

Note; This document is in English translation of “Kessan Tanshin” for the final Quarter of the Fiscal Year Ended March 31, 2022 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese version and any English translation of it, the Japanese version will govern.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022

May 12, 2022

Company name	: NTT DATA CORPORATION (“NTTDATA”)
Stock exchange on which the Company’s shares are listed	: Tokyo Stock Exchange Prime Segment
Code number	: 9613
URL	: https://www.nttdata.com/global/en/
Representative	: Yo Honma, President and Chief Executive Officer, Representative Director
Contact	: Sota Endo, Senior Executive Manager, Investor Relations Office Tel.:+81-3-5546-8119
Scheduled date of the ordinary general meeting of shareholders	: June 16, 2022
Scheduled date of dividend payment	: June 17, 2022
Scheduled date of filing securities report	: June 17, 2022
Supplemental material on annual results	: Yes
Presentation on annual results	: Yes (for institutional investors and financial analysts)

(Amounts are rounded to the nearest 1 million yen)

1. Consolidated Financial Results for FY2021 (From April 1, 2021 to March 31, 2022)

(1) Consolidated Results of Operations

(% of change from the corresponding the previous fiscal year)

	Net sales		Operating income		Income before income taxes		Net income attributable to shareholders of NTT DATA		Comprehensive income attributable to shareholders of NTT DATA	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2021	2,551,906	10.1	212,590	52.8	215,849	65.5	142,979	86.1	227,773	37.9
FY2020	2,318,658	2.3	139,173	6.3	130,452	8.6	76,843	2.3	165,129	274.1

	Net income per share	Net income per share (diluted)	ROE (Ratio of Net income to Equity attributable to shareholders of NTT DATA)	ROA (Ratio of Income before income taxes to Total assets)	Operating income margin (Ratio of Operating income to Net sales)
	¥	¥	%	%	%
FY2021	101.95	—	12.2	7.2	8.3
FY2020	54.79	—	7.6	4.7	6.0

Reference: Equity in net income (losses) of affiliates: FY2021 (205) million yen, FY2020 (6,299) million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to shareholders of NTT DATA	Equity ratio attributable to shareholders of NTT DATA	Equity attributable to shareholders of NTT DATA per share
	¥ million	¥ million	¥ million	%	¥
FY2021	3,084,513	1,328,267	1,270,874	41.2	906.22
FY2020	2,897,015	1,126,548	1,072,899	37.0	764.99

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	¥ million	¥ million	¥ million	¥ million
FY2021	310,404	(196,487)	(166,513)	246,941
FY2020	352,492	(173,893)	(101,618)	287,058

2. Dividends

	Cash dividends per share					Total amount of cash dividends for the year	Dividends payout ratio (consolidated)	Ratio of total amount of dividends to Equity attributable to shareholders of NTT DATA (consolidated)
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total			
FY2020	¥ —	¥ 9.00	¥ —	¥ 9.00	¥ 18.00	¥ million 25,245	% 32.9	% 2.5
FY2021	—	9.50	—	11.50	21.00	29,452	20.6	2.5
FY2022 (Forecasts)	—	10.50	—	10.50	21.00		20.0	

Note: The year-end dividend of 11.50 yen for the fiscal year ended March 31, 2022 includes a special dividend of 2.0 yen.

3. Forecasts of Consolidated Results for FY2022 (From April 1, 2022 to March 31, 2023)

(% of change from the corresponding the previous fiscal year)

	Net sales		Operating income		Income before income taxes		Net income attributable to shareholders of NTT DATA		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2022	3,270,000	28.1	236,000	11.0	230,000	6.6	136,000	(4.9)	96.97

*Notes:

- The above is a consolidated forecast based on the integration of the overseas business of NTT, Inc. Group and NTT DATA Group's overseas business. (Incl. PMI cost, etc.)
- It is the consolidated earnings forecast assuming that Proposal 2, "Approval of Absorption-Type Company Split Agreement," is approved at the 34th Ordinary General Meeting of Shareholders scheduled to be held on June 16, 2022.
- For NTT, Inc. Group's overseas business, the forecast includes estimates based on currently available information and certain assumptions. (Consolidation is assumed to start in October, 2022)
- The forecast may be revised due to changes in assumptions related to business integration with the overseas business of NTT, Inc. Group.

* Notes:

- (1) Changes in significant subsidiaries during the current period: No
(Changes in specified subsidiaries resulting in the change in consolidation scope)
- (2) Changes in accounting policies, changes in accounting estimates
 - 1) Changes in accounting policies required by IFRS : No
 - 2) Changes in accounting policies other than 1) : No
 - 3) Changes in accounting estimates : No
- (3) Number of shares outstanding (common stock)
 - 1) Number of shares outstanding (inclusive of treasury stock)

FY2021 (March 31, 2022)		1,402,500,000 shares
FY2020 (March 31, 2021)		1,402,500,000 shares
 - 2) Number of treasury stock

FY2021 (March 31, 2022)		116,349 shares
FY2020 (March 31, 2021)		1,065 shares
 - 3) Average number of shares over period

FY2021 (From April 1, 2021 to March 31, 2022)		1,402,427,584 shares
FY2020 (From April 1, 2020 to March 31, 2021)		1,402,498,999 shares

* “Kessan Tanshin” is an unaudited financial report.

* Explanations for the appropriate use of results forecasts, and other noteworthy items

1. The results forecasts contained in this document are based on certain premises derived from information available to the NTT DATA Group at this time. As a result of various factors that may arise in the future, actual results may differ from the Group’s forecasts.
2. Supplemental material on quarterly results will be uploaded on TDnet today, and will also be uploaded on our homepage. Presentation on quarterly results will be held today. This report will be uploaded on our homepage soon.
3. Products and services referred to on this report (including the attachment) are trademarks or registered trademarks of NTT DATA or other companies.

Contents of Attachment

1. Overview of Business Results	2
(1) Analysis on Business Results of the Current Fiscal Year	2
(2) Analysis on Financial Conditions of the Current Fiscal Year.....	15
(3) Analysis on Cash Flow of the Current Fiscal Year.....	15
(4) Forecast for the Next Term	16
2. The Basic Stance Concerning the Selection of Accounting Standards	21
3. Consolidated Financial Statements and major notes.....	22
(1) Consolidated Statement of Financial Position	22
(2) Consolidated Statements of Income and Comprehensive Income	24
(3) Consolidated Statement of Changes in Equity	26
(4) Consolidated Statement of Cash Flows	27
(5) Notes to Consolidated Financial Statements	28
(Notes to Going Concern Assumptions)	28
(Segment information).....	28
(Business combination).....	30
(Per share information)	32
(Event after the Reporting Period)	32

1. Overview of Business Results

(1) Analysis on Business Results of the Current Fiscal Year

Economies and the management environment of the IT services industry in the current consolidated fiscal year are as follows:

As a result of the COVID-19 pandemic, both the Japanese and global economies remained in a difficult position. However, they began to improve in the second half as the severe situation was mitigated. While economic society was being normalized through the implementation of all possible anti-COVID-19 measures, the economic outlook was expected to improve further, as various policies were implemented effectively and overseas economies improved. However, it is necessary to pay close attention to the uncertainty surrounding the situation in Ukraine and the spread of diseases such as COVID-19 variants in the latter half of the second half, which may have an impact on the volatile financial and capital market and economy.

The Japanese IT services market has improved as IT investments have become increasingly important to respond to changes in social conditions due to the spread of COVID-19, while demand for upgrading and/or innovating existing systems has recovered, and Digital Transformation (DX) projects have been expedited.

Despite the concerns including the infections caused by COVID-19 variants, which may curtail our clients' IT investment, we expect the favorable demand environment to continue and anticipate continued improvement in the coming fiscal year and beyond.

As COVID-19 spreads, the global IT services market responded to changes in social situations, and digital business expanded for recovery and growth. From now on, DX projects in various industries are expected to further accelerate. However, we must continue to focus on the impact of the situation in Ukraine on our clients, particularly those in the European region, and the rebound of infections caused by COVID-19 variants, which we are concerned about.

[Details of management measures and status of initiatives]

As Global Top 5 in the Global 3rd Stage in 2025, the NTT DATA Group aims to become a company trusted by clients worldwide by being a "Trusted Global Innovator."

The previous Medium-Term Management Plan (FY2019–FY2021) promoted "Pursuing profitable global growth with consistent belief and courage to change" as the period in which we clarified our strengths, which would become sources of our future growth and which we would thoroughly refine. We aimed to achieve the following midterm management goals: "consolidated net sales of over 2.5 trillion yen," "a client base of over 80 companies," "consolidated operating income margin of 8%," and "overseas EBITA margin of 7%." (Note1)

With "courage to change," we further accelerated our digital projects and realize the maximization of global synergies to provide maximum values for our clients. In so doing, we have promoted our projects on the basis of the following four strategies.

Strategy 1: Expand global digital offerings (Note 2)

In "Accelerate global marketing" and "Develop digital offerings through active investment," we created seven commercialized offerings by working to create offerings through active investment in the focused industries as specified in "Accelerate global marketing." Life insurance BPaaS among the seven offerings acquired a large-scale project in North America, continuing from FY2020.

In "Expand Center of Excellence (CoE^(Note 3))", the expanded CoE globally promotes the sharing and rolling out of digital technologies and expertise in the seven areas, including blockchain, digital design, agile/DevOps^(Note 4), and AI.

Strategy 2: Deliver greater value to clients based on regional needs

In Japan, we acquired multiple large-scale projects of core systems from central governments, financial institutions, and corporate clients. Additionally, new services are getting created, solving social issues or creating new social mechanisms across fields and industries, such as cashless treasury money services.

In North America and Europe, Strategy 2 led to the acquisition of multiple-year large-scale digital projects, such as becoming a digital partner of a leading service company and the MaaS platform project for a railway company.

Strategy 3: Unleash our employees' potential that maximizes organizational strengths

We aimed to reach each employee's self-fulfillment and reinforced organizational strengths. Besides making use of human resources systems, e.g., an educational program to improve digitally enabled human resources, the ADP system ^(Note5), and the TG system ^(Note 6), we expanded job-type employment and promoted women's empowerment to diversify human resources in FY2021, whereby expanding our human resources and transforming our corporate culture and awareness.

We also promoted digitally enabled workstyle reforms by rolling out digital knowledge sharing, in which to share content and expertise internally, to the Group companies.

Drive NTT Group Collaboration

An NTT Group's co-creation project in which we participated was to build, run, and support "myki," a ticket system that supports the transportation system in Victoria, Australia. In this project, we contributed to a digital project for the AI-enabled capturing of real-time congestion status through NTT Smart Solutions.

We also took part in the NTT Group's co-creation projects and promoted the Digital Social Transformation through the IOWN Concept. For the Digital Social Transformation through the IOWN Concept, we established the IOWN Promotion Office in FY2020, which centrally gathers internal business ideas for feasible IOWN results, such as a data linkage infrastructure plan. Hence, we promote infrastructural projects toward the utilization of the IOWN technology.

