Governance

We engage in sound and transparent corporate management in a bid to secure sustainable growth while endeavoring to earn the trust of stakeholders.

Approach Adopted by the NTT DATA Group

While practicing sound and transparent management, the NTT DATA Group contributes to the ongoing growth and development of clients and society by creating new paradigms and values. We also work toward promoting a prosperous, well-balanced, safe and secure society as we endeavor to grow in our own right. We strongly believe that these aspirations and endeavors encapsulate our mission and responsibilities as a company.

With this understanding, we have constructed an effective system of corporate governance and adhere strictly to all statutory and regulatory requirements while ensuring that frontline employees carry out their duties in an ethical manner. In conjunction with efforts aimed at ensuring our approach toward management takes root across the entire Group, we place the utmost emphasis on management efficiency and discipline. Through these means, we continue to build a robust foundation for CSR management that responds to the expectations of the global community.

Corporate Governance

Corporate Governance Structure

■ Improving Management Quality Based on a Governance Structure by Enhancing Business Execution, Oversight, and Auditing Functions

As a company with corporate auditors, NTT DATA has a Board of Directors and an Audit & Supervisory Board, as well as a Corporate Management Committee.

The Board of Directors meets monthly, holds extraordinary meetings as necessary, and is responsible for decision-making and supervision regarding legal and important management matters. In addition to introducing both business sectors and department systems, we have also appointed regular executive officers, whose responsibility is to focus on business execution. By having directors delegate significant executive authority to executive officers, NTT DATA aims to accelerate the decision-making process.

The Audit & Supervisory Board meets, in principle, once a month to decide on audit policies, plans, methods and various other important audit-related matters.

The Corporate Management Committee includes the president, vice presidents and the heads of major organizational sections. The committee meets, in principle, once a week, to ensure smooth and timely decision-making and the supervision of day-to-day operations.

■ **Corporate Governance Structure**
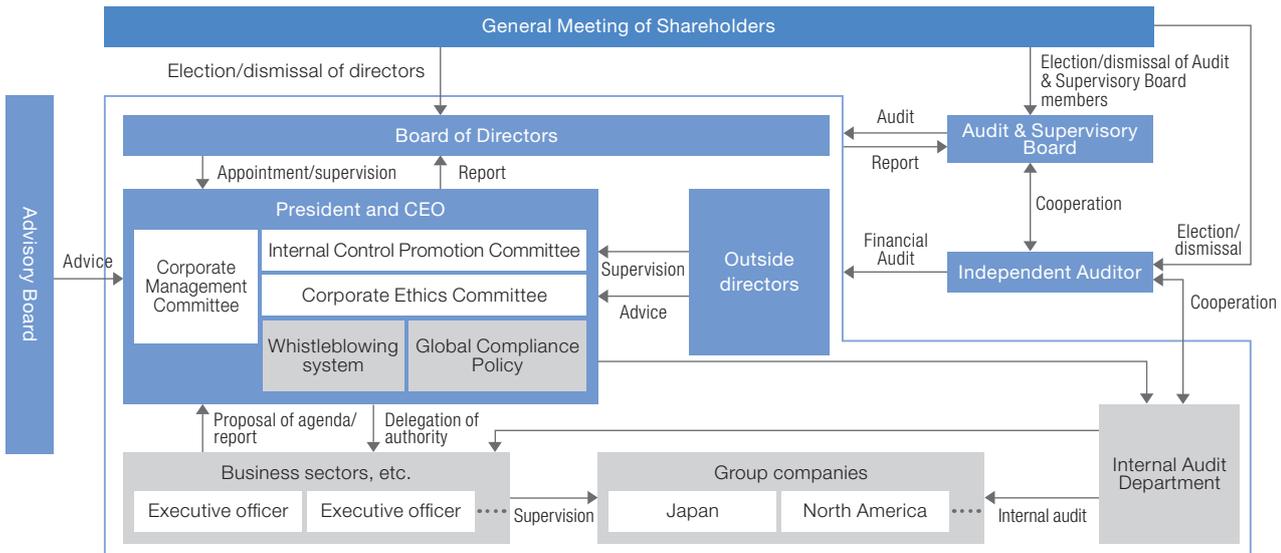
Initiatives that Add Varied Perspectives to Management

NTT DATA works to strengthen functions that oversee fairness in business execution by inviting directors and Audit & Supervisory Board members from outside the Company. As of July 2016, NTT DATA has two outside directors and four outside Audit & Supervisory Board members. In appointing these outside officers, the Company provides selection criteria that anticipate that they will bring to management opinions from broad perspectives that draw on their respective experiences. NTT DATA has two outside directors and three outside auditors registered as independent directors who meet the requirements of Tokyo Stock Exchange regulations as well as our own in-house requirements. In addition, we established an Advisory Board in July 2012 to obtain advice from outside experts, which is being used to achieve further growth and ensure the sound management of our operations.

Initiatives to Spread Our Vision

The NTT DATA Group announced its new Group Vision in May 2013, and we have been encouraging employees to internalize the Group's Values, our core values that we live by to fulfill our Group Vision. To act with these values in mind, we must have an idea of how to apply them in our work duties. For this reason, it is important to continuously engage in dialogue with our coworkers. On the anniversary of our founding, we decided to hold Values Week starting on May 23, 2014, as a series of events to spread the word about our values among the people with whom we work. During our Values Week in 2016, about 10,000 employees in more than 60 cities and nearly 20 countries took part in workshops and talked about our values. We expect 20,000 employees in 90 cities in 28 countries to participate in 2016.

Cologne, Germany

Charlotte, United States

Wuxi, China

◼ Group Governance

〈 Strengthening Group Governance by Establishing a Liaison Department for Group Companies 〉

For important matters such as business planning, internal control, and compliance, NTT DATA's basic policy is to ensure appropriate business operations throughout the Group by instituting rules for consultation and reporting within each Group company. Based on this policy, the Company has established a cooperative system through the establishment of a liaison department in NTT DATA that connects to each Group company.

Particularly in recent years, Group governance has been reinforced in response to the rapid expansion of overseas operations through M&A activities and other measures. Specifically, the Company is establishing a system centered around five operating regions—North America, EMEA (Europe, the Middle East, and Africa), APAC (Asia-Pacific), China, and Spain and Latin America—as well as business solutions. NTT DATA has instituted rules for consultation and reporting between the Company and Group companies in relation to such important matters as business plans, large-scale projects, internal control, and compliance.

Furthermore, NTT DATA is building a governance system that enables the unified management of the Group while delegating responsibility for business management to each regional integrated company. As part of this initiative, NTT DATA is establishing nomination and compensation committees and audit committees within regional integrated companies' boards of directors. Meanwhile, the Group is establishing a system that facilitates the appropriate and timely sharing of information about risks and other important matters of concern by building a comprehensive internal control system that includes overseas organizations.

In Japan, in the fiscal year ended March 31, 2014, NTT DATA increased management efficiency by beginning the renewal of the common accounting system that domestic Group companies use. In the fiscal year ended March 31, 2015, NTT DATA extended introduction of the system, which encompasses approximately 70 major domestic Group companies. As a result, most domestic Group companies use a common accounting system. This enables centralized management of accounting information and the securing of internal control. Furthermore, the use of this system significantly reduces the maintenance and operational burdens.

Moreover, aiming to increase the efficiency of Group management, NTT DATA introduced an in-house Group Management Infrastructure system that visualizes Group companies' management information (in the financial and personnel fields) to domestic Group companies. Through this new system NTT DATA aims to optimize management resource allocation to reflect project characteristics, expedite business management, enhance the precision of information used for decision-making, and realize Group synergies.

〈 Ensuring Robust Group Governance Based on Group Management Policies and Group Management Rules 〉

To optimize the Group as a whole, the NTT DATA Group established Group Management Policies to define the basic approach to Group management. Furthermore, with respect to consultation and reporting between NTT DATA and Group companies, Group Management Rules have been established for domestic Group companies and a Group Authority Matrix has been established for overseas Group companies. The rules and matrix are used in combination with Group Management Policies to realize robust management of Group governance.

◼ Governance Structure of Regional Integrated Companies
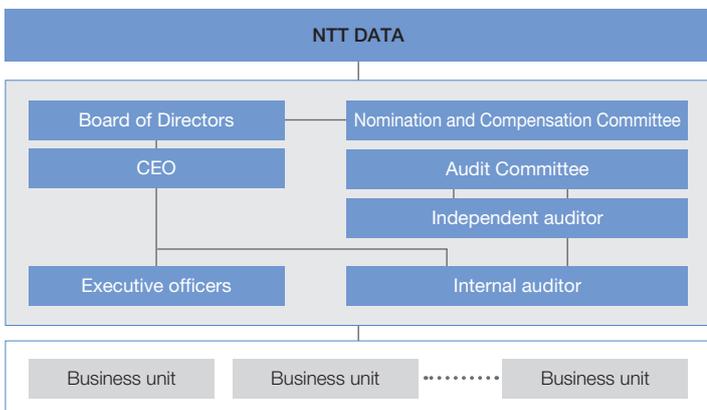
Internal Control

◾ Maintaining and Continuously Strengthening Internal Control Systems

The NTT DATA Group builds and maintains internal control systems in accordance with a basic policy of always considering risks arising from business activities and taking various types of measures to realize efficient implementation of equitable, transparent business activities.

