consumption, saving manpower in stores, supply products across industries
Services & Industrial Solution	Improving the efficiency of the delivery industry and providing new services, closing the real estate information gap and expanding the secondary distribution market
Kansai Chubu Office	Promoting the utilization of renewable energy, realizing a safe transport society, transforming education industry through DX
DX Systems Development Innovation	Maintaining and improving productivity through DWP, proposing new ways of working and improving security through zero trust
Multi Cloud Integration	Stabilizing operation and upgrading the infrastructure of the systems provided by NRI, and improving productivity through aslead
Cloud Computing Service	Effectively utilizing resources through the stable operation of cloud and network services
Data Center Service	Achieving carbon neutrality through stable operation of DC, continued implementation of energy saving measures and introduction of renewable energy
Corporates, etc.	Supporting business execution and disseminating information on value co-creation activities in each business unit; ESG-related fundraising
NRI Netcom, Ltd.	Implementing tray check payment in University co-op, cafeteria DX, experiencing the utilization and operation of new stores
NRI SecureTechnologies, Ltd.	Providing cyber security and zero trust solutions, security assessment and consulting
NRI digital, Ltd.	Creating new experience value, building and maintaining e-commerce sites, optimizing delivery, DX in real estate and transportation

The committee is responsible for further accelerating these practices

Value co-creation promotion activities of the committee do not directly create new businesses but do expand their potential

Accelerating social value creation

Employee awareness
- Loyalty
- Challenge

Manager awareness
- Challenge
- Hurdles

Sharing approaches
- Case studies from other Divisions

"Value Co-Creation"

1 Increased voluntary initiatives from workplace

2 Continuous support from the committee and deployment to group companies

3 Examples of value co-creation activities

Details of major activities of the committee in FY2021

Measures	Description
Value co-creation branding / Group & global expansion	• **Better access to value co-creation contents across group companies** • Considering a plan and gathering information • Considering targets for information dissemination and content creation • **Disseminating information to** divisions, group companies (internal) and **external parties**
Value co-creation leader development and activity support	• **Developing the third term value co-creation leaders** • Supporting the activities of value co-creation leaders • Planting the seeds for the next generation of leadership candidates *The theme for third term activities revolves around the **President's message in Integrated Report that talks about NRI Group in 2030***
Monitoring and evaluation	• **Conducting awareness surveys, including domestic group companies** • Organizing Dream up the Future Awards • Coordinating and collaborating for related activities with other departments • Other activities include considering measures for new initiatives
Support for on-site activities	• **Supporting the establishment of on-site value co-creation promotion teams** • Supporting on-site value co-creation activities • **Summarizing examples of "NRI's 3 unique social values"** • Holding a "Value Co-Creation Day"

Focus on "branding" to encourage behavioral change

[Value co-creation branding]
- ✓ The initial awareness building activities prioritized **gaining recognition with an emphasis on "information dissemination"**
- ✓ **With an emphasis on "branding,"** the aim is to cultivate sympathy to **make it a personal matter and put it into practice**

■ Branding within the NRI Group

- ● **Created an environment** that allows group employees in Japan and abroad (with no access to the intranet) to browse the content **via the internet**

Content is available in both Japanese and English

■ Branding outside the NRI Group

- ● **Introduced value co-creation awareness building activities through publications** such as the Integrated Report and Sustainability Book, etc.

Integrated Report 2021

Sustainability Book 2021

Continuously developing value co-creation leaders at forefront of value co-creation activities

- Value co-creation leaders are "successors" who continue to lead change through implementation of value co-creation
- The development program began in 2019 and produced over 60 leaders, including those from group companies, by the third term

Term (Activity period)	Activity theme
1st term (FY2019-FY2020)	Issues in realizing the NRI's vision and ideal state and action plans for resolving these issues
2nd term (FY2020-FY2021)	The future we want to achieve and the social issues that NRI should solve as a business
3rd term (FY2021-FY2022)	Message from the NRI Group President about NRI Group in 2030 in the Integrated Report