In addition, we have worked on key management issues "The curtailment of unprofitable projects" and "Improving profitability in oversea business" toward the completion of the medium-term management plan.

In "The curtailment of unprofitable projects", we implemented the following four initiatives to prevent unprofitable projects from arising: 1. Enhanced early response to risk, 2. Further enhancement of field capabilities, 3. Enhanced management processes, and 4. Further accumulation and utilization of knowledge. Thereby we significantly reduced unprofitable projects and contributed to securing operating income.

In "Improving profitability in oversea business", the results of Structural Transformation implemented in North America and the EMEAL segments have borne fruit, and our digital businesses have been expanding rapidly.

Consistent Belief

With "consistent belief," we will contribute to achieving the SDGs through our business and corporate activities and enhance sustainable corporate values based on our mission statement of "NTT DATA uses information technology to create new paradigms and values, which help contribute to a more affluent and harmonious society" and "Long-Term Relationships."

In March 2019, we signed the WEPs (Women's Empowerment Principles), a set of principles established by UN Global Compact (UNGC) and United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), which globally leads the promotion of women's careers and the development of

business. In June 2020, NTT DATA transitioned to the company with Audit and Supervisory Committee structure to further enhance the corporate governance system and realize sustainable improvements in corporate value. Furthermore, in October 2021, in response to the growing social demand for carbon neutrality, we established Green Innovation Office to promote our clients' and the industry's carbon emission reduction, thereby contributing to realize a decarbonized society.

These projects helped us to achieve the midterm management goals of “consolidated net sales of over 2.5 trillion yen,” “a client base of over 80 companies,” and “consolidated operating income margin of 8%.”^(Note1) Although we were temporarily behind “overseas EBITA margin of 7%”^(Note1) due to the impact of the COVID-19 pandemic, we met the goal in North America.

[Status of business activities and results]

Digital transformations globally accelerated, and our clients' needs became more diverse and sophisticated, prompting us to respond by expanding our business in the global market and improving digital offerings specific to market changes, providing system integration services. Thus, we worked to expand diverse IT services that were stably provided.

For the current fiscal year, we record highs in all accounting items, including net income. Our overseas business expanded in size with improved profitability, while our domestic business also steadily increased in size.

The number of new orders received increased because of expanded overseas businesses and the impact of foreign exchanges. Net sales increased for the 33rd consecutive fiscal year because of the impact of foreign exchanges and growth in all segments. Operating income increased because of increased sales and the effects of overseas Structural Transformation.

▪ New Orders Received	2,400.8 billion yen	(up	8.0% year-on-year)
▪ Net Sales	2,551.9 billion yen	(up	10.1% year-on-year)
▪ Operating Income	212.6 billion yen	(up	52.8% year-on-year)
▪ Income before income taxes	215.8 billion yen	(up	65.5% year-on-year)
▪ Net income attributable to shareholders of NTT DATA	143.0 billion yen	(up	86.1% year-on-year)

The following are summaries of initiatives by segment.

[Public & Social Infrastructure Segment]

Backed by the review of the IT Basic Law, the launch of the Digital Agency, and other events, efforts to build a digital society have been accelerated. Against this backdrop, NTT DATA steadily won renewal projects for mission-critical systems of government agencies and infrastructure companies, while aiming to expand its businesses by creating new businesses from the user's perspective to realize a new social system in line with the growth strategy based on Society 5.0 and the Digital Government Implementation Plan.

<Quick disaster response and promotion of information sharing among relevant organizations>

In July 2021, NTT DATA launched “D-Resilio,” a digital disaster-prevention platform that comprehensively supports disaster response operations for local governments and infrastructure companies. Using NTT

DATA's advanced technologies, such as digital satellite images and drones to get a grasp of the situation in a wider area and Twitter to collect real-time information about residents in disaster-hit areas, we gather information in the event of a disaster and help disaster response headquarters make decisions through the visualization and analysis of the collected data, which would allow them to take quick disaster responses.

In addition, NTT DATA utilizes its disaster-mitigation communication system to enable sending information with a single operation to various communication media such as outdoor horn speakers and smartphones all at once. We help clients perform their operations by utilizing digital technologies in all phases of disaster response. This platform can be easily linked to other systems including existing disaster response systems and each prefecture's comprehensive disaster prevention information system, while also supporting information sharing among local governments, infrastructure companies, and other organizations concerned.

<Contributing to digitalization and efficiency improvement of government organizations and financial institutions and realization of their ESG goals>

Toward the digitalization of deposit and savings query operations from government organizations to financial institutions, NTT DATA launched a service called "pipitLINQ" in 2019. The usefulness of this service to improve operational efficiency has been recognized so widely. In the fiscal year 2021, it was introduced into the National Tax Agency, the Japan Pension Service, 206 local governments across the country, and 51 financial institutions and life insurance companies, including all Resona Group companies and the Japan Post Bank. By having both government organizations, financial institutions, and life insurance companies join the pipitLINQ service, it is possible to digitalize the deposit and savings query operations, which used to be conducted entirely on paper. This helps drastically reduce the paperwork burden, postage costs, and time lag between inquiries and responses, leading to quick and appropriate operations. As shown in the illustration, the service is built on OpenCanvas ^(Note7), a highly reliable and secure cloud service, and makes the most of AnserDATAPORT ^(Note8) and Common Gateway for Insurance Companies ^(Note9) to realize a secure, low-cost service.

The results of the Public and Social Infrastructure Segment for this fiscal year are as follows

- The net sales was 582.4 billion yen (7.8% increase compared to the previous fiscal year) due mainly to the expansion in the scale of services for the central government and related agencies, and telecommunication industry.
- The operating income was 68.1 billion yen (0.4% increase compared to the previous fiscal year) due mainly to increased sales, regardless of upfront investments in expanded businesses and the rise of unprofitable projects.

[Financial Segment]

Deregulation and technological innovations have brought about significant changes in the business environment surrounding financial institutions. Furthermore, the COVID-19 pandemic has considerably changed people's values and lifestyles and accelerated digital shifts such as cashless and paperless

transactions. Amid such circumstances, NTT DATA continued to support highly reliable and high-quality financial infrastructure, aiming to expand the businesses that would help build a better society through Co-Creation with clients and new technologies.

<Realizing open-source framework to ensure the safety and reliability of accounting systems for financial institutions>

In 2024, NTT DATA will start to provide “PITON,” a safe open-source framework ^(Note10) for accounting systems for financial institutions and other systems that require high reliability—for the first user—next MEJAR ^(Note11). Additionally, the Shinkin Kyodo Center had decided to adopt the framework for its next-generation accounting system that is scheduled to be renewed around 2026. The PITON allows existing operational applications that were developed for mainframe computers ^(Note12) to operate on an open-source platform without making changes, helping reduce transition risks to open-source systems. The open-source framework offered by the PITON enables users to secure hardware and products that make up systems in the medium- and long term, ensuring the continuity of systems. This makes it easier to secure IT talent necessary to develop, maintain, and operate systems because there are more open-source engineers than mainframe engineers. Since PITON allows applications for mainframe computers to operate on open-source platforms, the system’s compatibility with the latest technologies has increased, which helps user financial institutions digitalize operations and reduce costs. Furthermore, the introduction of the open-source framework promotes the usage of cloud accounting systems and data centers and that is expected to contribute to clients’ decarbonization by reducing electricity consumption and by other means in the future.

<Promoting digitalization beyond industries>

In October 2021, NTT DATA opened the “API gallery,” a market for open-source API ^(Note13), which is an open platform connecting “API users”, such as FinTech companies and local governments, and “API provider” financial institutions. About 50 companies joined the API gallery as of the end of fiscal year 2021. Based on the concept of the new financial IT strategy “Open Service Architecture (OSA)” ^(Note14), we will promote digitalization across industries by connecting systems between embedded finance, financial institutions, and government organizations to further expand the use of NTT DATA’s “ANSER” and other financial IT infrastructures.

<Balancing the strict monitoring of transactions and the flexibility to changes in regulation and responding to Japan’s largest number of accounts and customers>

In July 2021, NTT DATA started the development of an anti-money laundering (AML) system ^(Note15) for the Japan Post Bank, which aimed to launch the service in 2024. The system is equipped with four functions of monitoring, risk rating, screening, and customer management and balances the strict monitoring of transactions and the flexibility to changes in regulation to prevent money laundering and terrorism financing. This ensures performance that enables the Japan Post Bank, which has the largest number of accounts and customers in Japan, to continue to offer services for several business transactions.

The results of the Financial Segment for this fiscal year are as follows

- The net sales was 633.1 billion yen (4.2% increase compared to the previous fiscal year) due mainly to the expansion in the scale of services for banks.
- The operating income was 62.3 billion yen (9.9% increase compared to the previous fiscal year) due mainly to sales growth.

[Enterprise & Solutions Segment]

NTT DATA rode the wave of digitalization, which has been accelerated by the COVID-19 pandemic, and steadily grasped demand recovery opportunities. Through these efforts, we, together with leading Japanese companies, speeded up initiatives in the advanced digital field and contributed to business growth, aiming to further expand businesses. We also enhanced its global competitiveness by consolidating its unique strengths in the utilization of advanced technologies and global solutions and thus offering higher added value.

<Establishing the process to promote and roll out Lion Corporation's digital transformation (DX) ^(Note16) and enhancing its human resource development>

In January 2022, NTT DATA entered into a business alliance with Lion Corporation (hereafter "Lion") aimed at promoting digital transformation (DX). To establish a digital foundation that would help realize Lion's purpose—"Make a difference in everyday lives by redesigning habits: ReDesign"—and achieve business transformation by fully utilizing the foundation, NTT DATA will establish and roll out a DX promotion process and enhance human resource development.

Specifically, we will utilize the Digital Success Program ^(Note17) that we offer to create a strategy for Lion's DX, implement it, and spread it across the company. We will also develop special training courses for Lion employees and let them participate in NTT DATA's training programs in order to develop various human resources that promote Lion's DX.

<Launching initiatives for achieving carbon neutrality>

With regard to the green consulting service that NTT DATA has been offering since January 2022, we optimized the service for the manufacturing sector by using ENERGY CLOUD, an AI solution offered by Mitsubishi Heavy Industries, Ltd., and have begun offering it. One of the characteristics of the service is to enable understanding of the carbon footprint ^(Note18) of each product, production period, and production line; visualize greenhouse gas (GHG) emissions including those from the supply chain; and use the visualized data to reduce GHG Protocol Scope 1 and Scope2 ^(Note19).

In February 2022, NTT DATA began offering a platform to visualize GHG emissions. While companies are required to visualize their GHG emissions, they have difficulty selecting an optimal calculation method, among other challenges and difficulties. NTT DATA makes use of a proven method to obtain and examine activity volumes needed to calculate emissions from business activities and data, create a calculation scenario that helps a client take actions to reduce emissions, and make calculations to help the client company visualize their emissions.

