

Note; This document is in English translation of “Kessan Tanshin” for the Second Quarter of the Fiscal Year Ending March 31, 2017 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 Second Quarter of the Fiscal Year Ending March 31, 2017

November 4, 2016

Company name : NTT DATA CORPORATION
 Stock exchange on which the Company's shares are listed : Tokyo Stock Exchange 1st Section
 Code number : 9613
 URL : <http://www.nttdata.com/>
 Contacts Company representative : Toshio Iwamoto, President and Chief Executive Officer
 Person in charge : Keisuke Kusakabe, Senior Executive Manager,
 Investor Relations and Finance Office
 Tel.:+81-3-5546-9962

Scheduled date of filing of Quarterly Business Report : November 11, 2016
 Scheduled date of dividend payment : December 1, 2016
 Supplemental material on quarterly results : Yes
 Presentation on quarterly results : Yes (for institutional investors and financial analysts)

(Amounts are rounded off to the nearest 1 million yen)

1. Consolidated Financial Results in Q2 of FY2016 (From April 1, 2016 to September 30, 2016)

(1) Consolidated Results of Operations

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2016 Q2	779,674	4.9	45,339	45.8	45,086	44.3	29,060	84.5
FY2015 Q2	743,273	6.8	31,105	41.3	31,234	59.8	15,749	120.9

Note: Comprehensive income: FY2016 Q2 (26,111) million yen (-) FY2015 Q2 5,231million yen (-54.0%)

	Net income per share	Net income per share (diluted)
FY2016 Q2	¥ 103.60	—
FY2015 Q2	56.15	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
FY2016 Q2	¥ million 1,827,842	¥ million 734,124	38.6%
FY2015	1,860,319	773,670	39.8

Note: Equity: FY2016 Q2 705,436 million yen FY2015 740,908 million yen

2. Dividends

	Cash dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total
FY2015	¥ —	¥ 30.00	¥ —	¥ 40.00	¥ 70.00
FY2016	—	35.00			
FY2016 (Forecast)			—	35.00	70.00

Notes: Revisions to the forecasts of dividends: No

3. Forecasts of Consolidated Results for FY2016 (From April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary Income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2016	1,670,000	3.4	105,000	4.1	98,000	(0.2)	49,000	(22.7)	174.69

Notes: Revisions to the forecasts of consolidated financial results: Yes

* Notes:

(1) Changes in significant subsidiaries during the period : No
(Changes in specified subsidiaries resulting in the change in consolidation scope)

(2) Adoption of special accounting treatments for quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatements

- 1) Changes in accounting policies due to revisions of accounting standards etc : Yes
- 2) Changes in accounting policies other than 1) : Yes
- 3) Changes in accounting estimates : Yes
- 4) Restatements : No

(Note) For more details, please see "Change of accounting policy, change of accounting estimate, redisplay of modification" in "2. Matters on Summary Information (Notes)" section on page 11.

(4) Number of shares outstanding (common stock)

- 1) Number of shares outstanding (inclusive of treasury stock) FY2016 Q2 280,500,000shares FY2015 280,500,000shares
- 2) Number of treasury stock FY2016 Q2 99shares FY2015 99shares
- 3) Average number of shares over period (consolidated total for quarter) FY2016 Q2 280,499,901shares FY2015 Q2 280,499,901shares

* Indication of quarterly review procedure implementation status

This quarterly earnings report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

* Explanations relating to 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. For details please refer to "(3) Qualitative Information on the Consolidated Results Forecast" in "1. Qualitative Information for the Second Quarter of the Fiscal Year Ending March 31, 2017" section on page 9.
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. The names of NTT DATA's products and services referred to on this report (including the attachment) are trademarks or registered trademarks of NTT DATA in Japan and other countries. The names of other companies, products, services, etc, are the trade names, trademarks, or registered trademarks of the companies concerned.

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1. Qualitative Information for the Second Quarter of the Fiscal Year Ending March 31, 2017

(1) Qualitative Information on the Consolidated Business Results

The economy and business environment for the information services industry in the second quarter of the consolidated fiscal year are as follows.

The Japanese economy continued to be on track for moderate recovery, there was a continuous improvement in corporate profitability as well as an increasing trend in capital investment. It is important to keep in mind that the economic slowdown in emerging countries and other downturns in overseas economies represent a major factor that could serve to weaken the Japanese economy, but its economy is expected to maintain this moderate recovery.