Value Co-creation Leader Development Program (Third term FY2021)

STEP 0 Realization	Realization as a successor
STEP 1 Knowing oneself	Rediscovering and recreating your own value standards
STEP 2 Knowing NRI	Rediscovering and recognizing the value standards of NRI
STEP 3 Knowing the client/society	Understanding the circumstances of the client and society and identifying issues
	Presentation to managers of value co-creation activities/dialogue with the president
Practical succession	Implementing value co-creation (1) Dialogue with young employees/management
	Implementing value co-creation (2) Value co-creation day

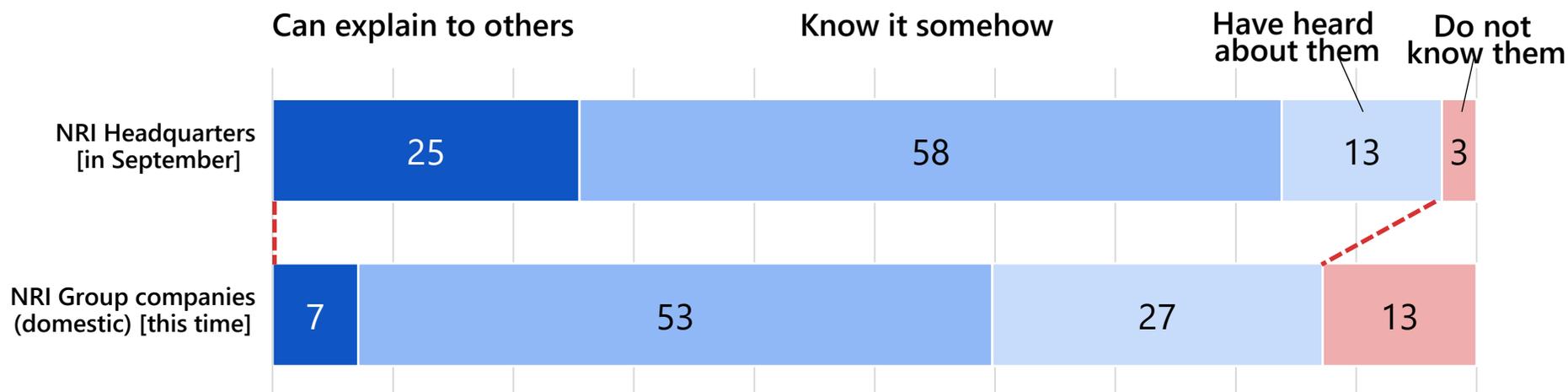**STEP 3: Understanding the circumstances of the client and society and identifying issues**
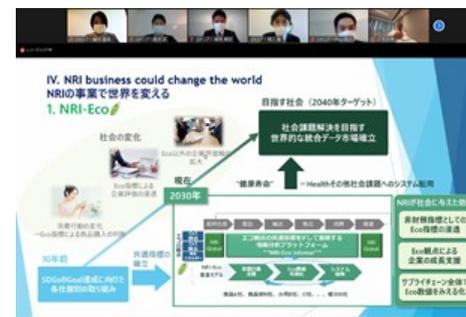
STEP 3: Dialogue with the president

Expanding the scope of the awareness survey to include domestic group companies

- Goal: Understanding the initial awareness of "value co-creation" (to be utilized for identifying issues, considering measures, etc.)