In addition, we apply a method to reflect the emissions reduction effects of supplier companies in the client company's emissions. When we adopt the method, we establish a process for the time-consuming early stage and grasp the emission intensity of each supplier ^(Note20). Furthermore, we offer a hybrid calculation method combining multiple other calculation methods according to the client company's needs so as to support their visualization.

The results of the Enterprise & Solutions Segment for this fiscal year are as follows

- The net sales was 652.9 billion yen (10.5% increase compared to the previous fiscal year) due mainly to the expansion in the scale of services for manufacturing industry and retail and service sectors.
- Operating income was 64.1 billion yen (22.6% increase compared to the previous fiscal year) due mainly to sales growth as well as improved personnel utilization rates resulting from sales growth, despite the increased costs of upfront investments in expanded businesses.

[North America Segment]

In the society after COVID-19, new needs are emerging and market conditions continue to change. Amid such circumstances, NTT DATA worked to further strengthen the digital and consulting areas through the outcomes of the structural transformation implemented in the fiscal year 2020 and supported clients' DX by combining its existing strengths.

< Further Accelerate Enhancement of Digital Capabilities and Shifts to Digital through M&A and Divestitures >

NTT DATA Services, a subsidiary of NTT DATA Corporation, expanded digital capabilities to drive the next phase of our digital transformation in the market, through M&A and divestitures.

- NTT DATA Services acquired Vectorform, LLC, a digital transformation and innovation company, in March 2022 to expand our design, customer experience (CX) ^(Note21) and product development services especially in digital application development and modernization ^(Note22) capabilities. Vectorform added to our recent acquisitions of Nexient, LLC and Chainalytics, Inc., to further accelerate strengthening our digital capabilities and digital offerings.

- NTT DATA Services completed the divestiture of non-digital businesses. Transitioning to digital-centric business domain helped accelerating shifts to digital and margin improvement.

<Support Accelerating Digital Transformation of Clients in Financial Sector with Digital Offering and Cloud >

NTT DATA Services, a subsidiary of NTT DATA Corporation, received multiple contracts from multiple financial sector clients to support their digital transformation journeys, by utilizing our digital capabilities and digital offerings.

- NTT DATA Services was awarded a large contract extension by a large bank in the US in January 2022, to support their digital transformation initiatives through our application modernization services and developing and enhancing digital experience ^(Note23) among others. NTT DATA Services contributed to supporting clients' journey in building their digital services by providing digital capabilities enabling cloud migration, CX improvement, Omni-channel ^(Note24) experience and so forth.

- NTT DATA Services was awarded large contracts for Third-Party Administrator (TPA) services ^(Note25) by multiple clients in the Life & Annuity industry, including Everlake Life Insurance Company. Our TPA services are leveraging Global Insurance Digital Platform (GIDP), a cloud based, digital platform and partner ecosystem. Combining various functions, services, and solutions best suited for Life & Annuity industry, NTT DATA Services contributed to the consistent provision of services ranging from consulting to digital platform implementation, BPO migration, and operations.

We believe these contracts highlight our deep insights in financial industries, as well as our recent investment success in digital areas. We continue to support clients in accelerating digital transformation.

The results of the North America Segment for this fiscal year are as follows

- The net sales was 475.7 billion yen (10.8% increase compared to the previous fiscal year) due mainly to the expansion in the scale of services for healthcare institutions, as well as M&As and the impact of foreign exchange rate, despite a decrease in revenue from the sale of several businesses.
- The operating income was 17.2 billion yen (- % compared to the previous fiscal year) due mainly to a decrease in the expense and seeing results of Structural Transformation as well as sales growth.

[EMEA & LATAM Segment]

In the society after COVID-19, new needs are emerging and market conditions are significantly changing. Amid such a situation, we worked to expand the digital business by enhancing digital talent and assets, standardized our global brand, integrated management of operating companies at an early date, and appropriately responded to clients' needs for DX.

<Unification and integration of operating companies for a trusted brand in global markets >

By integrating business operations in the EMEAL region, NTT DATA will promote more integrated global business development than ever before and supported the digital transformation of our customers and society. Operational efficiencies, such as streamlining staff departments and promoting near-shore and off-shore operations, have also improved market response and third-party brand value evaluations.

- NTT DATA has integrated its group companies everis and itelligence, into the NTT DATA brand in April 2021. The change is aimed at enhancing the presence of NTT DATA as a trusted brand in global markets.
- NTT DATA has newly established NTT DATA Europe & Latam, S.L.U. and started its operation from September 2021. ※NTT DATA Europe & Latam, S.L.U. does not include itelligence (Currently NTTDATA Business Solutions AG).

< Contribute to solving social issues through digital businesses >

NTT DATA was selected as a strategic partner in several projects such as below for its highly evaluated rich experience in digital transformation of clients' business, utilizing advanced technologies.

- NTT DATA EMEAL has been awarded a 5-year contract by the Spanish national railway operator Renfe Operadora for the definition of requirements, development, deployment and operation of a MaaS (Mobility as a Service) platform. This platform integrates various transportation providers, hotels, leisure facilities,

etc., and provides a comprehensive solution that enables users to plan trips, arrange transportation, and book services during their trips, regardless of time or location, through the use of the web and applications.

- NTT DATA EMEAL works together with the European Medicines Agency (EMA) in the development of the Clinical Trials Information System (CTIS), launched in January, 2022. It will be the single system for monitoring clinical trials, from registration to evaluation, for sponsors and regulatory entities in the European Union and the European Economic Area. This system will increase the efficiency of trials in Europe by allowing collaboration within the Member States and avoiding duplication or repetition of trials.

The results of the EMEA & LATAM Segment for this fiscal year are as follows

- The net sales was 550.9 billion yen (21.3% increase compared to the previous fiscal year) due mainly to the expansion in the scale of services mainly in Spain and Germany, as well as the impact of foreign exchange rate.
- The operating income was 15.6 billion yen (- % compared to the previous fiscal year) due mainly to temporary costs in the previous fiscal year of reviewing businesses with low profitability decreased, sales growth and seeing results of Structural Transformation despite an increase in expenses for global brand unification and additional measures.

The status of major overseas offices at the end of this fiscal year is as follows

Approx.110,700 employees deployed in 203 cities in 52 countries and regions outside of Japan.

(Approx.151,600 employees including Japan)

(AS of March 31, 2022)

Progress of Technical Development

In order to survive the intense global competition, the NTT DATA Group works on the “promotion of advanced technology and innovation” to actively introduce new technological trends in business while promoting research and development on “production technology innovation,” such as speeding up and increasing quality of system development and building a cloud foundation that takes into account the greater use of cloud services and digitalization. We create platforms that globally collect and utilize knowledge and know-how on advanced technologies to facilitate innovations and improve next-generation production technologies.

Through collaborative R&D with NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), we utilize the results for fundamental R&D themes to focus our resources on applied R&D themes.

The R&D costs for the consolidated fiscal year under review were 19,707 million yen. The results of the R&Ds, which are commonly applicable to the Public & Social Infrastructure, the Financial, the Enterprise & Solutions, the North America and the EMEA & LATAM segments, are not separately recorded by each segment.

<Stepping up efforts to enhance employees’ digital capabilities>

Given an increasing demand for speedy development of systems using advanced information technologies like cloud and artificial intelligence, NTT DATA caught up with those changes in the society and focused on the enhancement of employees’ digital capabilities.

- We strengthen strategic collaboration with partners designed to promote digital business using cloud technology and, as part of that initiative, we work to enhance digital talent development. By using training programs and other assets provided by our partners, we train and develop human resources that can provide consulting or support the utilization of advanced technologies so as to contribute to the digital transformation of our clients.

- We developed a digital talent certification system for our employees and business partners ^(Note26). We increased the market value of highly-skilled talent with the level-specific management of digital talent, visualization of the quality of engineers, and clear manifestation of training pass and boosted the overall level of our digital capabilities.

- In fiscal 2021, NTT DATA rolled out Gitohon Academy (an education program) where our company’s top leading engineers give training directly to trainees to the whole NTT DATA Group. We are working to train and develop top-level engineers across the group.

- To train and develop talent promoting digital business, we implement a program to have employees have experience in projects in advanced technology fields at different departments for two years and then return to their original departments. The program is aimed at having program participants acquire skills needed to lead digital projects at their original departments.

<Joining the Green Software Foundation as a Steering Member>

As global efforts have been stepped up to reduce CO2 emissions toward carbon neutrality, discussions on the issue have also begun in the field of software. In September 2021, NTT DATA joined the Green Software Foundation (GSF) ^(Note27) as a Steering Member, which was the first from Asia. The GSF is an organization working globally to reduce CO2 emissions caused by software.

To accurately understand the amount of CO2 emissions, which is the first step in reducing emissions caused by software, NTT DATA worked with other GSF member companies to develop an alpha version of the Software Carbon Intensity (SCI) ^(Note28)—a method for evaluating carbon emissions. Using this method, we can compare the environmental impact of operating software with the same functions and understand the effects of modifications made to the software on CO2 emissions. It also enables us to select software with low environmental impact and develop software and operation techniques with low carbon emissions.

With these activities, NTT DATA will establish technologies and methodologies for software development and operation with less environmental impact and contribute to the decarbonization of the society by providing green software and services.

<Ensuring high level of security and quickly responding to cyberattacks to contribute to mitigating damage from security incidents>

As part of measures for the expansion of global digital offerings, an initiative that is stipulated in the previous Medium-Term Management Plan, NTT DATA positioned security as one of the focus areas and worked on it. In November 2021, we began offering “Zero Trust Security,”^(Note29) which provides a comprehensive service from consulting to architecture implementation and operation. As cyberattacks are increasingly sophisticated and complex day by day, we see them as a key risk that affects corporate management. Therefore, the NTT DATA Group introduced and operates the zero trust architecture used by 150,000 employees in more than 50 countries around the world. Using the know-how, NTT DATA, together with strategic partner companies, created a structure with more than 1,000 specialists around the world able to provide service. The service allows us to offer a work environment suited to flexible workstyles, not tied to specific workplaces or devices. It also contributes to damage reduction from security incidents by providing a high level of security with technologies, such as multi-factor authentication and log monitoring, and allowing for rapid detection, response, and recovery in the event of external cyberattacks.

<Year-on-Year Changes by Business Segment>

(Unit: billion yen)

Description		FY2020		FY2021		Change (%)
			Share (%)		Share (%)	
Net Sales	Public & Social Infrastructure Segment	540.5	19.6	582.4	19.2	7.8
	Financial Segment	607.6	22.1	633.1	20.9	4.2
	Enterprise & Solutions Segment	590.9	21.4	652.9	21.5	10.5
	North America Segment	429.4	15.6	475.7	15.7	10.8
	EMEA & LATAM Segment	454.2	16.5	550.9	18.2	21.3
	Others	132.7	4.8	139.5	4.5	5.1
	Adjustments	(436.6)	—	(482.5)	—	—
Total		2,318.7	—		—	
Operating Income	Public & Social Infrastructure Segment	67.8	43.6	68.1	29.1	0.4
	Financial Segment	56.7	36.4	62.3	26.6	9.9
	Enterprise & Solutions Segment	52.3	33.6	64.1	27.4	22.6
	North America Segment	(16.2)	(10.4)	17.2	7.3	—
	EMEA & LATAM Segment	(6.1)	(3.9)	15.6	6.7	—
	Others	1.1	0.7	6.7	2.9	492.0
	Adjustments	(16.6)	—	(21.5)	—	—
Total		139.2	—	212.6	—	52.8

(Note 1) The targets of the previous medium-term management plan are based on the following assumptions:

- Client base means the clients from whom we earn annual net sales of 5 billion yen or more (Japan) or 50 million U.S. dollars or more (outside of Japan).
- Consolidated operating income margin and overseas EBITA margin exclude temporary costs such as M&As and structural transformation.