Twice a year, we also convene meetings of the Internal Control Promotion Committee, which is tasked with assessing the effectiveness of internal control systems and managing and furthering overall internal control. In addition, NTT DATA actively conducts internal audits that focus on a range of different risks.

Given continued global business expansion going forward, the Company will maintain efforts to strengthen the Group's overall internal control capabilities by further advancing efforts to establish global internal audit capabilities while introducing efficient methods of auditing.

◾ Implementation Status of Internal Audits

NTT DATA's Internal Audit Department conducts audits from a standpoint that is independent from operational divisions.

In fiscal 2016, the Company audited in-house organizations, 10 domestic Group companies and 10 overseas Group companies. This audit primarily focused on risks specific to the Company. These risks include bid rigging, dumping and other corruption risks as well as overall information security. Also, the Company monitored the internal auditing activities of 24 Group companies.

In addition, to expand and improve internal auditing of the Group as a whole, 83 domestic and overseas Group companies conducted autonomous inspections based on unified audit items.

In terms of new initiatives, we have also introduced a monitoring indicator system to detect indications of fraud before it occurs, and we are expanding the functions of the system using CAAT (computer-assisted audit techniques) tools to analyze data from various in-house information systems. This auditing system is already being applied to our internal organizations, and we are seeking to advance the initiative by considering expanding its application to Group companies in Japan and anticipating more of its deployment in our overseas Group companies as well.

Going forward, NTT DATA aims to realize coordination with the internal audit divisions of domestic and overseas Group companies and to advance measures to establish a global internal auditing system while increasing the quality and quantity of internal audits.

◾ Education and Training Related to Internal Control Systems

As an annual exercise, NTT DATA provides an e-learning course on internal control related to financial reporting in order to emphasize the importance of internal controls and promote understanding among employees about the NTT DATA Group's policies and views. We plan to continue providing these courses.

Directors, Audit & Supervisory Board Members, and Senior Vice Presidents

Directors, Audit & Supervisory Board Members, and Senior Vice Presidents

(As of July 1, 2016)

Position	Name	Outside/Independent	Term	Areas of Responsibility	Concurrent Position	Meeting Attendance[6]	Shares Owned
Representative Director, President and Chief Executive Officer	Toshio Iwamoto	—	*1			—	12,900
Representative Director and Senior Executive Position Vice President	Masanori Shiina	—	*1	Responsible for Corporate Strategy*4	Executor of business for the Limited Liability Partnership of Regional Revitalization/ Value Partner 2020	—	6,900
	Yo Honma	—	*1	Responsible for Enterprise & Solutions Segment	President, Construction-ec.com Co., Ltd.	—	5,200
Representative Director and Executive Vice President	Eiji Ueki	—	*1	Responsible for Technology Strategy*5 and Financial Segment	Director, Center for Financial Industry Information Systems	—	6,800
Director and Executive Vice President	Kazuhiro Nishihata	—	*1	Responsible for Global Segment	NTT Data International L.L.C. Chair	—	5,200
	Tsuyoshi Kitani	—	*2 Newly appointed	Head of Technology and Innovation General Headquarters, Head of System Engineering Headquarters		—	3,500
	Keiichiro Yanagi	—	*2 Newly appointed	Head of General Affairs Department, Head of Human Resources Department		—	4,700
	Hiroyuki Aoki	—	*2 Newly appointed	Responsible for Public & Social Infrastructure Segment		—	700
Director	Yukio Okamoto	Outside and independent	*1		Representative Director, Okamoto Associates, Inc. Outside Director, Mitsubishi Materials Corporation Outside Director, Nippon Yusen Kabushiki Kaisha (NYK LINE) Representative Director, Signal of Hope Fund	20/21	300
	Hiromasa Takaoka	—	*1		Vice President of HR, General Affairs Department of NIPPON TELEGRAPH AND TELEPHONE CORPORATION	16/16	100
	Eiji Hirano	Outside and independent	*2 Newly appointed		Vice Chairman, Director and Representative Executive Officer, MetLife, Inc. Director, RIKEN CORPORATION Advisor, Toyota Financial Services Corporation	—	0
Standing Audit & Supervisory Board Member	Yukio Ishijima	Outside and independent	*3			20/21 (19/19)	300
	Tetsuro Yamaguchi	Outside	*3			16/16 (10/10)	100
	Akio Nakamura	Outside and independent	*3 Newly appointed		Special Partner, TANABE & PARTNERS Director, Tokyo Century Corporation	—	0
Audit & Supervisory Board Member	Rieko Sato	Outside and independent	*3		Partner of Ishii Law Office Auditor, GignoSystem Japan, Inc. Director, Dai-ichi Life Insurance Co., Ltd.	20/21 (18/19)	1,100

*1 Director's term ends with the closing of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within two years from appointment at the Ordinary General Meeting of Shareholders held on June 17, 2015.

*2 Director's term ends with the closing of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within one year from appointment at the Ordinary General Meeting of Shareholders held on June 22, 2016.

*3 Audit & Supervisory Board Member's term ends with the closing of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within four years from appointment at the Ordinary General Meeting of Shareholders held on June 22, 2016.

*4 In the NTT DATA Group's division of duties, the "Officer responsible for Corporate Strategy" exercises oversight of formulation and execution of strategies, finance, IR and risk management.

*5 In the NTT DATA Group's division of duties, the "Officer responsible for Technology Strategy" exercises oversight of formulation and execution of strategies for technology development and R&D as well as the formulation and execution of strategies for security issues.

*6 Number of meetings of the Board of Directors attended (upper lines) and number of meetings of the Board of Corporate Auditors (in parentheses).

■ Total Remuneration of Directors and Audit & Supervisory Board Members for the Business Year under Review

(Results for fiscal 2016)

Executive Classification	Number of Persons	Basic Remuneration	Directors' Bonuses	Remuneration Amount
Directors (excluding outside directors)	9	¥272 million	¥70 million	¥343 million
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	1	¥7 million	—	¥7 million
Total	**10**	**¥280 million**	**¥70 million**	**¥350 million**

■ Total Remuneration of Outside Corporate Officers for the Business Year under Review

(Results for fiscal 2016)

	Number of Persons	Basic Remuneration
Total Remuneration of Outside Corporate Officers	5	¥101 million

In addition to the above, there is ¥9 million (yen-denominated amount based on the average foreign exchange rate during the fiscal year under review) in compensation, etc., received for having served as a director at a subsidiary of NTT DATA's parent company (excluding NTT DATA Corporation) before being appointed as an outside director of NTT DATA.

Compliance

We share our guidelines on ethical conduct beyond legal compliance across the Group.

Compliance Policy and Structure

NTT DATA positions the Global Compliance Policy, which serves as the foundation of its approach to corporate ethics, as a part of Our Way, and is striving to establish the policy throughout the Group.

■ Reinforcing the Compliance Promotion System

NTT DATA has a Corporate Ethics Committee chaired by the Chief Risk Officer (CRO), which works to include elements of the Global Compliance Policy in the performance review. The Committee is also engaged in promoting the spread and thorough understanding of the policy among executives and employees and fostering corporate culture conducive to compliance with legal regulations and corporate ethical rules.

Details of various compliance-related initiatives are also reported to and discussed by the Corporate Ethics Committee, which determines their ongoing implementation as well. We also maintain a remuneration system for staff responsible for management, which reflects the occurrence of ethics violations throughout the Group.

■ Implementation of Compliance Assessments

The NTT DATA Group conducts compliance assessments of all employees in order to verify the engagement status of its compliance systems and raise awareness.

Under these compliance assessments, recipients answer 30 questions about such matters as bribery, information security and overtime work, and the results are analyzed statistically. By comparing yearly changes, we can prioritize topics with many suggestions in the next year's compliance training sessions. Accordingly, we ensure more thorough corporate ethical awareness and reinforce legal compliance.