- Target: All executives and employees from NRI Group companies (domestic) *Not applicable for those seconded from the NRI itself, as this has already been done

- Period: January 31 - February 14, 2022

- Method: Anonymous Internet survey *Responses made after viewing the content of the value co-creation website

- Total no. of responses received: 1,870 (with 73% response rate)

Q. Did you know about "value co-creation" and "3 social values"?

	Can explain to others	Know it somehow	Have heard about them	Do not know them
NRI Headquarters [in September]	25	58	13	3
NRI Group companies (domestic) [this time]	7	53	27	13

Understanding workplace activities, creating opportunities to share examples of activities within the organization to cultivate sympathy

Interview with Division Head	Survey of members of value co-creation activities
·Each organization develops activities with its value co-creation leader ·Each organization develops various efforts	·Want a forum for cross-organizational sharing and discussion about activities ·Want to know examples of other organizations' activities and value co-creation efforts with clients

▼

Supporting worksite activities by providing opportunities to share it across organizations, to know the activities and the people, and provide an environment that facilitates collaboration between organizations

Mini Value Co-Creation Day

Examples of activities to cultivate sympathy	**Examples of cross-organizational practices**	**Examples of practice through projects**
Ms. Shibata (Services & Industrial Solution Division)	Mr. Moritake (Capital Markets & Wealth Management Solutions Division)	Mr. Mizuko (Data Center Service Division)

Value Co-Creation Day Scheduled for May, 2022

Reporting activities of the third term of value co-creation leaders	Sharing practical examples of award-winning value co-creation teams

Awareness of change in mode of measures and widening of stakeholder base

- Based on existing efforts, cultivating a stronger sense of "sympathy" (upwards) while expanding the scope of involvement (rightwards)

Ownership+Concretization

Global

Areas of value co-creation with client and society

Creating new businesses (DX3.0 etc.)

Creating further social value in existing businesses (DX1.0/2.0 etc.)

Transformation within the Group (creating a work style that will lead society)

Practice — Action

Switching to a mode focused on cultivating stronger "sympathy"

Sympathy — Memory / Desire

Existing efforts
- Value co-creation branding
- Value co-creation leader development
- Monitoring and evaluation
- Support for initiatives from workplace

Expanding the scope of involvement

Recognition — Interest / Attention

NRI　　NRI Group　　Client　　Society

Expanding contact and involvement with client and society

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3 Examples of value co-creation activities

"Practices" are emerging at each workplace

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Self-introduction

Mr. Yuzo Kimura

(Digital Integration Business Division, NRI Netcom, Ltd.)

Since joining the company, I have been in charge of the development and operation of service and financial systems, and I am currently in charge of planning for retail clients in the Digital Integration Business Division.
I want to create new values/culture together with clients in future.
I am a third term value co-creation leader

Ms. Ayano Sonoda

(Digital Integration Business Division, NRI Netcom, Ltd.)

After developing and operating systems for retail clients, I'm currently in sales planning. I want to create the "Next Standard" services together with clients, with a focus listening to the voices of those at the worksite by asking "what can we do with clients (university co-ops) and users (students)?".
I am a first term value co-creation leader