(Note 2) Global Digital offerings

Products or services we provide to our clients by utilizing leading-edge technologies.

(Note 3) CoE (Center of Excellence)

A base that conducts advanced R&D activities and plays a central role in creating and developing human resources and businesses.

(Note 4) DevOps

A system that consists of tools and development methods that allow the development and operation teams to work together to meet clients' requirements for systems with high quality, flexibility, and in a short period of time.

(Note 4) Intelligent Automation

Technologies that run automated business processes through artificial intelligence (AI), machine learning, and data utilization.

(Note 5) ADP (Advanced Professional)

A system under which the Company recruits outstanding human resources from outside with excellent expertise in AI, IoT, cloud, and other advanced technology fields and the consulting field and compensates them according to market value.

(Note 6) TG (Technical Grade) system

A system under which the Company makes the best use of and evaluate the potential abilities of human resources with specialized skills.

(Note 7) OpenCanvas

A cloud service with high reliability and security standards used by government organizations and financial institutions.

(Note 8) AnserDATAPORT

A data transmission service that enables secure transactions between government organizations and financial institutions.

(Note 9) Common Gateway for Insurance Companies

A new web-based network infrastructure based on standardized system specifications common to the life and nonlife insurance sectors.

(Note 10) Open-source framework

A system structure comprised mainly of general-purpose products available on the market, such as using open-server products.

(Note 11) MEJAR

An accounting system used by the five banks of the Bank of Yokohama, Ltd., Higashi-Nippon Bank, Ltd., both under the Concordia Financial Group, Ltd., the Hokuriku Bank, Ltd., the Hokkaido Bank, Ltd., both under the Hokuhoku Financial Group Inc., and the 77 Bank, Ltd.

(Note 12) Mainframe computers

Large computers with high performance and reliability that use maker-specific CPU and OS. They have been offered for core systems of public offices and financial institutions to deal with large amounts of data and transactions for many years.

(Note 13) API (Application Programming Interface)

An interface to develop applications that use various systems and services, including web services.

(Note 14) OSA (Open Service Architecture)

Standard architecture that embodies the state of new financial IT required by the post Covid-19 pandemic society.

(Note 15) Anti-money laundering (AML) system

The AML solution falls under the category of data analytics of One Service Architecture (OSA).

(Note 16) DX (Digital transformation)

DX is to use digital technologies as a means to bring about revolutionary changes to businesses and workstyles.

(Note 17) Digital Success Program

A program/methodology to enable a gradual digital shift toward transformation into a data-driven company. To lead our clients to “digital success,” a successful state of digital utilization, NTT DATA has systematically developed know-how based on our abundant DX support experiences over more than 10 years, such as success factors for DX, DX realization processes, and more than 400 data utilization cases.

(Note 18) Carbon footprint

The amount of CO₂ calculated from GHG emissions from the entire life cycle stages of a product or a service, from the procurement of raw materials, production, and distribution to disposal and recycling.

(Note 19) GHG Protocol Scope 1 and Scope 2

GHG Protocol is an international standard to calculate and report GHG emissions from the entire supply chain. The protocol categorizes GHG emissions into the following three scopes based on how GHG emissions are generated and who emits GHG and regards the total of Scopes 1, 2, and 3 as emissions from the entire supply chain.

Scope 1: Direct GHG emissions from a business operator (fuel combustion, industrial processes)

Scope 2: Indirect emissions from the use of electricity, heat, and steam supplied by other companies

Scope 3: Indirect emissions other than Scope 1 and Scope 2 (emissions by other companies related to the business operator’s activities)

(Note 20) Emission intensity

The emission rate of a given pollutant relative to the intensity of a specific activity.

(Note 21) Customer experience (CX)

To evaluate the value of a customer's experience when using a product or service from the customer's perspective.

(Note 22) Software Modernization

A method of transforming legacy IT assets to new systems creating new value by updating them with cutting-edge technologies.

(Note 23) Digital experience

A mechanism that enables companies to provide optimized processes and experiences for users by leveraging digital technologies including AI and IoT.

(Note 24) Omni-channel

A multichannel approach to sales that seeks to provide customers with a seamless shopping experience, whether they're shopping online through e-commerce sites, SNSs, or in a brick-and-mortar store.

(Note 25) Third-Party Administrator (TPA) services

An outsourcing service of insurance policy administration, etc.

(Note 26) Business partners

An employee of our business partner company with which NTT DATA works together on development.

(Note 27) Green Software Foundation (GSF)

A nonprofit organization jointly founded in May 2021 by the Linux Foundation, in collaboration with four companies—Accenture, GitHub, Microsoft, and Thoughtworks. It has a total of 594 members from 28 companies and organizations as of the end of April 2022.

(Note 28) Software Carbon Intensity (SCI)

A method to evaluate the carbon footprint using scores based on the usages of power and hardware and the carbon intensity of power usage, which constitutes carbon emissions in software operations.

(Note 29) Zero Trust Security

Since the increased use of cloud services has caused data and systems that should be protected to be scattered, Zero Trust Security provides security measures without trusting all communications.

(2) Analysis on Financial Conditions of the Current Fiscal Year

The assets at the end of this consolidated fiscal year increased by 187.5 billion yen to 3,084.5 billion yen from the end of the previous fiscal year due mainly to an increase in goodwill and intangible assets related to M&A despite a decrease in other financial assets (non-current) due to the sale of shares. The liabilities decreased by 14.2 billion yen to 1,756.2 billion yen from the end of the previous year due mainly to a decrease due to repayment of interest-bearing debt despite an increase in trade and other payables.

The Equity increased by 201.7 billion yen to 1,328.3 billion yen from the end of the previous year due mainly to an increase in retained earnings.

(3) Analysis on Cash Flow of the Current Fiscal Year

Net cash provided by operating activity was 310.4 billion yen (42.1 billion yen decrease compared to the previous fiscal year) due mainly to an increase in net income despite income tax paid.

Net cash used in investment activities was 196.5 billion yen (22.6 billion yen increase compared to the previous fiscal year) due mainly to the payments for acquisition of property, plant and equipment, intangible fixed assets and investments in subsidiaries despite proceeds from sales of investment securities. As a result, the free cash flow was a positive 113.9 billion yen (64.7 billion yen decrease compared to the previous fiscal year).

Net cash used in financing activities was 166.5 billion yen (64.9 billion yen increase compared to the previous fiscal year) due mainly to repayment of interest-bearing debt and cash dividend paid.

The NTT DATA Group's cash flow indicators are summarized as follows.

Indicator	FY2020	FY2021
Debt Equity Ratio (Times)	0.54	0.39

Notes: Debt Equity Ratio: Interest-bearing debt / Shareholders' equity (Total net assets – Non-controlling interests)
Interest-bearing debt consists of Bonds and borrowings, which are a portion of liabilities reported on the Consolidated Statement of Financial Position.

(4) Forecast for the Next Term

[Outlook of the Business Environment]

The environment surrounding society is changing significantly day by day, and the elements required for business management are diversifying, such as balancing contributions to addressing social issues and the environment, exemplified by SDGs (Sustainable Development Goals), and increasing economic value beginning with the creation of new value. As various things and people become connected, backed by technological evolution, all manner of societal trends are in flux, from business activities to individual consumption and lifestyles, and digital-related investments for business growth are accelerating in every industry.

On the other hand, the competitive environment in the IT market has intensified, and as global consulting firms and mega-cloud vendors expand their service line-ups to meet societal and technological changes, there is a greater need for us to further strengthen our business competitiveness on a global level in order to continue to contribute to our clients.

[Issues to be Addressed]

In the previous Medium-Term Management Plan (FY2019 to FY2021), we aimed for quality global growth and promoted the further acceleration of digital initiatives and improvements in overseas business profitability.

With regard to improvements in overseas business profitability, North America Segment achieved an EBITA rate of 7% as a result of business structural reforms. However, we realize that its profitability is still low in comparison to the domestic business, and that there is a need for continued measures to improve profitability and promote the shift to digital, aiming for the further growth of the overseas business.

With further acceleration of digital initiatives, we were able to deliver various results such as expanding the global business through global offerings and obtaining various digital businesses in each region. On the other hand, as also stated in the Outlook of the Business Environment, we realize that digital transformations aimed at addressing social issues and contributing to the global environment are accelerating, and that further measures are needed to improve competitiveness.

Quality growth of overseas business and strengthened competitiveness in the digital domain are ongoing issues in aiming for the Global 3rd Stage. In addition, considering that competition to secure talent is intensifying worldwide, we recognize that there are issues in environmental and cultural reforms so that diverse talent can actively participate in the long term, and in growing to become a truly global enterprise.

[New Medium-Term Management Plan]

Considering the business environment and issues, our group has formulated a new Medium-Term Management Plan for FY2022 to FY2025 as follows.

1. Basic Policy

As a Trusted Global Innovator, we aim to realize a sustainable society together with our clients by creating future-oriented value and connecting various people through technology.

2. Medium-Term Strategy

To support our clients' businesses and realize a sustainable society together with our clients, we will further increase our ability to build systems with customer understanding and high technical abilities that we have cultivated so far, and our ability to support various enterprise systems and industry infrastructure to connect people with enterprises and society.

Specifically, we will aim to strengthen our end-to-end capabilities from formulation of management change and business change concepts through realization by providing change proposals based upon industry

and technology foresight and providing asset-based value to realize high agility, and to realize inter-industry partnerships connecting enterprises across industries and create new social platforms and innovative services going beyond enterprise and industry frameworks through the Edge to Cloud Service ^(Note 1) connecting various things and data.

To promote these measures on a global basis, we will integrate NTT, Inc., under the umbrella of the NTT Group, with our overseas business, and evolve into an enterprise that provides total services integrating IT and connectivity. We will centrally maintain the service line-up necessary for digital transformation, not limited to consulting and application development but including the connectivity field, and respond to increasingly complicated and diverse customer needs on a global level.

Strategy 1. Creation of New Services through Fusion of IT and Connectivity

We will strengthen our ability to provide Edge to Cloud services ^(Note 1) through further strengthening of the partnership with the NTT Group. By securely connecting different customer contact points and data in combination with strengths in providing systems to a wide array of industries, we will realize cross-industry partnerships beyond enterprise and industry boundaries and create new societal platforms and innovative services.