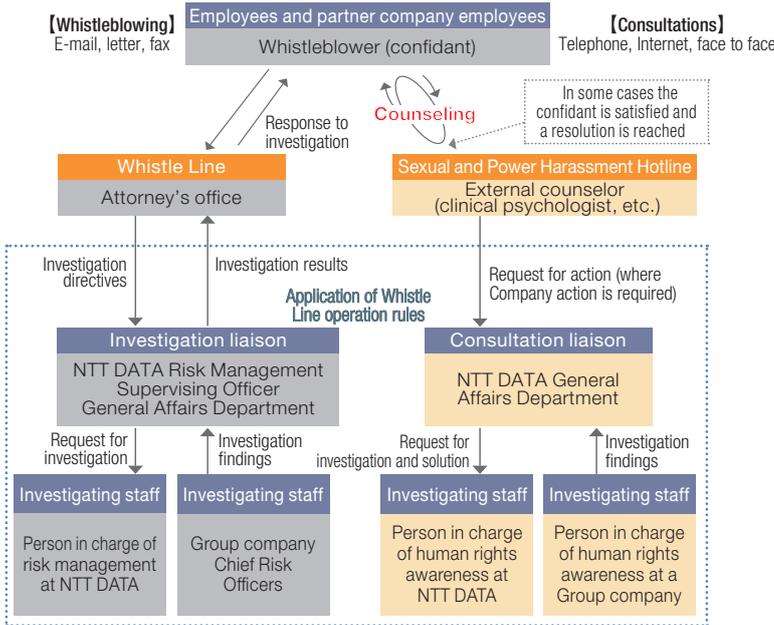### ■ Maintaining the Whistle Line for the Early Detection of Problems

The NTT DATA Group seeks to maintain sound management through the detection and correction of behavior that contravenes laws and corporate ethics at an early stage. For this reason, we operate a sexual and power harassment hotline and a whistleblower line to receive reports from and provide consultation to all NTT DATA Group personnel, including employees and temporary staff, as well as suppliers.

In operating this service, we place the utmost importance on the protection of privacy, prohibitions against unfair treatment, and the obligation to uphold confidentiality. We accept consultation requests and respond to inquiries at all times and have set up a Human Rights Awareness Activity Promotion Office within the General Affairs Department to address general human rights issues. Survey results and corrective actions are reported to the Executive Committee, corporate auditors and other authorities and are used to increase the soundness of business management. We disclose the number of reports and annual changes to Group companies and, as necessary, we analyze the likelihood of similar cases and take Group-wide measures on prominent cases to draw attention and prevent a recurrence.
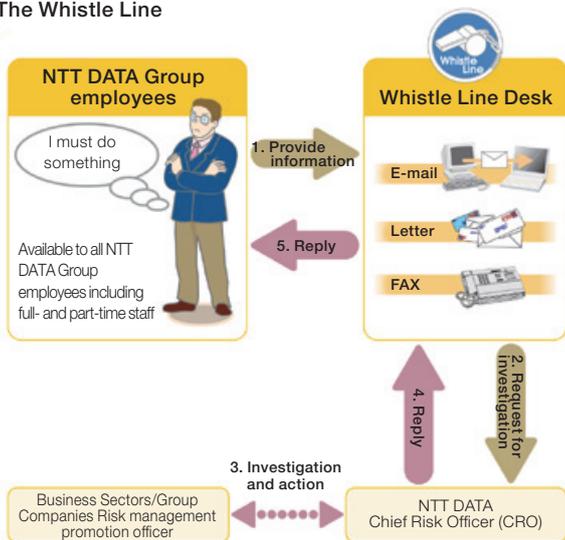
In fiscal 2016 we received 68 reports, including 40 reports about harassment, 21 concerning in-house programs and the workplace environment, and 7 on other issues. Looking ahead, we will continue to encourage the use of these internal reporting systems and strengthen efforts aimed at making improvements regarding similar incidents.

When it receives information internally, the NTT DATA Group works to protect the privacy and guarantee the status of the information provider, conduct an impartial investigation, and treat the matter fairly. The information provider will not receive disadvantageous treatment from the Company (from either a personnel or compensation perspective) on the grounds of having provided information. In addition, we have established rules ensuring that employees who are the subject of the information received will not be subjected to disadvantageous treatment from the Company solely on the grounds of having had information provided to the internal reporting desk.

■ Flow Diagram of the Whistleblowing System

【Whistleblowing】
E-mail, letter, fax

Employees and partner company employees
Whistleblower (confidant)

【Consultations】
Telephone, Internet, face to face

Response to investigation

Counseling

In some cases the confidant is satisfied and a resolution is reached

Whistle Line
Attorney's office

Sexual and Power Harassment Hotline
External counselor (clinical psychologist, etc.)

Investigation directives

Investigation results

Application of Whistle Line operation rules

Request for action (where Company action is required)

Investigation liaison
NTT DATA Risk Management Supervising Officer General Affairs Department

Consultation liaison
NTT DATA General Affairs Department

Request for investigation

Investigation findings

Request for investigation and solution

Investigation findings

Investigating staff
Person in charge of risk management at NTT DATA

Investigating staff
Group company Chief Risk Officers

Investigating staff
Person in charge of human rights awareness at NTT DATA

Investigating staff
Person in charge of human rights awareness at a Group company

■ The Whistle Line

NTT DATA Group employees
I must do something

Available to all NTT DATA Group employees including full- and part-time staff

1. Provide information

5. Reply

Whistle Line Desk
E-mail
Letter
FAX

2. Request for investigation

4. Reply

3. Investigation and action

Business Sectors/Group Companies Risk management promotion officer

NTT DATA Chief Risk Officer (CRO)

Compliance Training

The NTT DATA Group is steadily fostering compliance awareness among employees through various types of training. To improve problem areas in the workplace going forward, we will enhance training content that involves identifying issues in the workplace and implement thorough training sessions for all employees.

◼ Promoting Compliance Training

The NTT DATA Group conducts compliance training (including e-learning) for approximately 63,000 of its employees at domestic and overseas Group companies. The Company also arranges lectures on corporate ethics at position-based training sessions held as part of promotional milestones to foster compliance awareness. Our compliance-related training is tailored to the business characteristics of each organization and Group company.

Given the growing global reach of our business activities, in fiscal 2016 we continued to enrich our training content to foster greater awareness about stricter anti-bribery and anticorruption regulations in the global business community and draw attention to outsourcing contracts in view of regulatory revisions.

■ Major Compliance Initiatives Undertaken in Fiscal 2016

Name of Training Session	Numbers of Attendees
Compliance IBT Training (e-learning)	Approx. 34,000 (domestic employees)
Global Compliance Policy Training	Approx. 45,000 (overseas employees)
Position-Based Group Training Sessions (lectures on corporate ethics, risk management, etc.)	Approx. 2,400

Initiatives on Human Rights

Respect for Human Rights

As a member of the NTT Group, the NTT DATA Group is engaged in an organizational effort in line with the NTT Group Human Rights Charter, established in June 2014, which incorporates the concepts of the ISO 26000 international standards on social responsibility and the UN Guiding Principles on Business and Human Rights. Our Global Compliance Policy stipulates the Group's fundamental principle of respect for human rights. We pledge not to carry out or tolerate discrimination and take a firm stand against discrimination by others, aiming to pursue a comfortable working environment free from any form of discrimination. We place a great importance on resolving human rights issues as we are promoting human rights awareness activities organizationally throughout the Group.

◼ The NTT Group's Human Rights Charter

The NTT Group's Human Rights Charter

We recognize that the respect for human rights is a corporate responsibility and aim to create a safe, secure and rich social environment by fulfilling its responsibility.

● We[1] respect internationally recognized human rights[2], including the Universal Declaration of Human Rights in all company activities.
● We responsibly respect for human rights by efforts to reduce any negative impacts on human rights holders. We respond appropriately when negative impacts on human rights occur.
● We aim to not be complicit in infringing human rights, including being involved in discrimination, directly or indirectly.
● When negative impacts on human rights are done by a business partner and are linked to a product or service of the NTT Group, we will expect them to respect human rights and not to infringe on them.

*1 "We" means the NTT Group and its officers and employees.
*2 "Internationally recognized human rights" are rights included in declarations and rules that form the basis for international standards of universal human rights throughout the world and specifically refer to the following.
United Nations (the Universal Declaration of Human Rights and the two Covenants on human rights):
• The Universal Declaration of Human Rights (adopted by the United Nations General Assembly in 1948)
• International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights(adopted by the United Nations General Assembly in 1966, in force from 1977)
International Labour Organization (eight basic principles of the Core Conventions of the ILO Declaration)
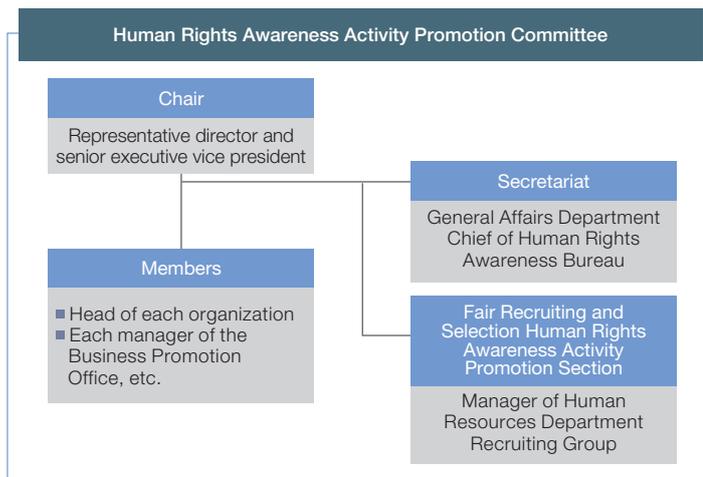• ILO Declaration on Fundamental Principles and Rights at Work (adopted at the 86th International Labour Conference in 1998)

■ Establishing a System to Promote Human Rights Awareness Activities

With the aim of realizing cheerful and comfortable workplaces by raising awareness and understanding of human rights, NTT DATA convenes a meeting of the Human Rights Awareness Activity Promotion Committee at the beginning of each fiscal year. It includes leaders of each organizational unit and is headed by the representative director and senior executive vice president.