Continuous activities to co-create new value

Establishing new business with a view to co-creating with clients

Co-creation by Ehime University Co-op, students and NRI Netcom
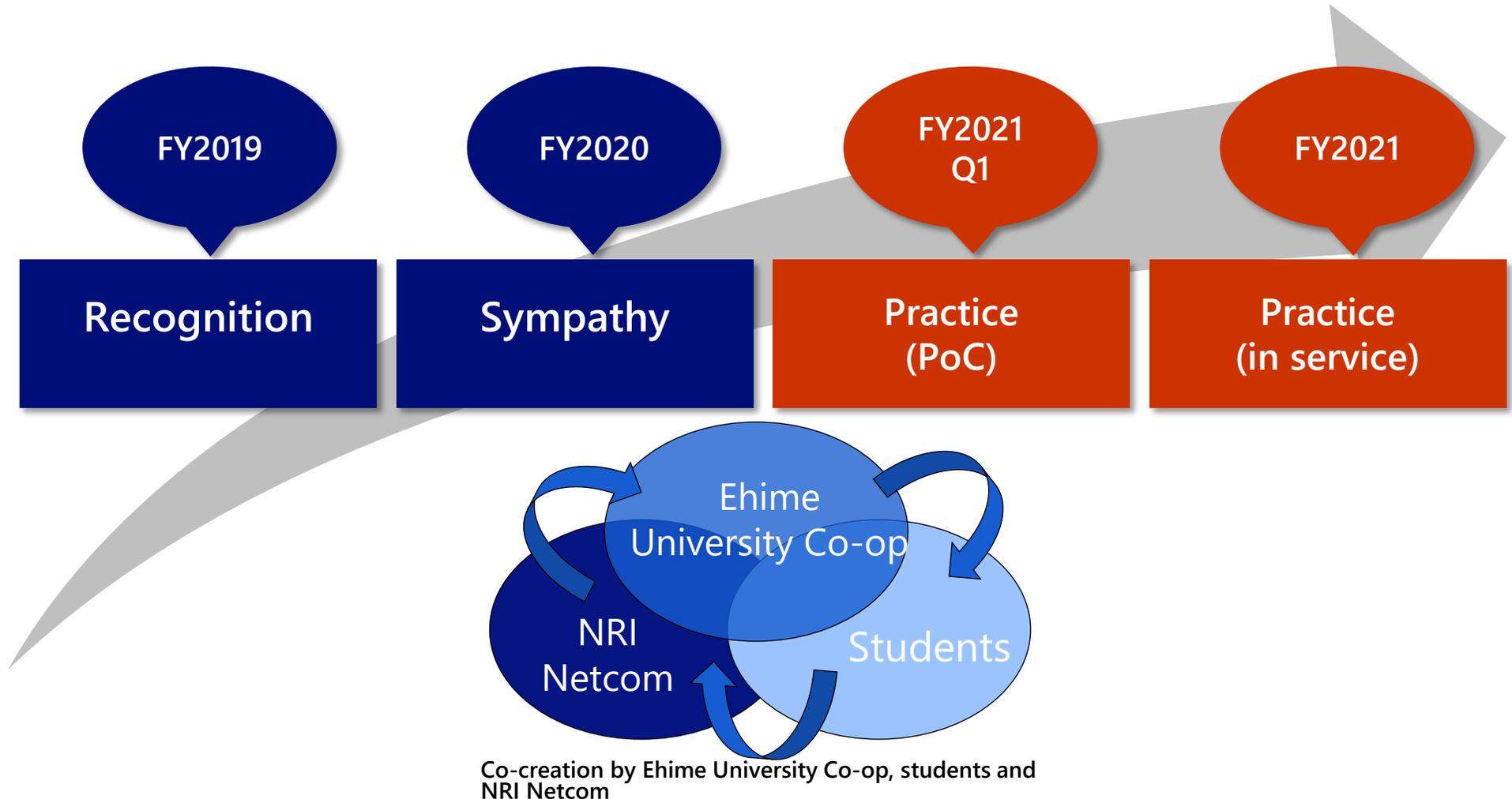
From R&D planning, verification tests, to co-creating with clients and launching services

<Background of Ehime University Co-op>
1) Respond to students' usage trends based on changes in university life
2) Measures to reduce fixed costs
→Amid the Covid-19 pandemic, the irregular student attendance and the reduced number of customers at the cafeteria leading to its temporary closure have proved to be a challenge in reducing fixed costs for POS cash registers and other equipment. Using digital technology is necessary to respond flexibly to users' changing lifestyles and needs.

Background / Issues

<April-June 2021>
Conducted a hypothesis-based verification test on students' using the cafeteria with smartphones at Ehime University Co-op to study the usage and next-generation store management styles.

R&D Verification Test

<July 2021>
Based on the results of verification tests (evaluations and opinions of students as users and Ehime University Co-op as operator), following two effects are expected through provision of "tray check service", which enables students to use the stores via their smartphones.