Within Japan, we will strengthen partnerships between different fields with a focus on our Social Design Office, and overseas, we will work to create and expand cross-industry partnership business with a focus on the Smart City ^(Note 2) field and 5G-related business.

Strategy 2. Strengthening Foresight-Driven Consulting Abilities

In addition to building expert consulting organizations in each field, we will establish functions for lateral support across fields such as development of methodologies for clients and industries to envision the future (foresight), supporting implementation of the same, and development of talent for consulting. In addition, we will build a network to gather and utilize the varied knowledge of industry and service specialists throughout the world.

Through these initiatives, we will strengthen our capabilities in industry consulting to conceptualize the future of clients and industries, as well as technology consulting to conceptualize the future from a technology perspective and realize business transformation by supporting client growth as a creative partner.

Strategy 3. Evolving to an Asset-Based Business Model

We will consolidate foresight and best practices in the industry and business, software, in-house tools, and other value that we can provide to our clients in a reusable form and utilize them to provide consulting service and promote Delivery Managed Services ^(Note 3) on a worldwide basis. We will maximize the value we provide to clients by transforming from the prior contracted SI-based business model to one in which we make proposals and suggestions, with business agility appropriate for the digital age.

Furthermore, we will establish a “Consulting and Asset Business Transformation Headquarters ” in July 2022 as a head office organization reporting directly to the president to accelerate transformation through company-wide collaboration on the Strategy 2 and Strategy 3 initiatives.

Strategy 4. Strengthening Abilities in Advanced Technology Application and System Development Technology

We will promote activities in three areas based upon the maturity level of technologies—Emerging, Growth, and Mainstream—and proceed to strengthen both our ability to utilize advanced technologies to obtain future competitiveness and our ability to system development technologies to improve productivity.

(Emerging Technologies)

We will obtain technology and know-how to gain future competitiveness by building Innovation Centers in seven countries around the world with high sensitivity to advanced technologies, forming a team in each region, and carrying out joint R&D with innovative clients.

(Growth Technologies)

Based upon the Competency Center policy developed through CoE activities under the prior Medium-Term Management Plan, we will promote the formulation and validation of business hypotheses, broadening of awareness, and pre-sales and delivery support for technology for which future growth is expected, and develop future technology focus areas.

(Mainstream Technologies)

We will designate technology focus areas and promote the development and expansion of mainstream global technology assets with an aim toward global business expansion.

Strategy 5. Maximization of Talent and Organizational Strengths

We will promote Diversity, Equity, and Inclusion ^(Note 4) and improve employee engagement by maintaining systems to support the self-directed growth of staff, such as realizing treatment commensurate with high degrees of specialization and training systems to teach leading-edge technologies globally, and realizing an environment in which working hours and locations can be flexibly configured based on factors such as the characteristics of work.

We will maximize our talent and organizational capabilities to support the execution of each strategy and increase our future corporate value by transforming into an attractive company for employees, with organizational functions and cultures enabling active participation of diverse talent.

Strategic Investments and Strengthening Global Partnership Functions for Business Growth

As a mechanism to support these five strategies, we will realize business growth toward the Global 3rd Stage by strengthening our Marketing, Innovation, and Governance functions on a global basis to quickly respond to changes in the business environment, as well as establishing a virtuous cycle of investment and growth.

Specifically, in addition to the focus areas of industries and technologies, we will create new investment lines for themes for the realization of social change, such as sustainability and IOWN ^(Note 5), and promote strategic investments for future business creation throughout the world.

Sustainability Management

As indicated in the Outlook of the Business Environment above, the environment surrounding society is changing significantly day by day. Seeing this major phase of change as an opportunity for further growth, we will expand our existing ESG management initiatives and promote them as sustainability management with a long-term perspective.

In the new Medium-Term Management Plan, we laid out the following three axes and established nine material issues based on the slogan “Realizing a Sustainable Future.”

“Clients’ Growth: Growth of Enterprises Supporting Sustainable Society”

“Regenerating Ecosystems: Protecting the Global Environment for the Future”

“Inclusive Society: Realizing a Society Where Anyone Can Live Healthily and Happily”

Based on these material issues, we will work to realize a sustainable society through business and corporate

activities.

In July 2022, we will establish a Sustainability Management Promotion Division to oversee business strategy with a focus on non-financial indicators, with an aim toward the promotion of sustainability management.

Our mission statement, “NTT DATA uses information technology to create new paradigms and values, which help contribute to a more affluent and harmonious society,” is our significance of existence even in this era of great changes. Going forward, based on this mission statement, NTT DATA will continue to realize a sustainable society with our clients by creating value for the future and connecting various people with technology.

3. New Medium-Term Management Goals*1

Consolidated Net Sales:	Over JPY 4 trillion
Consolidated Operating income Margin*2:	10%
Overseas EBITA Margin*2:	10%
Customer Base*3:	120 companies

*1: These figures are based on the premise of the business integration of the Company and NTT, Inc. which is subject to the approval of Proposal 6 at the 34th Ordinary General Meeting of Shareholders of the Company.

The forecast figures of NTT, Inc. are based on certain assumptions that are currently available.

*2: Excluding temporary costs such as M&As and structural transformation

*3: Clients with annual sales of JPY 5 billion or more (Japan) or \$50 million or more (excluding Japan)

[Forecast for Fiscal Year Ending March 31, 2023]

As fiscal 2022 is the first year of the Medium-Term Management Plan, we will reorganize and establish new organizations to accelerate transformation by aligning medium-term strategies across the Company, as well as expanding strategic investments for future business creation. While capitalizing on the favorable demand environment and improved profitability from the previous fiscal year, we aim to increase sales and profits both in Japan and overseas.

Furthermore, we will integrate the overseas business of NTT, Inc., under the umbrella of NTT Group, to evolve into a total service provider that integrates IT and connectivity.

In light of the above, for the fiscal year ending March, 2023, we forecast net sales of 3,270 billion yen and operating income of 236 billion yen based on the integration of overseas businesses of NTT, Inc. Group and NTT DATA’s oversea business.

The Company's forecast which does not include NTT, Inc. Group (i.e. NTT DATA Stand-alone forecast) is for net sales of 2,660 billion yen and operating income of 220 billion yen. The forecast by segment is as follows.

Note: The forecasted sales and operating income by segment and capital investment in the next fiscal year are based on NTT DATA Stand-alone.

[Public & Social Infrastructure Segment]

As efforts to build a digital society are accelerating, in association with digital and structural reforms backed by the launch of the Digital Agency and other events, the NTT DATA Group will improve client businesses by applying advanced technologies to core operations of government agencies and infrastructure companies and providing added value. We aim to expand our businesses by creating a user-oriented social system in accordance with the Priority Plan for Realizing a Digital Society.

Net sales and operating income are forecasted to be 611.0 billion yen (sales to external clients of 515.0 billion yen) and 74.0 billion yen, respectively.

[Financial Segment]

In response to the need to digitalize the society, financial and nonfinancial institutions are speeding up mutual cooperation across industries, and new financial services aimed at resolving social issues are emerging one after another. With the safety of financial infrastructure attracting attention again, NTT DATA will continue to support the safe, secure, and high-quality financial infrastructure to achieve a sustainable society and cooperate with organizations in the public and corporate sectors to expand new financial services that help resolve social issues together with customers beyond industries.

Net sales and operating income are forecasted to be 658.0 billion yen (sales to external clients of 553.0 billion yen) and 66.0 billion yen, respectively.

[Enterprise & Solutions Segment]

Under the business environment with accelerating digitalization, we present management issues and strategies of clients based on industry and technology forecasts, offer optimal value utilizing advanced technologies and global solutions, and work together with clients to reform their businesses and create services.

Net sales and operating income are forecasted to be 680.0 billion yen (sales to external clients of 483.0 billion yen) and 68.0 billion yen, respectively.

[North America Segment]

In response to the continuously growing demand for digital investment in the United States and other countries, we will further enhance the consulting and digital businesses both in organic and inorganic fields and support our clients as their digital partner through the modernization of traditional services.

Net sales and operating income are forecasted to be 508.0 billion yen (sales to external clients of 502.0 billion yen) and 22.0 billion yen, respectively.

[EMEA & LATAM Segment]

With the acceleration of digitalization leading to rapid changes in the market environment, we will expand digital offerings by enhancing digital talent and assets. In addition, we will strengthen our competitiveness through the effective integrated management of operating companies and appropriately respond to clients' needs for DX.

Net sales and operating income are forecasted to be 573.0 billion yen (sales to external clients of 556.0 billion yen) and 24.0 billion yen, respectively.

Capital investment in the next term is expected to reach 175.0 billion yen.

NTT DATA manages its business performance on an annual basis only; therefore, no results forecast for the period to the end of the second quarter have been included in this report.

Notes: This material contains descriptions of future plans and strategies and of forecasts and projections relating to business performance. These descriptions reflect certain assumptions derived from judgments based on information currently available to the NTT DATA Group.

The material also incorporates an unquantifiable degree of risk and uncertainty relating to factors such as economic trends, the fierce competition within the information service industry, market demand, and the tax and other systems. In view of this, excessive reliance should not be placed on these results or forecasts, and it should be noted that actual results may differ from the NTT DATA Group's forecasts.

(Note1) Edge to Cloud Service

An architecture that combines edge computing, in which data processing and analysis are performed on IoT terminals, smart devices, and servers installed nearby, with cloud computing, in which data is centrally managed and processed.

(Note2) Smart City

A next-generation city utilizing IT technology in infrastructure, etc.

(Note3) Delivery Managed Services

Services ancillary to IT services that are provided on an integrated basis, from creation of environments, such as installation of hardware and software, to management and operations.

(Note4) Diversity, Equity, and Inclusion

Diversity, equity, and inclusion to be worked on to realize a sustainable society.

(Note5) IOWN

Abbreviation for Innovative Optical and Wireless Network, a network and information processing infrastructure, including terminals, that utilizes innovative technologies centered on optical technology to provide high-speed, large-capacity communications and vast computing resources beyond the limits of conventional infrastructure.

2. The Basic Stance Concerning the Selection of Accounting Standards

NTT DATA has adopted International Financial Reporting Standards (IFRS) since the 1st quarter of the fiscal year ended March 31, 2019. In order to prepare appropriate consolidated financial statements in accordance with IFRS, we have prepared group accounting policies and other information in accordance with IFRS, and have adopted accounting procedures based on these policies.