   Those in charge of promoting human rights awareness activities have been assigned in each of our organizations and Group companies. They promote relevant employee training and measures in cooperation with the Human Rights Awareness Activity Promotion Office in the General Affairs Department and also address human rights issues within our respective organizations. In addition, we develop these human rights awareness experts by having them participate in internal and external training sessions.

■ System to Promote Human Rights Awareness Activities

Human Rights Awareness Activity Promotion Committee

Chair
Representative director and senior executive vice president

Members
- Head of each organization
- Each manager of the Business Promotion Office, etc.

Secretariat
General Affairs Department Chief of Human Rights Awareness Bureau

Fair Recruiting and Selection Human Rights Awareness Activity Promotion Section
Manager of Human Resources Department Recruiting Group

■ Promoting Human Rights Awareness Activities

To further deepen understanding and heighten awareness of human rights, awareness raising activities are important for all employees. Following this concept, we replaced in fiscal 2011 our human rights awareness raising e-learning program, which had been implemented targeting all NTT DATA Group employees in Japan, with Human Rights Awareness Workplace Seminars to promote and encourage understanding on human rights issues at the workplace level.

   Moreover, in fiscal 2016 we continued to conduct sessions on human rights in position-based training, recruiters training and other programs. In response to the increasing number of employees assigned to overseas posts, we conducted pre-assignment training to ensure their proper understanding of the religions, cultures and customs of the countries and regions to which they have been assigned. A total of 25 employees assigned to one of 13 overseas posts took part in the program. In October, we held a human respect slogan contest for NTT DATA Group employees, partner company employees and family members from whom we solicited slogans on the theme of human rights awareness. As a result, we received 307 phrases and presented awards for outstanding entries at an event during the United Nations-designated Human Rights Week in December.

■ Major Initiatives on Human Rights Awareness

Example Initiatives	Participation in Fiscal 2016
Human rights awareness workplace seminars	23,245
Position-based training course	2,177
Recruiters training course	684
Training experts (in charge of promoting human rights awareness activities and the HR section in the General Affairs Department)	34 in 13 sessions
Pre-overseas-assignment training	25 (13 countries)
Human respect slogan contest	307 phrases

Risk Management

To continue fulfilling our responsibilities to clients and society, we identify and rigorously manage risks.

Policy

The NTT DATA Group seeks to ascertain all risks associated with business activities to minimize the frequency of occurrence of these risks and limit their impact on operations should they materialize. To facilitate this effort, in 2002 we appointed an officer in charge of supervising and promoting risk management from a Companywide perspective.

In addition, risk management promotion officers were appointed to the Risk Management Division as well as other divisions and Group companies to enable them to respond proactively and independently to various risks.

NTT DATA defines material risks and reviews progress toward addressing these and achieving related targets with the results of such reviews being reflected in various measures.

The Internal Control Committee convenes twice a year to discuss measures pertaining to the reduction of risks and evaluate their effectiveness. The results of the evaluations are reported to the Corporate Management Committee as well as the Board of Directors.

Since the NTT DATA Group provides various services worldwide to a wide range of clients and industries, each business unit has its own unique business environment. Therefore, the Board of Directors decided to delegate considerable power to sector heads. This measure allows proper understanding of and prompt responses to risks relating to client relationships and market environments.

■ Risk Management Structure
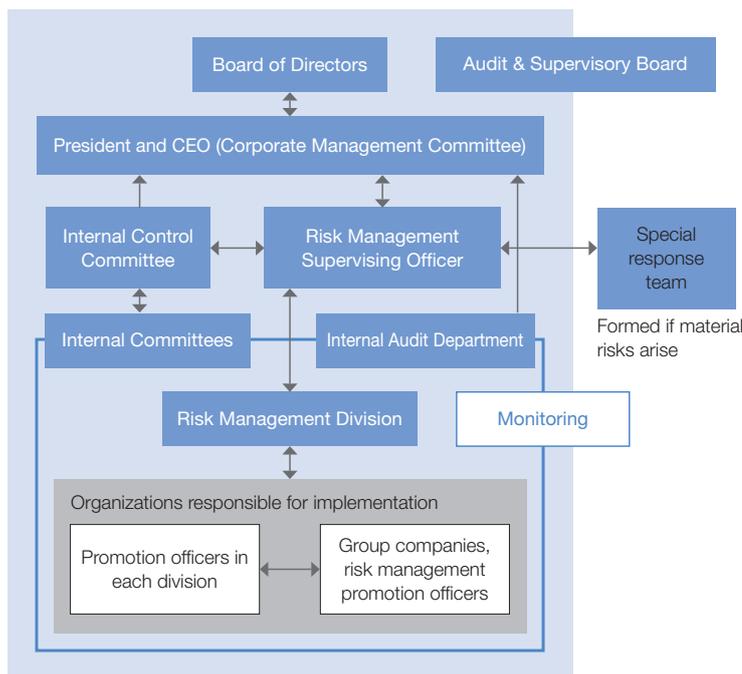
Management Structure

NTT DATA identifies risks that may impact its head office, regional integrated companies, and other companies on an individual basis and formulates countermeasures accordingly. High-level divisions effectively manage the measures in place at organizations under their jurisdiction by analyzing and evaluating their implementation status. Group-wide measure implementation status is analyzed, evaluated, and monitored by the Risk Management Division. In addition, risks determined to have the potential to impact the entire Group are defined as global control risks and are managed on a Groupwide basis. In this manner, the Company is practicing stringent and comprehensive risk management.

■ Risk Management Categories
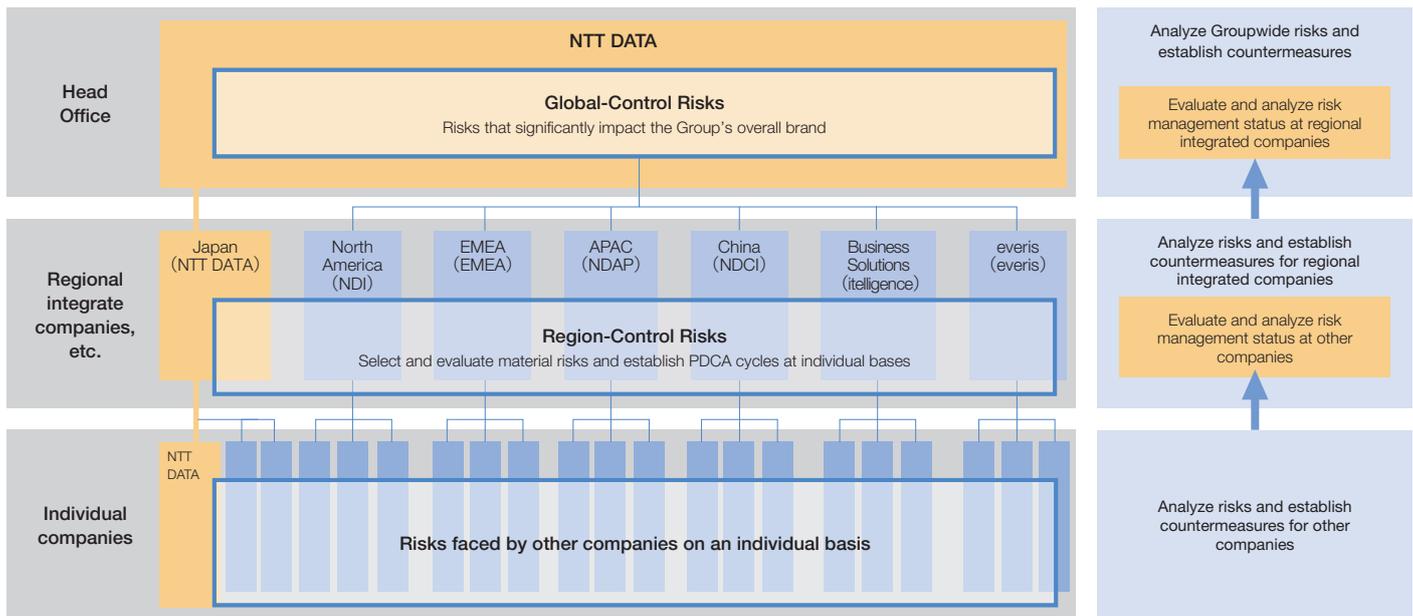
Global-Control Risks

Global-control risks with the potential to impact the entire Group are identified by the Internal Control Committee by incorporating input from outside specialists and adopting a broad perspective that encompasses factors such as changes in social trends.