As for the domestic information service industry, the market is showing signs of gradual recovery owing to the promotion of IT investment in response to system revisions and new enforcement of legal restraints, clients' effort to enhance contact with end users, and their effort towards business growth with new services. Furthermore, with regard to future economic trends, the impact and increasing uncertainty of overseas economies such as fluctuations in the financial capital market, normalization of US monetary policy, future economic trends in China and other emerging Asian countries, and geopolitical risks must be kept in mind, but the economy is expected to maintain this moderate recovery in the future.

In the international information service industry, continuation of moderate growth is expected in the American market. Furthermore, although the European market is still strong, it is required to carefully watch over the impact of increasing uncertainty of the macro economy on IT investment.

[Circumstance around the NTT DATA Group and challenges to address]

In order to expand our business in the global market place, the NTT DATA Group, as part of the previous Medium-Term Management Plan (ended March 31, 2016), has expanded its global coverage to 45 countries and regions, 185 cities, and has established a global business base. However, excluding Japan, Germany, Spain and Italy, our presence in local markets is still weak. In order for us to continue to grow in the steadily expanding global market place, it will be necessary for us to enhance our local presence, and to establish a global brand that will be recognized by our clients around the world. To that end, with our sights set on the arrival of around the year 2020, the NTT DATA Group has launched the Global 2nd Stage. Capitalizing on the effects of recent large-scale M&A, our aim is to promote a steady improvement of our local presence in national markets, and to achieve the Global 2nd Stage by fiscal 2018.

Additionally, the wave of digitization has arrived in the wake of the accelerated progress of technology, with ever growing needs to expand existing businesses and create new ones through the strategic leveraging of IT. To that end, we plan to aggressively apply innovative technologies to deliver solutions that can meet the needs of digitization, and the utilization of advanced technologies, thereby reinforcing our value delivery capability in new markets.

[Medium-term Management Plan]

Given the circumstances explained above, the NTT DATA Group has set the following three-year Medium-Term Management Plan "Fiscal 2016 (period ending March, 2017) to fiscal 2018 (period ending March, 2019)".

<Key principles>

With NTT DATA: ASCEND (Rise and grow our global brand) as our keyword, the NTT DATA Group plans

to pursue business growth in regions around the world and, by strengthening our local presence, to enhance our brand value as a global brand.

<Global Strategy>

■Game-changing Approach

With regard to “Game-changing Approach”, in which we work to capture market trends and technological innovations, expand the market share in existing markets and create new markets that anticipate customer needs, we have made steady progress with our entry into the electricity market, the construction of our omnichannel system, the expansion of our digital archive business, etc.

Going forward, taking the continued acceleration of market trends and technological innovation as opportunities to be grasped, we will continue to work to grow our market share in existing markets and accelerate the creation of new markets, according to market environments in countries around the world, and strengthen our local presence. In addition, we will work to leverage our global coverage and take full advantage of our synergies in order to expand the solutions and services that we provide, forge ahead with the improvement of our ability to undertake global projects, and increase our competitive strength around the world.

■Breakthrough Technology

So that we are able to our clients to enhance core competencies by applying innovative technologies to deliver solutions with agility and flexibility as they face tough changes in their environments, we will push ahead with further innovation in production technology, combining the production technologies that we have developed to date with new production technologies that respond to the needs of the digital society.

Also, so that we can respond to our clients’ growing need to be able to utilize IT strategically, by reinforcing our technological prowess in the digital area through ensuring that we have the right people in the right places globally, and through alliance with partners that possess advanced technological prowess, we will always incorporate advanced technologies and achieve its application into business through co-innovating with our clients, thereby creating new structures and value that have not been seen before.

< Medium-term Management Plan>

We intend to make aggressive investment in new business areas, targeting the transition to the digital society, and pursue business growth geared towards the achievement of the Global 2nd Stage by the further deepening of remarketing and value creation through technological innovation.

Net Sales	>2 trillion
Operating Income	+50%増*

*Compared to FY2015 (After adjustment for incremental investments in new fields)

[Implementation of business activities]

Through the above measures, we strove to expand businesses in the global market in order to cope with clients’ acceleration of business expansion into the global market and meet their diversified and sophisticated needs. We also made efforts to expand diverse IT services in response to market changes and stably provide such services.