3. Consolidated Financial Statements and major notes

(1) Consolidated Statement of Financial Position

(Unit: ¥ million)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	287,058	246,941
Trade and other receivables	601,883	672,665
Contract asset	101,496	105,477
Inventories	14,476	25,429
Other financial assets	16,522	79,342
Other current assets	88,621	117,187
Total current assets	1,110,056	1,247,041
Non-current assets		
Property, plant and equipment	339,158	332,225
Right-of-use assets	153,357	151,794
Goodwill	415,272	493,769
Intangible assets	477,495	506,705
Investment property	26,825	29,423
Investments accounted for using the equity method	5,756	5,570
Other financial assets	216,942	123,049
Deferred tax assets	86,182	123,268
Other non-current assets	65,973	71,669
Total non-current assets	1,786,959	1,837,472
Total assets	2,897,015	3,084,513

(Unit: ¥ million)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Trade and other payables	419,012	462,231
Contract liabilities	270,224	283,854
Bonds and borrowings	105,748	102,829
Lease liabilities	41,439	42,560
Other financial liabilities	4,075	3,572
Income taxes payable	39,602	47,319
Provisions	4,224	7,650
Other current liabilities	40,064	37,781
Total current liabilities	924,387	987,797
Non-current liabilities		
Bonds and borrowings	473,154	393,651
Lease liabilities	117,866	124,004
Other financial liabilities	13,631	15,098
Retirement benefit liability	202,323	193,170
Provisions	4,268	5,863
Deferred tax liabilities	16,366	22,764
Other non-current liabilities	18,472	13,898
Total non-current liabilities	846,080	768,449
Total liabilities	1,770,468	1,756,246
Equity		
Equity attributable to shareholders of NTT DATA		
Capital stock	142,520	142,520
Capital surplus	105,988	102,340
Retained earnings	721,565	915,853
Treasury shares	(1)	(205)
Other components of equity	102,827	110,365
Total equity attributable to shareholders of NTT DATA	1,072,899	1,270,874
Non-controlling interests	53,648	57,393
Total equity	1,126,548	1,328,267
Total liabilities and equity	2,897,015	3,084,513

(2) Consolidated Statement of Income and Statement of Comprehensive Income

Consolidated Statement of Income

(Unit: ¥ million)

	FY ended March 31, 2021	FY ended March 31, 2022
Net sales	2,318,658	2,551,906
Cost of sales	1,734,083	1,875,904
Gross profit	584,575	676,002
Selling, general and administrative expenses	445,402	463,411
Operating income	139,173	212,590
Financial income	6,661	9,665
Financial costs	9,083	6,201
Share of profit/loss of entities accounted for using equity method	(6,299)	(205)
Income before income taxes	130,452	215,849
Income taxes	48,751	65,747
Net income	81,701	150,102
Net income attributable to		
Shareholders of NTT DATA	76,843	142,979
Non-controlling interests	4,857	7,123
Total	81,701	150,102

Net income per share attributable to shareholders of NTT DATA

Net income per share (yen)	54.79	101.95
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Consolidated Statement of Comprehensive Income

(Unit: ¥ million)

	FY ended March 31, 2021	FY ended March 31, 2022
Net income	81,701	150,102
Other comprehensive income (after taxes)		
Items that will not be reclassified to profit/loss		
Profit/Loss from investments in equity instruments designated at fair value through other comprehensive income	54,832	(4,554)
Remeasurements of defined benefit plans	9,745	13,075
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Items that may be reclassified subsequently to profit/loss		
Effective portion of cash flow hedges	1,140	750
Hedges cost	13	134
Foreign currency translation adjustment	23,066	76,787
Share of other comprehensive income of entities accounted for using equity method	218	116
Total other comprehensive income (after taxes)	89,015	86,307
Comprehensive income	170,715	236,409
Comprehensive income attributable to:		
Shareholders of NTT DATA	165,129	227,773
Non-controlling interests	5,586	8,637
Total	170,715	236,409

(3) Consolidated Statement of Changes in Equity

(FY ended March 31, 2021)

(Unit: ¥ million)

	Equity attributable to shareholders of NTT DATA						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other	Total		
As of April 1, 2020	142,520	111,596	659,563	(1)	26,005	939,683	47,732	987,415
Comprehensive income								
Net income	—	—	76,843	—	—	76,843	4,857	81,701
Other comprehensive income	—	—	—	—	88,286	88,286	729	89,015
Comprehensive income	—	—	76,843	—	88,286	165,129	5,586	170,715
Transactions with shareholders								
Dividends of surplus	—	—	(25,245)	—	—	(25,245)	(2,301)	(27,546)
Transfer to retained earnings	—	—	11,464	—	(11,464)	—	—	—
Purchase/disposal of treasury shares	—	—	—	(0)	—	(0)	—	(0)
Increase/decrease by business combination	—	—	—	—	—	—	2,953	2,953
Net changes in controlled subsidiaries' stocks	—	(66)	—	—	—	(66)	(223)	(289)
Put options written on non-controlling interests	—	(4,638)	—	—	—	(4,638)	—	(4,638)
Other	—	(903)	(1,060)	—	—	(1,963)	(98)	(2,062)
Total transactions with shareholders	—	(5,608)	(14,841)	(0)	(11,464)	(31,913)	331	(31,582)
As of March 31, 2021	142,520	105,988	721,565	(1)	102,827	1,072,899	53,648	1,126,548

(FY ended March 31, 2022)

(Unit: ¥ million)

	Equity attributable to shareholders of NTT DATA						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other	Total		
As of April 1, 2021	142,520	105,988	721,565	(1)	102,827	1,072,899	53,648	1,126,548
Comprehensive income								
Net income	—	—	142,979	—	—	142,979	7,123	150,102
Other comprehensive income	—	—	—	—	84,793	84,793	1,514	86,307
Comprehensive income	—	—	142,979	—	84,793	227,773	8,637	236,409
Transactions with shareholders								
Dividends of surplus	—	—	(25,946)	—	—	(25,946)	(1,866)	(27,813)
Transfer to retained earnings	—	—	77,255	—	(77,255)	—	—	—
Purchase/disposal of treasury shares	—	—	—	(204)	—	(204)	—	(204)
Increase/decrease by business combination	—	—	—	—	—	—	86	86
Net changes in controlled subsidiaries' stocks	—	(1,314)	—	—	—	(1,314)	(2,702)	(4,016)
Stock-based remuneration transaction	—	104	—	—	—	104	—	104
Put options written on non-controlling interests	—	(1,300)	—	—	—	(1,300)	—	(1,300)
Other	—	(1,138)	—	—	—	(1,138)	(409)	(1,547)
Total transactions with shareholders	—	(3,648)	51,309	(204)	(77,255)	(29,798)	(4,892)	(34,690)
As of March 31, 2022	142,520	102,340	915,853	(205)	110,365	1,270,874	57,393	1,328,267

(4) Consolidated Statement of Cash Flows

(Unit: ¥ million)

	FY ended March 31, 2021	FY ended March 31, 2022
Cash Flows from Operating Activities		
Net income	81,701	150,102
Depreciation and amortization	214,324	219,939
Interest and dividend income	(4,820)	(4,197)
Interest expenses	6,380	5,685
Share of (profit)/loss of entities accounted for using equity method	6,299	205
Income tax expenses	48,751	65,747
(Increase)/decrease in trade and other receivables	(22,477)	(42,933)
(Increase)/decrease in contract assets	(24,602)	(1,593)
(Increase)/decrease in inventories	(855)	(10,780)
Increase/(decrease) in trade and other payables	50,358	27,833
Increase/(decrease) in contract liabilities	11,018	920
Increase/(decrease) in allowance for contract losses	(2,574)	1,512
Other	25,723	(17,695)
Sub total	389,225	394,746
Interest and dividends received	3,931	4,214
Interest paid	(5,752)	(5,169)
Income taxes (paid) / refunded	(34,911)	(83,387)
Net cash provided by (used in) operating activities	352,492	310,404
Cash Flows from Investing Activities		
Payments for acquisition of property, plant, equipment, and intangible fixed assets	(163,114)	(174,994)
Payments from acquisition of other financial assets	(20,425)	(83,521)
Proceeds from sales /(redemption) of other financial assets	19,290	113,258
Payments for investments in subsidiaries	(18,296)	(59,132)
Proceeds from sales of subsidiaries	—	5,826
Other	8,652	2,076
Net cash provided by (used in) investing activities	(173,893)	(196,487)
Cash Flows from Financing Activities		
Net increase/(decrease) in short-term borrowings	(32,219)	(28,773)
Proceeds for long-term loans payable and issuance of bonds	92,363	170
Repayment of long-term loans payable and redemption of bonds	(89,030)	(62,613)
Repayments of lease liabilities	(43,182)	(43,821)
Purchase of equity interests of subsidiaries from non-controlling interests	(2,069)	(3,576)
Cash dividends paid	(25,241)	(25,944)
Cash dividends paid to non-controlling interests	(2,257)	(1,923)
Other	17	(34)
Net cash provided by (used in) financing activities	(101,618)	(166,513)
Net increase/(decrease) in cash and cash equivalents	76,980	(52,596)
Cash and cash equivalents at beginning of fiscal year	205,356	287,058
Effect of exchange rate changes on cash and cash equivalents (decrease)	4,721	12,479
Cash and cash equivalents at end of fiscal year	287,058	246,941

(5) Notes to Consolidated Financial Statement

(Notes to Going Concern Assumptions)

N/A

(Segment information)

For the fiscal year ended March 31, 2021

Information regarding net sales, income or loss by reportable segment

(Unit: ¥ million)

	Reportable segment						Others (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise & Solutions	North America	EMEA & LATAM	Total				
Net sales										
Sales to outside clients	452,043	518,063	427,753	422,772	446,703	2,267,333	50,706	2,318,039	619	2,318,658
Intersegment sales and others	88,439	89,530	163,128	6,604	7,546	355,247	81,990	437,238	(437,238)	—
Total	540,482	607,593	590,881	429,376	454,249	2,622,581	132,696	2,755,277	(436,618)	2,318,658
Operating income or loss (the number shown in parentheses)	67,825	56,712	52,310	(16,161)	(6,081)	154,605	1,137	155,742	(16,569)	139,173
								Financial income		6,661
								Financial costs		9,083
								Share of profit/loss of entities accounted for using equity method		(6,299)
								Income before Income taxes		130,452

Information regarding other items by reportable segment

(Unit: ¥ million)

	Reportable segment						Others (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise & Solutions	North America	EMEA & LATAM	Total				
Depreciation and amortization	21,984	86,562	43,087	31,978	20,600	204,212	2,194	206,405	1,659	208,064
Investments in non-current assets	25,654	75,106	34,703	4,577	12,935	152,975	1,166	154,141	15,361	169,502

(Note) 1. Classification of "Other" includes China & APAC regions and subsidiaries that mainly engage in supporting the business of our head office departments.

- (1) Adjustment of operating income or (loss) totaling (16,569) million yen mainly consist of consolidated adjustments not appropriated to each reportable segment.
- (2) Adjustment of depreciation and amortization totaling 1,659 million yen mainly consist of consolidated adjustments not appropriated to each reportable segment.
- (3) Adjustment of investments in non-current assets totaling 15,361 million yen mainly consist of consolidated adjustments not appropriated to each reportable segment.
3. Operating income or loss is adjusted with current operating income under consolidated income statements.
4. Investments in non-current assets do not include long-term prepaid expenses, financial instruments, deferred tax assets and retirement benefits assets that are not managed by reportable segments.