Evaluation / Planning

■ Possibility of changing students' cafeteria usage habits (meal service and payment method)
→co-create a future society)
■Prospects to reduce fixed costs by optimizing number of cash registers and reallocating human resources
→co-create an ideal society)

<October 2021 - >
Full-scale launch at Ehime University Co-op

Making a service

New form of payment other than POS cash registers, utilizing students' smartphones

Conventional store operations
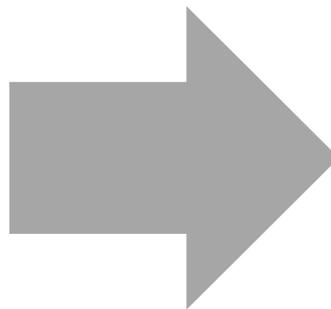
Future store operations

Existing POS solutions
(POS, IC cards)

"写真を撮るだけ"で
お会計完了！
トレーチェック

Tray Check Service
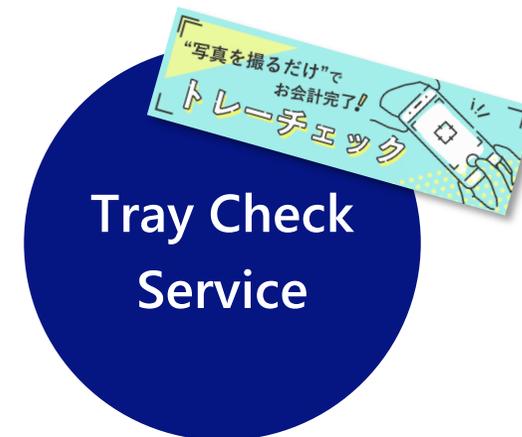
New store usage and operational experience by utilizing students' smartphones

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What we want to achieve with students utilizing smartphones

(1) Respond to the needs of students (Generation Z-utilizing smartphones for everything)
(2) Reduced fixed costs for hardware
(3) Improved flexibility in the employee workstyle

Introducing University Co-op Tray Check Payment

Tray check allows users to checkout by taking a photo from their smartphone

Tray check
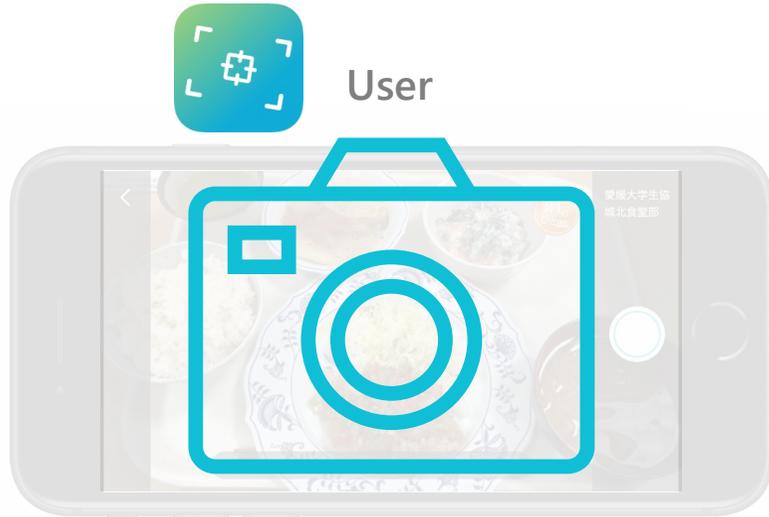
User
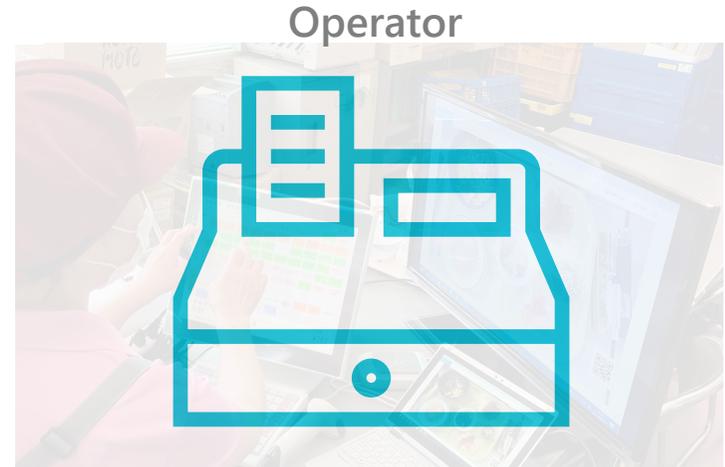
Operator