In 2016, we will continue selecting the same risks as those in the previous fiscal year as a medium- to long-term effort spearheaded by NTT DATA's head office to strengthen our response to auditing deficiencies and the auditing of alliances, among other initiatives.
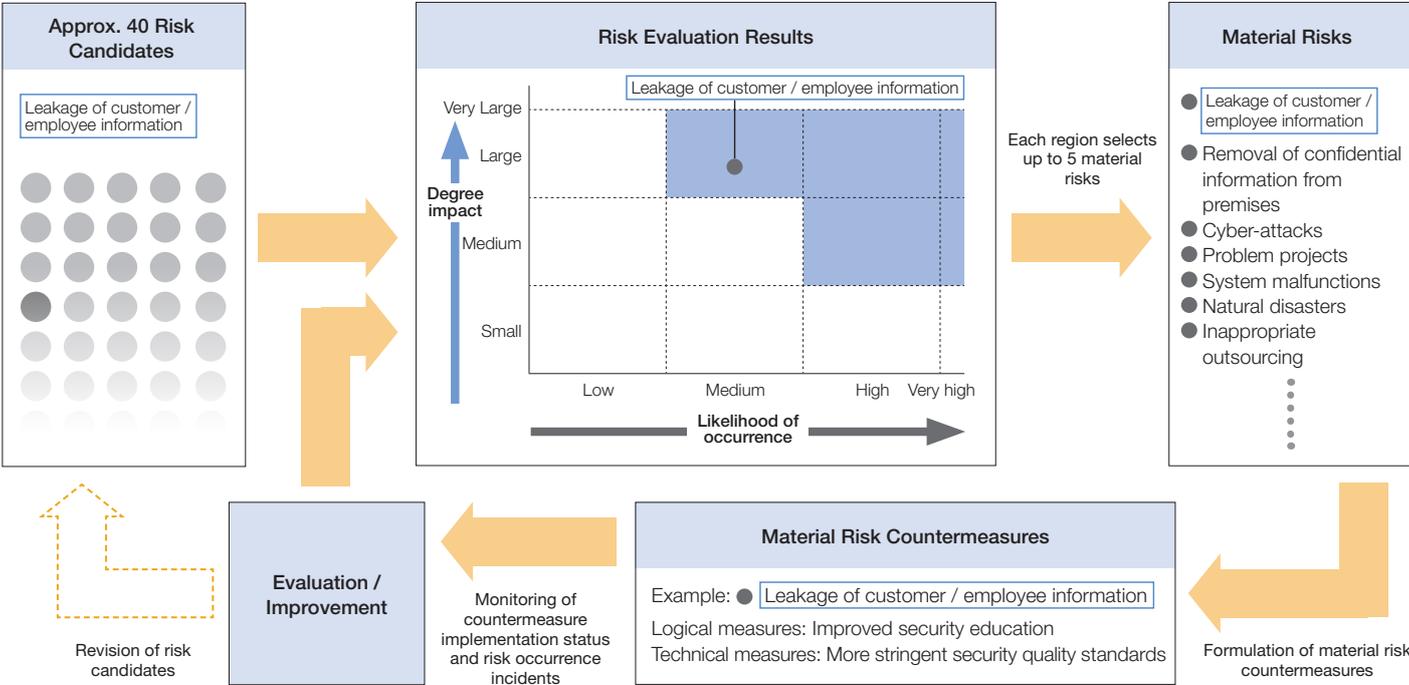
■ NTT DATA's Global-Control Risks

Material risks	Major improvements, etc.	Initiatives
Information leakage (personal/confidential information) Cyber-attacks	● Continue enhancing countermeasures for ever-increasing security risks ● Strengthen preparedness for advanced cyber-attacks focused on public institutions	● Promote Companywide security measures (targeted attack emails, etc.), conduct cyber-attack response drills, review response to malware mass infection, and provide shared infrastructure for security ● Expand security personnel training/qualifications
Accounting fraud (including window dressing)	● Expand global unified auditing, connect to risk indication auditing	● Review and implement global unified auditing items ● Implement full-scale risk indication auditing, deploy in Group companies ● Promote introduction of unified rules related to accounting, check mechanisms and operations ● Simulate awareness through training
Bribery	● Continue strengthening compliance education	● Conduct training related to overseas bribery regulations ● Organize approach related to handling of gifts, etc.

Region-Control Risks

Region-control risks managed independently by regional integrated companies define material risks based on approximately 40 risk candidate items in each region that are evaluated and improved in light of material risk countermeasure implementation and risk occurrence status.

■ **Process of Selecting Region-Control Risk**

Approx. 40 Risk Candidates

Leakage of customer / employee information

Risk Evaluation Results

Leakage of customer / employee information

Degree impact: Very Large / Large / Medium / Small

Likelihood of occurrence: Low / Medium / High / Very high

Each region selects up to 5 material risks

Material Risks

- Leakage of customer / employee information
- Removal of confidential information from premises
- Cyber-attacks
- Problem projects
- System malfunctions
- Natural disasters
- Inappropriate outsourcing

Revision of risk candidates

Evaluation / Improvement

Monitoring of countermeasure implementation status and risk occurrence incidents

Material Risk Countermeasures

Example: ● Leakage of customer / employee information
Logical measures: Improved security education
Technical measures: More stringent security quality standards

Formulation of material risk countermeasures

Information Security

The NTT DATA Group is constantly engaged in technical development by keeping abreast of social, technological and business trends as well as the latest trends in security, and the results are reflected in the systems we develop for the Group and our clients.

Basic Policy

The more pervasive IT becomes in our lives, the more risks we face with regard to the safety of information and the greater the necessity for appropriate measures to safeguard that information. In the business world, however, focusing solely on ensuring information security hinders the active utilization and sharing of information and stymies the use of beneficial information and know-how.

The NTT DATA Group recognizes the importance of achieving an appropriate balance between ensuring the safety of information and the active utilization and sharing of information. We implement a wide range of measures that cover both the logical and technological aspects of information security. Logical measures include formulating rules and providing education and training in information security, while technological measures involve solutions that prevent information leaks and the adoption of thin-client computing.

Our information security personnel come together in forums to facilitate Groupwide sharing of knowledge and know-how. Through this distribution of knowledge within the Group, we are working to establish unified information security governance.

URL **NTT DATA Information Security Report 2016**
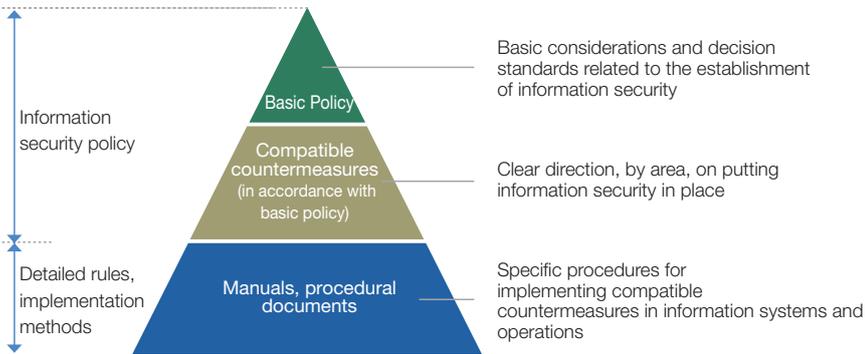http://www.nttdata.com/global/en/csr/security/

NTT DATA Group's Unified Security Policy

Information leaks stemming from security breaches and improper use of information have serious implications for our credibility. NTT DATA has therefore established policies covering the entire Group to ensure appropriate handling of information assets in line with uniform standards so that information can be circulated safely throughout the Group. We have also established rules to prevent information security incidents at partner companies commissioned by NTT DATA to undertake operations, including software development.

■ Information Security Policies

Policy	Outline
NTT DATA Group Security Policy (GSP)	Uniform rules for information security for the NTT DATA Group
Information Security Policies	Basic policies, standards and specific procedures related to information security

■ Information Security Policy Configuration

Information security policy

Basic Policy — Basic considerations and decision standards related to the establishment of information security

Compatible countermeasures (in accordance with basic policy) — Clear direction, by area, on putting information security in place

Detailed rules, implementation methods

Manuals, procedural documents — Specific procedures for implementing compatible countermeasures in information systems and operations

Information Security Management System

◼ Information Security Management System

The NTT DATA Group has built an information security management system and established an information security governance in order to deal with information security risks. The main organizations and their functions are listed below.