For the fiscal year ended March 31, 2022

Information regarding net sales, income or loss by reportable segment

(Unit: ¥ million)

	Reportable segment						Others (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise & Solutions	North America	EMEA & LATAM	Total				
Net sales										
Sales to outside clients	486,599	541,414	460,641	467,896	542,839	2,499,389	51,955	2,551,344	562	2,551,906
Intersegment sales and others	95,835	91,649	192,267	7,761	8,046	395,558	87,503	483,060	(483,060)	—
Total	582,435	633,063	652,907	475,656	550,885	2,894,947	139,458	3,034,404	(482,498)	2,551,906
Operating income or loss (the number shown in parentheses)	68,092	62,332	64,146	17,169	15,608	227,346	6,733	234,079	(21,489)	212,590
								Financial income		9,665
								Financial costs		6,201
								Share of profit/loss of entities accounted for using equity method		(205)
								Income before Income taxes		215,849

Information regarding other items by reportable segment

(Unit: ¥ million)

	Reportable segment						Others (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise & Solutions	North America	EMEA & LATAM	Total				
Depreciation and amortization	25,027	87,589	43,041	30,942	21,553	208,152	2,539	210,691	2,662	213,353
Investments in non-current assets	18,206	81,004	34,293	5,782	14,553	153,838	1,297	155,135	21,611	176,746

(Note) 1. Classification of "Other" includes China & APAC regions and subsidiaries that mainly engage in supporting the business of our head office departments.

- (1) Adjustment of operating income or (loss) totaling (21,489) million yen mainly consist of consolidated adjustments not appropriated to each reportable segment.
- (2) Adjustment of depreciation and amortization totaling 2,662 million yen mainly consist of consolidated adjustments not appropriated to each reportable segment.
- (3) Adjustment of investments in non-current assets totaling 21,611 million yen mainly consist of consolidated adjustments not appropriated to each reportable segment.
3. Operating income or loss is adjusted with current operating income under consolidated income statements.
4. Investments in non-current assets do not include long-term prepaid expenses, financial instruments, deferred tax assets and assets related to retirement benefits that are not managed by reportable segments.

(Business combination)

For the fiscal year ended March 31, 2022 (From April 1, 2021, to March 31, 2022)

1) Outline of the business combination

On June 23, 2021, NTT DATA CORPORATION, the company submitting consolidated financial statements, acquired equity interest of Nexient, LLC, a company based in California, USA (hereinafter referred to as Nexient), to obtain 100% of voting rights and control of the company through NTT DATA Services, the subsidiary in North America. Below, the outline of this deal is shown.

Name of the acquired company	Nexient, LLC
Main business	Application development, etc.
Main reason for the business combination	The acquisition will enable NTT DATA not only to have talents capable of cloud-native application development and agile development but also to enhance capabilities in the field by acquiring the recruitment and training processes. Also, by combining Nexient's model of delivering the U.S. resources and NTT DATA's global delivery network, we will be able to provide solutions that will better satisfy clients' needs.
Date of acquisition	June 23, 2021
Method adopted by the acquirer company to take control of the acquired company	Acquisition of equity interest in exchange for cash payment
Percentage of the voting rights acquired	100%

2) Consideration of the transfer

The following table presents the fair value considering the transfer as of the date of acquisition:

	(Unit: ¥ million)
	Date of acquisition (June 23, 2021)
Cash	45,654
Total acquisition price	45,654

(Note) The share transfer agreement comprises a clause that requires the price to be adjusted when the transfer is completed. Under this agreement, NTT DATA Group will revise the acquisition price and the goodwill amount by deeming that such payment was made upon the acquisition.

3) Amount and item of acquisition-related costs

The following table shows the item and amount of acquisition-related costs:

(Unit: ¥ million)	
Item	Amount
Advisory expenses	2
Legal expenses	170
Others	135
Total acquisition-related cost	307

(Note) The expenses are included and processed in “selling, general and administrative expenses” on Condensed Quarterly Consolidated Statement of Income.

4) Fair value of acquired assets and assumed liabilities and the amount of goodwill as of the date of acquisition

The following table shows the details and fair value of acquired assets and assumed liabilities and goodwill as of the date of acquisition:

(Unit: ¥ million)	
	Date of acquisition (June 23, 2021)
Assets	
Trade and other receivables (Note 1)	2,602
Property, plant, and equipment	1,299
Intangible assets (Note 2)	5,958
Other	67
Liabilities	
Trade and other payables	1,375
Bonds and borrowings	814
Other	48
Net assets	7,690
Goodwill (Note 3)	37,963
Total	45,654

The value of goodwill and assets recorded at the end of this third quarter is provisionally based on the estimation with currently accessible information given that identifiable assets and liabilities are now under evaluation and acquisition cost allocation is not completed.

(Notes)

1. They are all trade receivables, out of which nothing significant is estimated as unrecoverable.
2. They include identifiable assets of 5,813 million yen.
3. Goodwill mainly represents the synergy effect and excess earning power expected to be obtained by integrating with NTT DATA Group.

5) Impact on NTT DATA Group's performance

The period of performance recognized is from July 1, 2021, to March 31, 2022, and the net sales are 13,499 million yen. The net income is 369 million yen.

According to the pro forma information, the net sales are 16,768 million yen, and the net income is 475 million yen, assuming that the business combination took place at the beginning of the current fiscal year.

The pro forma information indicates the estimated amount that has not been audited.

(Per share information)

	FY ended March 31, 2021	FY ended March 31, 2022
Equity attributable to shareholders of NTT DATA per share	764.99 yen	906.22 yen
Net income per share	54.79 yen	101.95 yen

(Events after the Reporting Period)

NTT DATA announced that, in line with its plan to further grow the NTT DATA group's overseas business, it has resolved at Board of Directors meeting held on May 9, 2022 to integrate the group overseas business of NTT, Inc. ("NTT, Inc."), a wholly owned subsidiary of Nippon Telegraph and Telephone Corporation ("NTT") (the "Overseas Business Integration") into the NTT DATA group's overseas business.

Specifically, NTT DATA resolved (i) to execute a master agreement (the "Master Agreement") and shareholders agreement (the "Shareholders Agreement") with NTT; (ii) to execute an absorption-type company split agreement with NTT, Inc. whereby each of NTT, Inc. and its subsidiaries will become a subsidiary of NTT DATA after the overseas business operated by NTT DATA is succeeded to NTT, Inc. (the "Overseas Business Split Agreement", and the company split based on this agreement is the "Overseas Business Split"); and (iii) as part of the Overseas Business Integration, to acquire a part of NTT, Inc. shares held by NTT subject to the Overseas Business Split coming into effect (the "Additional Share Acquisition"), respectively, and NTT DATA executed the Master Agreement, the Shareholders Agreement and the Overseas Business Split Agreement effective as of May 9, 2022. The Overseas Business Integration is scheduled to be implemented in October 1, 2022 on the condition that the Distribution in Kind (as defined below) and the Share Split (as defined below) will come into effect, that the Overseas Business Split Agreement is approved at the NTT DATA Ordinary General Meeting of Shareholders scheduled to be held in June 2022, and that the approval of the relevant government agencies is obtained as required. Further, since the Overseas Business Split constitutes as a transaction, etc. with a controlling shareholder, in making the resolution therefor, the Company has implemented measures to ensure the fairness of the Overseas Business Split, such as obtaining a report from a special committee with no interest, and measures to avoid conflicts of interest.

Further, prior to the Overseas Business Split and the Additional Share Acquisition, NTT, Inc. is scheduled to perform a 49-for-1 share split of NTT, Inc. shares of common stock (the "Share Split") and to distribute all of 760,000,000 shares

of common stock of the Company held by NTT, Inc. (54.2% of the total number of voting rights as of September 30, 2021) in kind to NTT (the “Distribution in Kind”) effective as of October 1, 2022, pursuant to the Master Agreement.

As a result of the Distribution in Kind, NTT, Inc. will no longer be the parent company and the largest and major shareholder of the Company, and NTT will become the new largest and major shareholder of the Company. Additionally, as a result of the Overseas Business Split, each of NTT, Inc. and its subsidiaries will newly become a subsidiary of the Company as described above. By the effective date of the Overseas Business Split (October 1, 2022), NTT DATA and NTT plan to discuss the trade name of NTT, Inc.

In addition, at the Board of Directors meeting held on May 9, 2022, the Company resolved to establish a split preparation company (the “Domestic Business Split Preparation Company”) as a wholly owned subsidiary of the Company on October 1, 2022 (scheduled), and by having the Domestic Business Split Preparation Company take over the domestic business of the Company by or around July 1, 2023 through an absorption-type split (the “Domestic Business Split”), shift the Company to a holding company with two subsidiaries, i.e., NTT, Inc. and the Domestic Business Split Preparation Company (the “Transition to Holding Company Structure”).

I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split

1. Background

The environment surrounding the society is changing drastically every day, and in corporate management, corporations are required to solve social issues and contribute to the global environment, in addition to enhancing its economic value through creating new value. Furthermore, social trends, from corporate activities to people's consumption and lifestyles, are changing dramatically against a backdrop of technological advancements, and as a result, digital-related investments for business growth are accelerating in all industries. Under these circumstances, the society is beginning to move toward the realization of new value with various goods and people being connected, and as such, technologies related to Connectivity, such as Edge to Cloud, are becoming increasingly important.

There are also growing expectations for a data-driven society through securely collecting and analyzing information acquired from goods and human behavior.

On the other hand, the competitive environment surrounding the IT market has also been changing, with various players expanding their service lineups in response to changes in society and technology.

Up until now, NTT DATA has expanded the scale of its overseas business through M&A, in addition to solid business expansion within Japan. In particular, we have made certain achievements in our overseas business by undertaking business structure reforms aimed at strengthening our digital responsiveness and improving profitability.

In light of changes in the business environment with a global perspective, we believe that it is necessary to further accelerate collaboration among NTT group companies and to further strengthen our business competitiveness, in order to contribute to the growth of our customers' businesses and to become a truly Trusted Global Innovator that supports social infrastructure for the long term.

(Note) Architecture that combines edge computing in which data processing and analysis is performed on IoT terminals, smart devices, and servers installed nearby, with cloud computing in which data is centrally managed and processed

2. Objective and Aim

On this occasion, overseas businesses for business users that have been operated by NTT DATA, NTT, Inc. and NTT Ltd., respectively, will be integrated and the business will be developed as a unified group thereafter.

Up until now, the Company has supported various corporate systems and industry infrastructures with its “power to ‘create’” based on deep customer understanding and advanced technological capabilities, but this integration will enable the Company to enhance the value provision by combining it with the “power to ‘connect’” of NTT Ltd.

Specifically, the Company will combine NTT DATA’s system integration capabilities (power to “create”) mainly in consulting and application development with NTT Ltd.’s ‘Edge to Cloud’ service operation capabilities (power to “connect”) mainly in the field of data centers, networks and managed services, in order to evolve into a company providing total services that integrate IT and Connectivity. We will respond to increasingly complex and diverse customer needs on a global level by centrally developing a service lineup necessary for digital transformation, including the Connectivity domain.