The following sections present descriptions of efforts made in each of its segments.

< Public & Social Infrastructure >

We aim to expand our business by creating business utilizing “My Number” (the Social Security and Tax Number), and new business concerning IoT^(Note1), by creating overseas projects utilizing our performances /know-how gained in our group’s domestic business, and by preparing for the market changes according to the system changes in the utility industry (the electronic power/gas system reformation).

(Major case examples)

- Authorized by the Minister of Internal Affairs and Communications, the NTT DATA Group started full provision of “BizPICO”, an identity confirmation solution that utilizes the Public Certification Service for Individuals on July 28 2016. “BizPICO” uses the application for individual public certification stored in an IC chip mounted on an “My Number” to enable reliable online identity confirmation at client companies that are required to implement strict identity confirmation such as banks, securities companies, insurance companies and mobile carriers. From now on, we will develop additional functions and promote the utilization of the solution service in a wider range of areas through technical verification in order to utilize the service for identity confirmation in various scenes, with a view to the “establishment of a unified card system” and the “mounting of electric certificates on SIM cards stored in cell phones, smartphones etc.,” both of which are currently being discussed by the government.
- In August 2016, five corporations including the NTT DATA Group and NTT Data Institute of Management Consulting, Inc. were jointly commissioned by the JICA “project for the reform of the administrative system concerning car registration/inspection in Cambodia”. In the project, we will conduct a survey on the actual state of the country’s car registration system, create guidelines, and carry out monitoring. In addition, we will also study the actual state of IT systems (for car registration/inspection) and create a roadmap. In anticipation of an increase in the use of automobiles in emerging countries achieving remarkable economic growth, we will take advantage of the project in Cambodia to achieve further overseas expansion of our consulting services business on car registration/inspection systems and the export of relevant IT infrastructure as part of the efforts to export infrastructure promoted by the Japanese government.

The following is a breakdown of business results for the second quarter of the consolidated fiscal year by business segment.

The net sales were 186.7 billion yen (5.7% increase compared to the previous year) due to the expansion of business scale for national government, etc. despite a decrease in business for the utility industry. The operating income was 14.5 billion yen (140.9% increase compared to the previous year) mainly due to sales growth and a decrease in unprofitable projects.

< Financial >

We aim for growth by expanding businesses with the background of our clients’ environmental changes such as increased needs for sophisticated settlement systems in domestic and overseas markets, creating new services at the timing of deregulation, new change in services for integrated services for banks and securities companies, and accelerated overseas advancement by major financial institutions, etc.

(Major case examples)

- Our company decided to launch a new API service^(Note2) that connects Fintech services such as cloud

accounting services and the “AnserBizSOL,” our joint-use type corporate Internet banking service for financial institutions. As the first partner of Fintech companies in the API service, we formed a tie-up with free k.k. and Money Forward, Inc. in October 2016, and we also plan to tie up with Obic Business Consultants Co. and Yayoi Co., sequentially. Our company will provide an API with the function to check the account balance and activity, etc. for partner companies to enable cloud accounting service users to use the accounting service in a more secure and convenient environment provided by our company without providing their Internet banking IDs and passwords. From now on, the API service will expand its scope of services to include the handling of money transfer operations such as bundle transfer within fiscal 2016, in addition to the referral operations.

- With regard to the “BeSTAc^loud^(Note3),” an enterprise system for financial institutions, System Banking Kyushu (SBK) decided to use the system, and at the same time, the Okinawa Kaiho Bank joined SBK increasing the number of banks using the “BeSTAc^loud” system to ten. The progressiveness, expandability, and flexibility of the system was highly evaluated, along with the country’s highest-level backup functions provided by two centers in the east and the west, and our company’s operation records of enterprise systems, etc. Similarly, as for the “STELLA CUBE”, a “BeSTA”-based shared system center for regional banks and second-tier regional banks, Fukuho Bank will participate in the system. In addition, Yachiyo Bank and Shinginko Tokyo decided to merge with Tokyo Tomin Bank, which uses the “STELLA CUBE” system, and their respective systems will be integrated into the “STELLA CUBE” system. As a result, the number of banks participating in the “STELLA CUBE” system increased to nine, and the center’s capacity expanded. In the future, we will further increase the number of user banks by proposing optimal solutions for a wide range of financial institutions along with the expansion and enhancement of “BeSTA”-based advanced system functions.