■ Main Organizations and Functions for Information Security Governance

Organization	Functions
Information Security Committee (Assessment/Steering)	Chaired by the chief information security officer and comprising managers of each sector, the committee is responsible for ascertaining and evaluating the status of activities and issues at all the companies and determining information security strategies for the Group.
Information Security Office (Monitoring)	Promotes the decisions of the Information Security Committee and confirms the status of progress. Designates information security promotion officers at each worksite.
NTT DATA-CERT (Backups)	Organization for preventing information security incidents[1] and responding to any incidents that might occur. Joined the Nippon CSIRT Association as well as the Forum of Incident Response and Security Teams (FIRST)[2], a global computer security incident response team (CSIRT)[3] community to collect a wide range of information on security trends in Japan and overseas and utilize it toward improving the security of our own systems.

*1 Actualization of security threats related to information management and system operation, such as computer virus infection, unauthorized access and information leakage.
*2 A global community consisting of approximately 300 CSIRTS from government agencies, educational institutions, companies and other organizations.
*3 Incident response teams comprised of security specialists. The teams collect and analyze information on security incidents, security-related technologies and vulnerabilities and conduct activities including implementing effective countermeasures and training.

Furthermore, to reinforce information security on a global scale we operate a global security governance system centered on regional integrated companies that is similar to the system in place for business management. NTT DATA reviews the information management conditions of each regional integrated company on a quarterly basis to maintain an understanding of management circumstances and provide support for maintaining and enhancing the level of control.

In fiscal 2016, we held a workshop for Group companies in Japan and overseas aimed at strengthening initial response in the event of an incident.

■ Information Security Management System
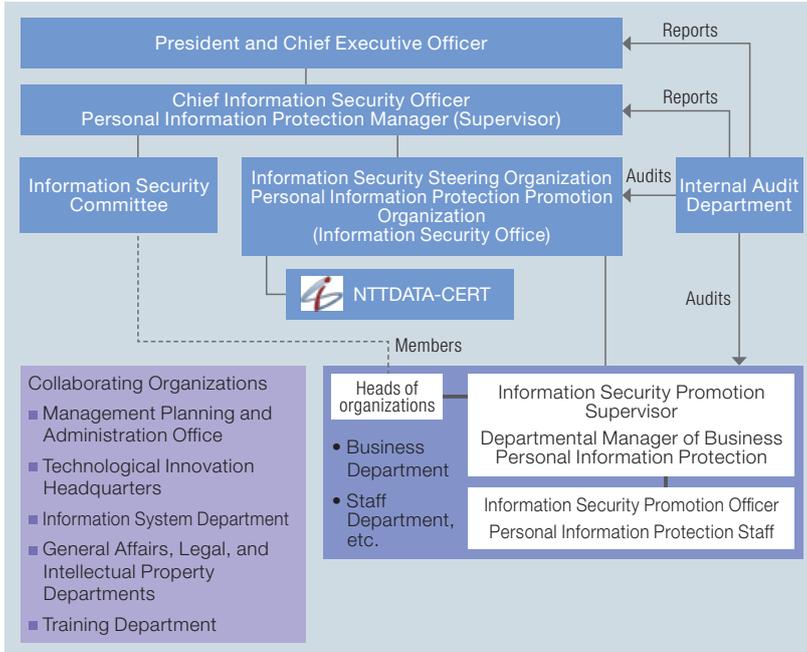
■ Information Security Governance
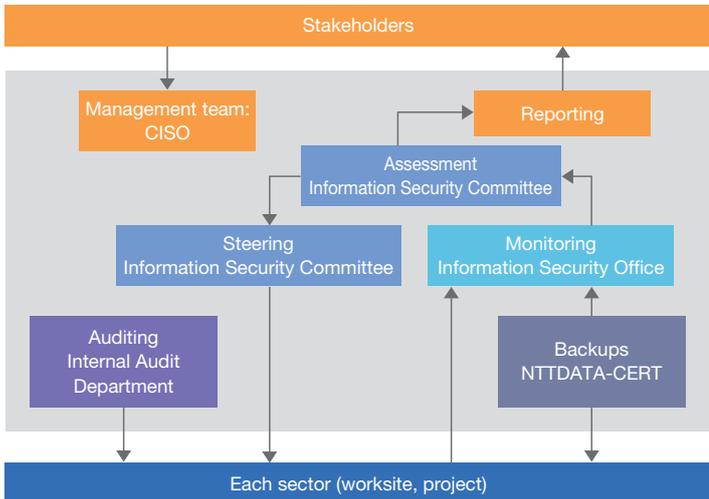
◨ Acquisition of Information Security Management Certification

At NTT DATA Group companies, each unit that handles confidential information and personal information acquires ISO/IEC 27001 certification—the international standard for information security management systems (ISMS)—as an organization, as necessary. As of March 31, 2016, 35 Group companies, including NTT DATA, have acquired this certification in Japan. Several overseas companies, for example in Europe, China and India, have also obtained ISO/IEC 27001 certification.

In addition, 37 Group companies, including NTT DATA, have been granted the right to display the Privacy Mark of the Japan Institute for Promotion of Digital Economy and Community (JIPDEC). As part of its efforts in personal information protection, NTT DATA (CHINA) CO., LTD. obtained Personal Information Protection Assessment (PIPA) certification, equivalent to Japan's Privacy Mark, in January 2012.

Information Security Strategies

Key Strategies in Fiscal 2016

Practicing and maintaining an appropriate balance between ensuring safety of information and actively utilizing and sharing information, both of which are objectives of the GSP, is essential if the NTT DATA Group is to continue to be a partner to customers that aids in their evolution.

In fiscal 2016, we planned and implemented the three key measures of enhancement and strengthening of security measures, promotion of the security of commercial systems, and upgrading of preventive measures and improvement of ability to respond to accidents.

Measures to Ensure Security of Commercial Systems

Recently, there have been multiple incidents of illegal access to information through breaches (vulnerabilities) of information systems, resulting in personal and confidential information leaks, business disruption and other harmful outcomes. Because most illegal accesses make use of known attacks, against which countermeasures are available, we should apply preventative measures across our systems without leaving any vulnerability.

The NTT DATA Group shares the latest trends in security technology and vulnerability information within the Group in a timely manner. In having built the system that is now in operation, the Group incorporated processes to maintain the necessary level of security and has established mechanisms to enable the system to maintain that level of security. The system in place is also subjected to regular security diagnostic testing carried out by security experts. To be able to provide safe and secure systems and services to its clients on an ongoing basis, NTT DATA has worked on, for example, appropriate responses to newly discovered vulnerabilities.

Ensuring Safe and Secure Environments with Total Security Management

The NTT DATA Group harnesses the expertise it has gathered from its ample experience and track record to provide optimal solutions, including security governance designs that reflect changes in the clients' business structure, superior security technology required for mission-critical systems, and the latest security methods for safely constructing IoT[1] environments. It has recently become important to prepare against contingencies on the assumption that protective security measures may be bypassed altogether by sophisticated targeted attacks or information leaks caused by internal improprieties. To contain and localize the damage, we must provide reliable detection of an attack and swift response and recovery. We help to reinforce our the security measures of our clients by offering security consulting to identify the risks and providing solutions and services for neutralizing and protecting against risks. Furthermore, we support detection, response and recovery through services such as constructing systems compatible with IoT environments, including sandboxes[2], SIEM[3], SOC[4] and CSIRT, as well as monitoring system management.

*1 Internet of Things. A mechanism for incorporating communications capability into objects in the world to enable them to transmit information and communicate with each other via the Internet in addition to telecommunications equipment such as computers.

*2 Solution for detecting malware by running programs within a protected virtual environment.

*3 Security Information and Event Management: Monitoring and analyzing logs in an integrated and interrelated way to manage a security information event or a solution for doing this.

*4 Security Operation Center: A center or system for conducting comprehensive monitoring of IDS/IPS, firewalls, DB firewalls and Web application firewalls (WAF).

In-house IT Platform for Minimizing Risks

In recent years, there has been a rapid increase in targeted attacks. This new variation of attack on information systems frequently causes harm to government agencies and private businesses. Because many targeted attacks use already-known vulnerabilities, it can be preventable by security patch management and other measures.

The NTT DATA Group has intensified vulnerability checks on its main software programs and ensured that terminals with inadequate security measures cannot connect to the Group's in-house networks.

However, taking measures such as virus detection using anti-virus software (entry measure) and blocking by URL filters (output measure) alone would be insufficient for sophisticated attacks. Attacks may exploit the brief period between the discovery of a vulnerability and the application of patch software and cause damage. NTT DATA is making advances in R&D into new detection methods and dynamic defenses to construct systems and structures that provide early detection and

response by monitoring suspicious communications and blocking unwanted access, so that we can take immediate action in the event that a vulnerability is exploited to cause damage, such as spreading a computer virus.