(1) Takes a photo of the entire tray through the dedicated app

(2) Looks at the photo remotely and handles the cash register

Checkout

Usage scenario (New store usage experience without POS checkout)

1 Receive meals as usual

▷

2 Go to the tray check-only table, not the usual checkout area

▷

3 Scan the store QR on the dedicated table and take a photo of the entire tray

▷

4 Enjoy your meal!

A look at how tray check by Ehime University Co-op has been used

Students using tray check

Hands-on use of tray check
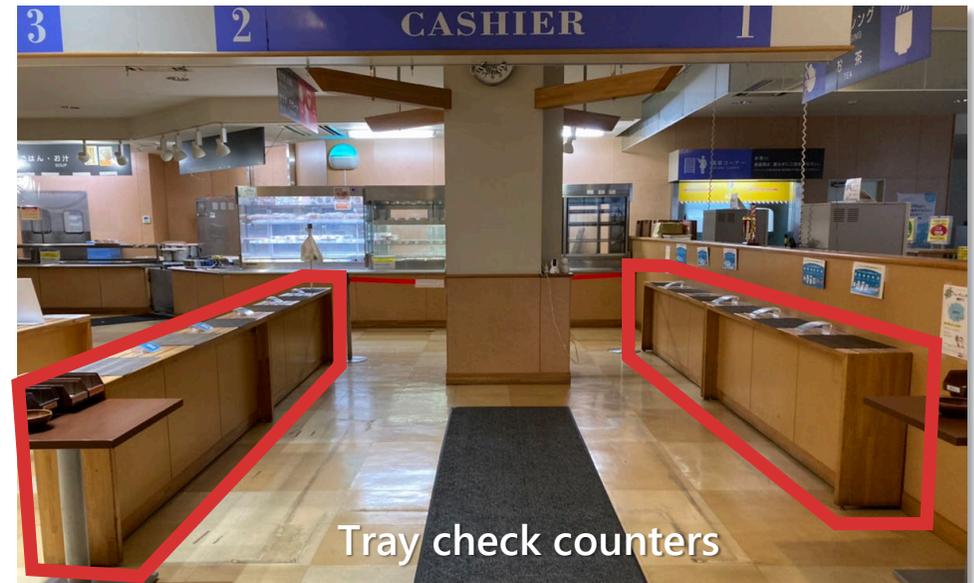
Tray check counters

Photos of implementation with Ehime University Co-op and operators working on the register
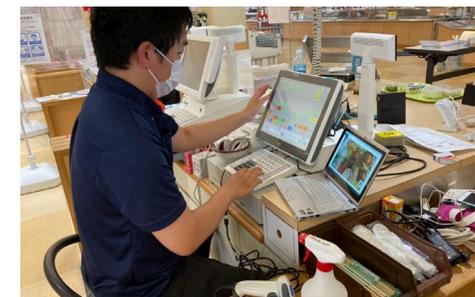
Offices and stores during off-peak hours

- Working at the cash register while looking at the photos

Ehime University Co-op students feedback (from June, 2021 verification survey)

Almost of all students who used this service provide positive feedback.

Introducing University Co-op Tray Check Payment
Comments from Ehime University Co-op students and staff

Tray check team of students, Ehime University Co-op staff and NRI Netcom, Ltd.

Member students, Ehime University Co-op staff and NRI Netcom, Ltd. sharing the actual usage status of tray check

Managing Director Kazuhiro Mizoguchi
(Ehime University Co-op)

I would like to value "**sympathy**", which is inherent in "value co-creation"

Store Manager Yukari Mori
(Ehime University Co-op)

Operating with the users is the new world!

Store Manager Keiji Asano
(Ehime University Co-op)

Tray check is a good mechanism that will **largely change the way stores operate in the future**

Share the Next Values!