The following is a breakdown of business results for the second quarter of the consolidated fiscal year by business segment.

The net sales were 246.3 billion yen (4.1% increase compared to the previous year) due to reflecting the expansion of businesses for banks and credit corporations, etc. The operating income was 16.7 billion yen (31.6% increase compared to the previous year) mainly due to decrease in unprofitable projects.

< Enterprise & Solutions >

Some retailers, distributors, service providers and manufacturers are actively promoting IT investment to respond to changes in value chains digitization will trigger and to enhance global development. To meet their needs, we will strengthen our advantages in the Enterprise & Solutions Segment. We also aim to grow to be a business partner, not an IT partner, by using our “Total Services” as the synergy of our advantages in the segment.

(Major case examples)

- Our company currently promotes the provision of technical support and services as a business partner of clients who try new measures by utilizing digital technologies. (1) We conducted a demonstration experiment to collect and analyze data on operation sounds at facilities by utilizing IoT technologies in order to make use of the data to detect abnormalities at facilities and understand the actual state of operations. The experiment was conducted jointly by NTT Data Engineering Systems Corporation and Hitachi Zosen Corporation at the Hitachi Zosen’s Ariake Works. Through the experiment, we aim to

establish solutions that contribute to the implementation of adequate maintenance works, reduction of the frequency of machines and equipment failure, and improvement of occupancy ratio. (2) We take part in the “FIELD system,” an open platform to realize smart manufacturing sites promoted by Fanuc Corporation, as an application developer. Based on abundant data analysis techniques and a wide range of know-how on business consulting that have been accumulated so far, we will assist business reforms of clients using the “FIELD system”. (3) We conducted a demonstration experiment on the training system that links data owned by professional sports teams and virtual reality (VR) technologies ^(Note4). We will start providing the system for Rakuten Baseball Inc. on a full scale. In addition to the expansion into the U.S. market, we will also aim to apply the system to the entertainment industry so it will be utilized for fan services. In the future, our abundant solution technologies based on past records will help promote the digital transformation of companies to realize consumer-direct services.

- To cope with the needs of companies for the outsourcing of Core Banking Systems in recent years, we started the construction of the “Mitaka No. 2 Data Center (tentative name)” with a total floor space of 38,000 m² and a capacity of up to about 5,600 racks, which will be one of the largest data centers in Japan. In Mitaka City, Tokyo, which has very little risk of natural disasters such as flood disasters and earthquakes, the abilities to recover from disaster and respond to the business continuity plan (BCP) will be enhanced by adopting a quake-absorbing structure, building an underground tunnel exclusively for communication lines, and installing highly reliable power sources and air-conditioning facilities, etc. Furthermore, by employing a server cooling system that utilizes natural energy, etc., the country’s top-class electricity usage efficiency will be realized. The data center is scheduled to start providing services in February 2018.

The following is a breakdown of business results for the second quarter of the consolidated fiscal year by business segment.

The net sales were 200.9 billion yen (7.7% increase compared to the previous year) mainly due to reflecting the expansion of businesses for the retail, logistics, and services industry. The operating income was 15.4 billion yen (16.0% increase compared to the previous year) mainly due to growth in sales.

< Global >

For the Global 2nd Stage, we continuously aim to strengthen our presence in each area and each business area by expanding business and enforcing our competitiveness by the existing business growth and M&A, to create the source of further competitiveness by globally cooperating with the group companies and integrating strengths and resources of each company, and to strengthen our profitability.

(Major case examples)

- NTT DATA, Inc., our subsidiary in the United States, concluded a contract with the Government of Victoria in Australia and the Public Transport Victoria, under which the company will operate the “myki” smartcard ticketing system for seven years. It will start providing services in January 2017. The contract was concluded thanks to the high evaluation of our past records of taking charge of establishing and operating the myki system since 2008, and supporting the system which has now become one of the world’s largest systems of this kind. We will contribute to improving customer experience ^(Note5) through the introduction of next-generation systems, etc., in the future.