Initiatives in the Medium-term Management Strategy

The NTT DATA Group is promoting information security measures under its new Medium-term Management Strategy, while focusing on security management, cyber security and security experts as key policies, based on issues that became apparent through our efforts on the three key measures in fiscal 2016.

Information Security Education and Training

Education and Training for Employees and Partner Companies

The NTT DATA Group provides information security education for employees, business partners, and temporary workers. We have delivered this education and training via e-learning and classroom instruction to promote understanding of the Group's policy on the protection of personal information, the rules contained in the Group Security Policy, and the need to be constantly aware of the importance of information security in one's work.

We will continue implementing a broad range of measures with the primary aim of ensuring that every employee is aware of the basic actions required to maintain information security.

■ Information Security Training Offered in Fiscal 2016

| Target	Content and Format	Participation
All employees	Personal Information Protection IBT (e-learning; in three languages)	All employees, 100%
	Information security workshop	1 session
By position	Information security lectures (classroom instruction)	Incorporated in position-based training conducted by the Human Resource Department
Business partners and temporary staff	Personal Information Protection Introduction Training/Information security education (e-learning)	All parties registered on our company system, 100% (26,707 persons)
	Information Security Training Handbook	Booklets distributed to all new business partners and temporary staff

■ Support for Training Activities of Key Group Companies in Fiscal 2016

Target	Implementation Format	Participation
Group company employees, business partners, and temporary staff	e-learning: GSP security training and personal information protection training	94 companies, 31,770 employees
Information security team member	GSP internal auditor training (studying offline at their desks)	86 companies, 431 employees

Disaster and System Failure Countermeasures

The NTT DATA Group provides many information systems and services that support social infrastructure. As a result, a system shutdown or interruption of services in the event of a disaster would have an enormous impact on society and people's lives. Therefore, we strive to constantly improve disaster BCPs as well as contingency plans for systems and services related to social infrastructure. Since the Great East Japan Earthquake, we have particularly sought opportunities where we can apply the lessons we learned from this difficult experience.

■ Structure for Responding to Earthquakes and Other Large-scale Natural Disasters
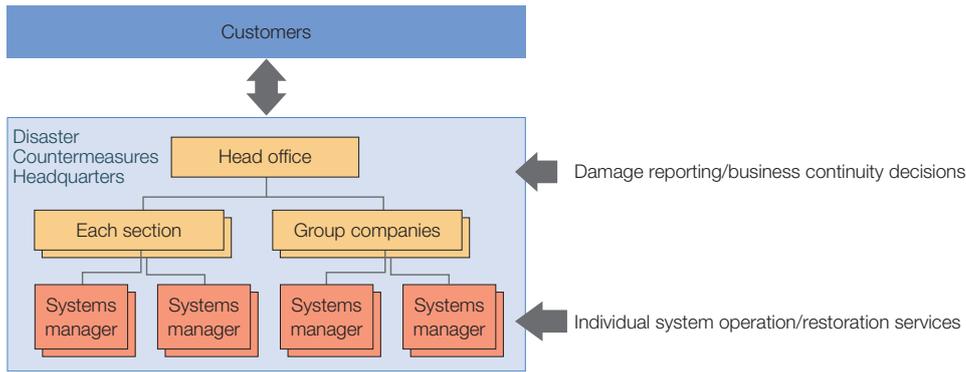
Plans and a System Responsive to Disaster-related Risks

As in the case with the Great East Japan Earthquake, we are face the risk of disasters of greater scale and diversity, which raises the importance of plans and systems for response.

In addition to establishing a BCP in the event of a disaster and a contingency plan, NTT DATA is conducting drills to ensure that we swiftly respond for the continuation of our business after a disaster.

We hold Companywide drills for all employees, including drills for confirming personal safety and setting up the Disaster Countermeasures Headquarters at the head office. Furthermore, each organization conducts separate drills that reflect the nature of their respective operations to minimize disaster risks.

Protecting our buildings, electrical systems, air conditioners, security, and various functions of our data centers is vital for the operation of information systems. For this reason, we have obtained certification for ISO 22301:2012, an international standard for business continuity management, at all Group-owned buildings and have established a system for responding in the event of a large earthquake, widespread power outage or similar incidents.

System Failure Countermeasures Focusing on Prevention and Response

Information systems have developed to the point where they have become infrastructure that supports people's daily lives and industry, so if there were some sort of system failure, it could have an enormous impact on everyday tasks and business.

As an IT company that operates many large-scale systems that support society, the NTT DATA Group is advancing extensive system failure response measures based on the dual perspectives of prevention and response. These measures include inspections based on a comprehensive standpoint that is in line with ITIL, ISO 20000 and other standards, deployment of response know-how at the time of a failure, and development of IT service managers.

Meanwhile, the NTT DATA Group will continue overhauling and reinforcing measures for dealing with failures caused by security breaches, which have become a growing social problem in recent years.

Tax Strategy

The NTT DATA Group has established tax policies for ensuring compliance with tax-related laws and regulations throughout the Group, including overseas Group companies.

Tax Policy

We established our basic policy on tax affairs in view of the growing importance of adopting a global perspective on properly addressing and managing tax risks posed by the increasingly multinational nature of our Group companies and the increase in international transactions brought about by the rapid globalization of our business.

Raising the Awareness of NTT DATA Group Employees

We are seeking to establish thorough legal compliance and reduce tax risks by educating employees on proper tax accounting, sharing related information and holding consultations.

Relationship with Tax Authorities

We have established relationships of trust with tax authorities by providing appropriate and timely information and consulting on accounting procedures.

Brand Management

The strength of a corporate brand has major significance for business management. To develop its global business, the NTT DATA Group is conducting public relations activities and surveys to attain appropriate recognition for its corporate brand.

Policy on Branding Activities

Policy

In view of our business history, we have formulated separate policies for corporate branding activities in Japan and overseas.

1. Overseas (Global Market)

In view of the relatively low recognition of NTT DATA, we are pursuing activities for raising awareness of our company name among our client base (enhancing recognition).

2. Japan (Domestic Market)

We have already attained a certain level of recognition and are pursuing activities for further increasing understanding of and cultivating empathy for the Company to acquire a broad base of NTT DATA fans.

We conduct an annual brand awareness survey based on the model of Interbrand, the globally renowned brand consultancy, targeting external business persons involved in IT. We also monitor the value of the NTT DATA brand calculated by Interbrand (latest result: US$563 million).

## NTT DATA Brand Awareness Survey

We conduct brand awareness surveys, including comparisons with competitors, in six key countries to monitor the state of awareness, understanding of business and image cultivation with regard to NTT DATA.

These brand awareness surveys are conducted in countries that serve as the base of the four global regions in which we have integrated companies—the U.S., U.K., Germany, Italy, Singapore and China. The surveys take into account the characteristics of each market and provide important basic information for developing our business activities.

In conducting the surveys, we also monitor the gap between NTT DATA and local competitors to more effectively apply the results to business development.

From the standpoint of corporate management, our criteria for brand measurement include market share, customer loyalty, stakeholder recognition and reputation.

■ Standardized Score in Six Countries (Top 3* Box: Deviation; Average: 50)

Standardized Score in Six Countries
(U.S./U.K./DE/IT/SG/CN)
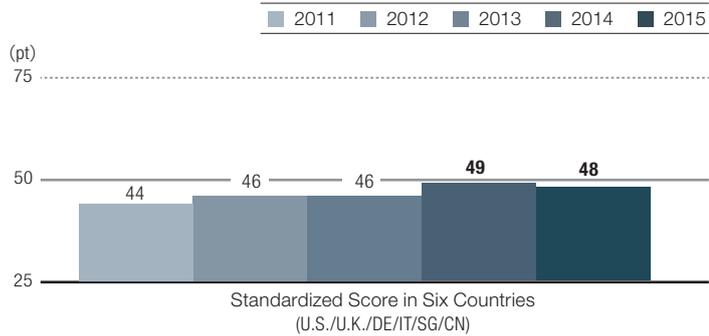
* "Well aware of the Company's products, services and content of business" + "Know a little about the Company's products, services and content of business" + "Only know the name of the Company"

Innovation Management

The NTT DATA Group pursues innovation management centered on the core idea of harnessing IT technology to drive innovation, seeking solutions to social issues, and developing a sustainable society. We are sharing medium- to long-term issues with our clients and transcending internal boundaries to accelerate our efforts in diverse new businesses.

NTT DATA's Basic Policies

Adopting the perspective of clients and based on the issues faced by society and businesses, NTT DATA conducts surveys on and investigations of various trends. Specifically, we focus on the near-future information society trends that are expected to have a substantial influence on client businesses over the medium to long term as well as the technology trends that lie at the base of these trends. The findings of these activities are compiled in the NTT DATA Technology Foresight report, released annually. The trends described in these reports are re-incorporated into management strategies and utilized to guide forward-looking technological development ventures as well as efforts to co-create businesses together with clients.