In addition, by aggregating talents and properties related to the overseas business of the NTT group, we will realize swift decision-making according to the business and customer characteristics in each overseas region, and build a strong global governance system that supports future business growth.

In the medium- to long-term, we will work to create new social platforms and innovate services that transcend corporate and industry boundaries through the provision of comprehensive managed services, including from Edge to Cloud, which integrate IT and Connectivity to connect all things securely, while also developing innovative services globally that utilize NTT’s IOWN technology, aiming to become a company that can create sustainable future mechanisms.

We believe that the Overseas Business Integration will promote a unified understanding of our global customers, make our brand more trusted by customers around the world, and achieve further growth and increase our corporate value by strengthening our business competitiveness.

3. Specific Efforts and Group Structure after Overseas Business Integration

Effective October 1, 2022, NTT, Inc. will shift to a joint ownership structure of NTT DATA (55%) and NTT (45%) as an overseas business company, through the Overseas Business Integration. By making it a joint venture, we will promote collaboration with NTT in both strategic and practical aspects to realize the growth of our overseas business.

Specifically, under a unified business strategy, we will provide End to End (Note) services from infrastructure to applications. We will also utilize the results of NTT’s research and development to promote our business in areas such as Smart World and 5G, and at the same time, in the medium- to long-term, we will work to realize advanced services that can also provide environmental and social value, with the IOWN concept at its core.

In July 2023, we plan to shift to a business operation structure in which domestic and overseas business companies will be placed under NTT DATA as a holding company, through the Domestic Business Split.

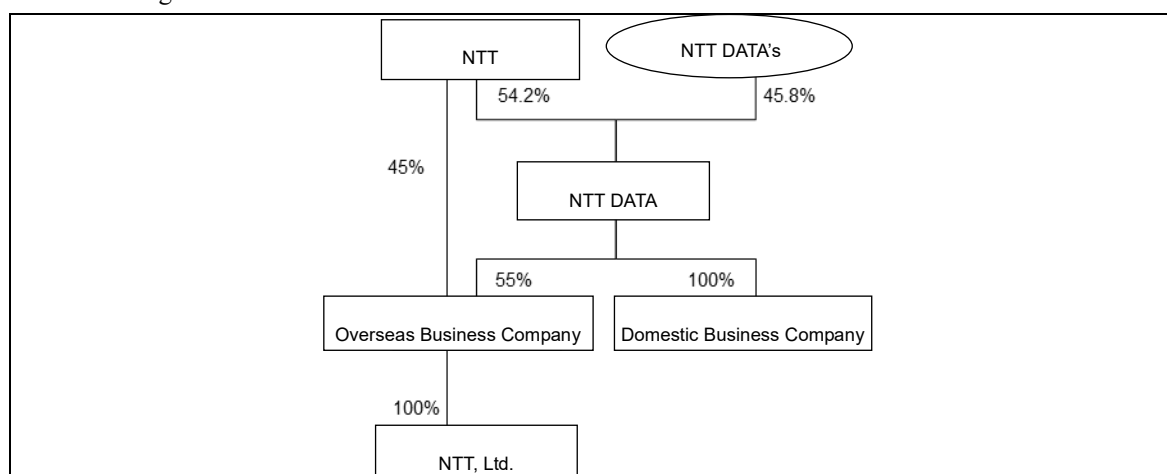
With regard to the domestic business, the scale of the business exceeds 1.5 trillion yen due to steady business growth, and since we have a large number of customers, we will promote autonomous business operations centered on the domestic business companies.

With the new business operation structure, we will further strengthen governance through quick decision-making in response to changes in the external environment and local markets, increased mobility, flexible system design, etc. The holding company will specialize in the formulation and execution of growth strategies from the perspective of overall group optimization, business management, etc., so that it can strive to enhance the corporate value of the entire group.

With respect to the shareholding ratio of NTT, Inc., we have agreed with NTT to acquire an additional 4% equivalent of NTT, Inc. shares for a total amount of 112 billion yen, resulting in NTT DATA holding 55% and NTT holding 45% of NTT, Inc., based on the consideration that capturing more profits from overseas businesses, which are expected to grow and develop further, will contribute to increase the shareholder value of the Company.

The reference diagram below shows the group structure after the Transition to Holding Company Structure by means of the Domestic Business Split as well as the Overseas Business Integration.

<Reference Diagram>



(Note) Total provision of services required for IT systems, from application development to network and IT infrastructure construction and system operation.

4. Summary of Overseas Business Split

(1) Schedule for Overseas Business Integration and Overseas Business Split

Resolutions at the Board of Directors meeting for the approval of execution of the Master Agreement, Shareholders' Agreement and the Overseas Business Split Agreement, and of the Additional Share Acquisition	May 9, 2022
Execution of the Master Agreement	May 9, 2022
Execution of the Shareholders' Agreement	May 9, 2022
Execution of the Overseas Business Split Agreement	May 9, 2022
General meeting of shareholders resolution on the approval of the Overseas Business Split Agreement	June 16, 2022 (scheduled)
Effective date of the Distribution in Kind	October 1, 2022 (scheduled)
Effective date of the Overseas Business Split	October 1, 2022 (scheduled)
Implementation of the Additional Share Acquisition	October 1, 2022 (scheduled)

The above schedule is subject to change in the future due to the relevant permits and approvals necessary to obtain and other reasons.

(2) Method of Overseas Business Split

This is an absorption-type company split regarding the overseas business operated by the Company, with the Company as the splitting company and NTT, Inc. as the succeeding company.

(3) Terms of the Allotment under Overseas Business Split

NTT, Inc. will issue 3,315 shares of common stock as consideration for the Overseas Business Split and plans to allot and deliver those shares in NTT, Inc. to the Company. As a result, the holding ratios of NTT, Inc. shares after the Overseas Business Split, as of the effective date of the Overseas Business Split, will be 51% (Number of shares held: 3,315 shares) as to the Company and 49% (Number of shares held: 3,185 shares) as to NTT. Please note that we plan to acquire additional 260 shares (equivalent to 4% of the total number of issued shares on the same date) of common stock of NTT, Inc. held by NTT for a total amount of 112 billion yen as of the effective date of the Overseas Business Split on the condition that the Overseas Business Split becomes effective (the "Additional Share Acquisition"). As a result, the holding ratios of NTT, Inc. shares will be 55% (Number of shares held: 3,575 shares) as to the Company and 45% (Number of shares held: 2,925 shares) as to NTT.

(Note) NTT, Inc. is planning to conduct the Share Split prior to the Overseas Business Split, and the above-mentioned shareholding ratios and number of shares held by NTT, Inc. are calculated based on the figures after the Share Split.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights in Connection with Overseas Business Split

The Company has not issued any stock acquisition rights or bonds with stock acquisition rights. Therefore, this item is not applicable.

(5) Capital Change due to Overseas Business Split

There is no capital change due to the Overseas Business Split.

(6) Rights and Obligations to be Succeeded by the Succeeding Company

Among the rights and obligations held by the Company, those set forth in the Overseas Business Split Agreement are to be succeeded by NTT, Inc. from the Company.

(7) Prospect of Fulfillment of Debts

The parties determine that there are no issues in the payment of debts to be fulfilled by NTT, Inc. on or after the effective date of the Overseas Business Split.

5. Outline of Business Subject to Split

Business Divisions Subject to Split

Formulation of strategy, business management, governance management, etc. regarding overseas business operated by the NTT Data group

6. Outline of Accounting Process

Since the Overseas Business Split constitutes a transaction, etc. under common control under the Company group's accounting policy, and NTT, Inc. will meet the control criteria under the accounting standards related to consolidated financial statements, NTT, Inc. will become a subsidiary of the Company and will be included in the consolidated financial statements of the Company after the implementation of such transaction.

7. Future Outlook

We are currently investigating the impact this transaction will have on the financial results from fiscal year ending March 31, 2023.

II. Change in Largest and Major Shareholder Following Overseas Business Integration

1. Background of Change

Please refer to "1. Background" and "2. Objective and Aim" of "I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split" above for the background to the change in the largest and major shareholder. NTT, Inc. will not be the Company's largest and major shareholder as a result of the Distribution in Kind, and it is expected that NTT will be the Company's new largest, major shareholder. Further, as a result of the Distribution in Kind, NTT, Inc. will no longer be the parent company of the Company either.

2. Planned Date of Change

October 1, 2022 (scheduled)

III. Change in Subsidiaries

1. Background of the Change

Please refer to “1. Background” and “2. Objective and Aim” of “I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split” above. NTT, Inc. and its subsidiaries are scheduled to newly become the Company’s subsidiaries as a result of the acquisition of 3,315 NTT, Inc. shares by the Company as consideration for the Overseas Business Split. On the effective date of the Overseas Business Split, the Company is scheduled to acquire 260 NTT, Inc. shares held by NTT through the Additional Share Acquisition, subject to the Overseas Business Split coming into effect. The shares of the subsidiary for overseas business of the Company group will be succeeded by NTT, Inc. by way of the Overseas Business Split, but as detailed above, the Company will acquire NTT, Inc.’ shares, and that subsidiary for overseas business of the Company group will become the Company’s subsidiary.

2. Outline of Changing Subsidiaries

Business Description of the Changing Subsidiary

Formulation of strategy, business management, governance management, etc. regarding overseas business operated by the NTT DATA group

3. Schedule

Please refer to “(1) Schedule for Overseas Business Integration and Overseas Business Split” of “4. Summary of Overseas Business Split” of “I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split” above.

IV. Transition to Holding Company Structure

1. Purpose and Effect of Transition to Holding Company Structure

As detailed in “1. Background” and “2. Objective and Aim” of “I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split” above, the Overseas Business Integration is being carried out against a backdrop of accelerating initiatives toward global digital transformation and complicated and diverse customer needs. In keeping with that, the Company is seeking to reconstruct the group management system, and has deemed it essential to further strengthen governance by making quick decisions that respond to changes in the external environment and regional markets, improving mobility, and designing flexible systems. As a result, the Company will perform the Transition to Holding Company Structure.

After implementing the Transition to Holding Company Structure, the Company will, as a holding company, formulate and execute growth strategies from the perspective of total optimization of the group, and specialize in business management, making efforts to improve the corporate value of the group as a whole.

2. Summary of Transition to Holding Company Structure

(1) Schedule for Domestic Business Split

Board of Directors meeting to approve establishment of the Domestic Business Split Preparation Company	May 9, 2022
Establishment of the Domestic Business Split Preparation Company	October 1, 2022 (scheduled)
Board of Directors meeting to approve execution of the absorption-type company split agreement	May 2023 (scheduled)
Execution of the absorption-type company split agreement	May 2023 (scheduled)
Resolution at shareholders meeting regarding the absorption-type company split agreement	June 2023 (scheduled)
Effective date of the Domestic Business Split	July 1, 2023 (scheduled)

(2) Method of Domestic Business Split

The method of the Domestic Business Split is expected to be an absorption-type company split where the Company is the splitting company and the Domestic Business Split Preparation Company, which is a wholly-owned subsidiary of the Company expected to be established on October 1, 2022, is the succeeding company.