In particular, we analyze political, social, economic and technological trends. We also engage in wide-ranging information collection activities and discussions that extend to NTT DATA Group companies as well as NTT R&D laboratories in Japan and overseas. These activities include interviews with external specialists in various fields.

Through these activities, we have identified core issues warranting particular attention in social and business fields as well as groundbreaking technologies that are evolving and spreading with remarkable speed. Extrapolating from these, we have defined four information society trends and eight technology trends, on which we transmit information.

■ **NTT DATA Technology Foresight Formulation Process**
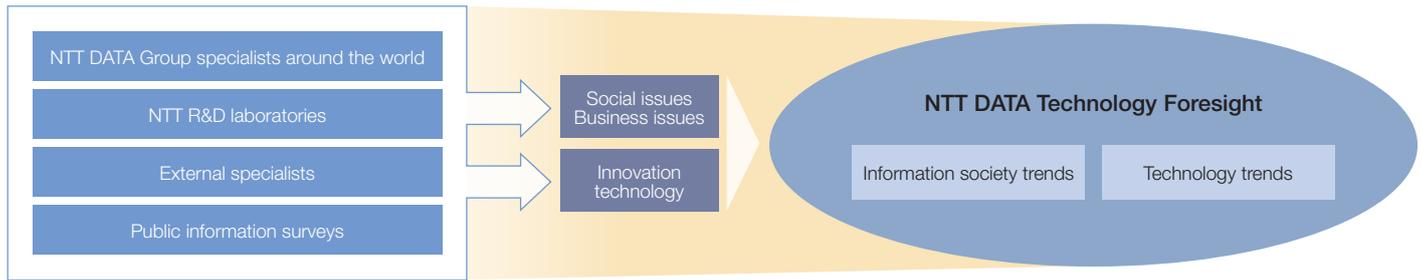
Focus Field 1—Software Engineering

NTT DATA has been working to achieve high-quality, rapid software development by employing automated tools, which has given us a highly competitive edge. However, rival companies have also made advances in their automation technology for software development in recent years. Under these circumstances, further sophistication in automation technology and improvement in adoption rate with regard to internal development projects have become important factors in surviving the competition.

In addition, the need for renewing legacy systems, or legacy modernization, is expected to grow in significance within the IT industry as a new technological factor. For systems developed long ago, repeated additions of functions have commonly resulted in clients themselves losing perspective of system specifications, making the renewal of the systems highly challenging. As current systems become obsolete, we expect there will be an increase in these projects, which would require the establishment of a safe and reliable methodology for legacy modernization.

■ Example of Major Initiatives

As a general rule, we have been pursuing a policy of disseminating and deploying automation technology in software development projects wherever applicable. In fiscal 2016, we sought to raise the accuracy of the requirements definition documents used to select projects to which automation technology should be applied. As a result, we were able to raise the aggregate annual adoption rate for the technology to 70%. Also, we overhauled our open systems application framework and released the TERASOLUNA Server Framework for Java 5. Adopting the widely used Spring Framework has made it easier for us to comply with the latest technology and securing programmers on a global basis.

Focus Field 2—IT Platform Technology

It is becoming increasingly more important to develop technologies for constructing and managing infrastructure that provides the flexibility, high availability and short time requirements that clients expect from IT systems. NTT DATA has been working to develop standardized IT infrastructure compatible with cloud-based platform services offered by various vendors. In the coming years, we will seek to meet client needs by establishing on-demand technology that provides highly reliable infrastructure featuring a sophisticated combination of diverse IT platform technologies.

Over the years, NTT DATA has also been publicly disclosing its knowledge on constructing a framework for the distributed processing of large-scale data, such as Apache Hadoop. We are aware of our role in contributing to the realization of IoT that connects various objects to IT systems and a digital society by applying our know-how to social infrastructure.

◤ Example of Major Initiatives

In fiscal 2016, employees at NTT DATA were appointed members of the Project Management Committee of Apache Hadoop, an open-source software for high-speed parallel distributed computing of large-scale data, and the similar open-source software, Apache Spark. This was a first for a Japanese company. As the main developers, our employees are also responsible for community management. NTT DATA is ranked fourth in the world, as of March 31, 2016, in terms of its contribution to the Hadoop community and actively provides feedback to the open-source community from the experiences gained in cluster operations. We have applied the results of these activities to launch an Apache Spark construction and management solution service.

Focus Field 3—Advanced Technology

We strive to continuously propose and provide systems that appeal to clients, and an important factor in doing that is to focus on developing cutting-edge technologies that meet society's future needs by following the trend information presented by the NTT DATA Technology Foresight. In fiscal 2016, we decided to strengthen our initiatives in artificial intelligence (AI), including communication robots, an area that is growing in both significance and as a focus of attention among technology trends, by setting up a unit dedicated to AI.

Information from the NTT DATA Technology Foresight is available through lectures conducted outside the Company, private seminars and by other means.

Through these activities we seek to promote NTT DATA's technology and innovation, enhance our brand and deepen client loyalty. In fiscal 2016, we observed significant activity in our "Co-Creation Workshops" aimed at using the information to generate new business ideas in collaboration with our clients, and this has led to orders for new projects.

◤ Example of Major Initiatives

In our initiative to enable communication robots to engage in customer service-related operations, we developed a cloud robotics platform. This coordinates with a sensor device that automatically detects approaching customers and incorporates speech-based communication technology as a mechanism for using the cloud to provide functions required by robots such as speech recognition and speech synthesis. We used the platform to conduct a verification test involving robots taking questionnaires from visitors to the National Museum of Emerging Science and Innovation. We also conducted a joint verification test with RESONA Bank, Ltd. on customer support at its strategic Toyosu Branch (Seven Days Plaza Toyosu). Through these activities we intend to accumulate know-how on using communication robots. We also plant to widen their capabilities for assisting customer service-related operations such as customer guidance and product information, with the goal of commercializing the service by the end of fiscal 2017.

R&D expenditures for fiscal 2016, including these projects, was ¥12,410 million.

Sharing the Fruits of Innovation

The NTT DATA Group passes on its broad array of cutting-edge initiatives to society and contributes to the realization of a sustainable society.

Activities at the INFORIUM Toyosu Innovation Center

In 2015, we opened the INFORIUM Toyosu Innovation Center at our head office in Toyosu to enable visitors to experience the cutting-edge technologies that the NTT DATA Group is developing.
As a place for creating new businesses with clients, the center offers space for holding workshops on co-creation activities.

INFORIUM Toyosu Innovation Center, an exhibition space at the head office

NTT DATA Technology Foresight

We monitor changes in IT from the standpoints of political, social, economic and technological trends and annually compile and publish information society trends (near-future outlook) and technology trends via a special website.

Owned Media *INFORIUM*

We publish our corporate information magazine *INFORIUM* twice a year to introduce readers to exceptional foresight together with the innovative initiatives that the NTT DATA Group is undertaking.
In May 2016, we launched a website that collaborates with the magazine to provide information that could inspire businesspeople with ideas for using technology to open new possibilities for the future.

URL https://inforium.nttdata.com/
(in Japanese only)

"Ima-Shun!" Highlights the Latest Technology Trends

We report on technology trends under the latest buzzwords.

URL http://www.nttdata.com/jp/ja/insights/trend_keyword/index.html
(in Japanese only)

◼ "Innovation EYE" for Ideas on IT Strategy

Cutting-edge IT projects are introduced by innovation navigators tasked with the mission of actively transmitting the knowledge of the NTT DATA Group and contributing to society.

> URL http://www.nttdata.com/jp/ja/insights/innovation_eye/index.html
> (in Japanese only)

◼ Pursuit of Open Innovation

〈 From Toyosu Harbor 〉

Initiative for accelerating the pace of new business creation by bringing together a broad array of knowledge, technology and human networks from inside and outside the NTT DATA Group as well as across organizational frameworks under the banner of open innovation.

> URL https://info.jp.nttdata.com/minato/

Further Challenges for Innovation

◼ Launch of a Joint Study Aimed at Delivering Technologies to Alleviate Traffic Congestion as Part of the Congestion-Busting Project in Exeter, U.K., with Imtech Traffic & Infra

> URL http://www.nttdata.com/global/en/news-center/pressrelease/2015/120900.html

◼ Commencement of a Joint Verification Test toward Supporting Customer Service Performed by a Communication Robot at a Bank

> URL http://www.nttdata.com/jp/ja/news/release/2015/111301.html
> (in Japanese only)

◼ Acquisition of Carlisle & Gallagher Consulting Group by NTT DATA, Inc.

> URL http://americas.nttdata.com/News/News/Press%20Releases/Press-Releases/2015-Press-Releases/NTT-DATA-to-acquire-Carlisle-Gallagher-Consulting-Group.aspx