- The Everis Group, our subsidiary in Spain, concluded a 12-year large-scale outsourcing contract with Banco Sabadell, a leading Spanish bank based in Barcelona. In eastern Spain including the autonomous community of Catalonia, the Everis Group will start providing BPO services such as branch office operations including loan business and support for inheritance, as well as compliance assistance.
- It was agreed that the NTT DATA Group will acquire 100 percent of the issued shares of Swiss-based Nefos AG, a platinum consulting partner certified by Salesforce, through our European subsidiary NTT DATA EMEA Ltd. With this agreement, we will acquire Nefos' ability to provide Salesforce. In particular, by enhancing our consulting offering system for the customer relationship management (CRM) and the customer-experience field in the German-speaking region, we will promote support for our clients' digital transformation.

The following is a breakdown of business results for the second quarter of the consolidated fiscal year by business segment.

The net sales were 268.0 billion yen (6.1% increase compared to the previous year) due to a result of the unification of accounting periods of European subsidiaries and the expansion of businesses, etc., despite the impact of a decrease due to foreign exchange. The operating income (before amortization of goodwill) was 6.2 billion yen (37.5% increase compared to the previous year) due to growth in sales despite an impact of a decrease in profit arising mainly from advisory expenses associated with the large-scale business acquisition.

Notes:

1. IoT (Internet of Things)

Just in the same way as people exchange information and do activities on the Internet, “things” connected via the Internet also share information, provide beneficial information, and even move without anyone's help.

2. API (Application Programming Interface)

An API is specifications for procedures, data formats, etc. to take data and functions controlled by a certain system from an external system and use them.

3. “BeSTAcLoud”

As an enterprise system with more flexibility for each user bank based on “BeSTA”, a standard banking application, this is provided to SHONAI BANK, Ltd. and Hokuto Bank, Ltd., in the FIDEA Group, the first user of this system since 2014.

4. VR technologies (virtual reality technologies)

This is a technology that people can experience virtual world created by computer as if it is real.

5. Customer experience

Customer experience refers to sensory/emotional values added, such as surprising and touching emotions, that customers experience through the purchase of items and services.

[Progress of Technical development]

The Group's main business, system integration (SI), is seeing some improvement with the gradual recovery of the Japanese economy, but is still exposed to a very tough competitive environment. In order to beat the competition in this kind of environment, we are focusing our R&D efforts on “innovative technologies to deliver solutions”, for faster and higher quality system development. In addition, we are also working on the “utilization of advanced technologies” that proactively incorporates new technological trends. With these two initiatives we combine a development capability that can respond flexibly to changes in circumstances, and are working to strengthen our R&D so that we can propose and deliver winning systems to our clients.

< Innovation technologies to deliver solutions >

With regard to “innovation technologies to deliver solutions”, until now we have been working on high

speed and high quality development through the automation of software development. This has been a very significant element for us in terms of competition. Against this backdrop, in addition to further advancement in automation technology, we have undertaken legacy modernization ^(Note1) and the speeding up of innovation in our development processes so that we can respond with agility to changes in development environments, and changes in our clients' business environments. In addition, we are promoting standardization initiatives on a global level.

(Major case examples)

- In order to respond to especially fast-changing market needs quickly and flexibly, we introduced an agile ^(Note2) development method that is different from existing development styles. Moreover, in order to cope with the trends of deals becoming larger in scale and more complex, the Research and Development Headquarters and others study development methods suitable for large-scale agility, and implement them in Japan and overseas
- We created global standards by integrating development methods and project management methods employed by global companies. Based on the standards, we will promote the application of development methods tailored to the needs of clients, and strengthen our delivery ability in respective global areas. Aiming for fully applying the methods in fiscal 2017, we will implement training and trial application in each area.

<Utilization of advanced technologies>

With regard to the “utilization of advanced technologies”, as a means of discerning the research topics that we should be challenging in the mid to long term, we try to understand future changes from a variety of perspectives in order to derive near-future “information society trends” and “technology trends” and then formulate and publish these as NTT DATA Technology Foresight ^(Note3). By collaborating in various ways with the advanced partners that we identify through these activities, we will continue to reinforce our efforts to create innovative systems through co-innovating activities with our clients.

(Major case examples)

- Our company and our Spanish subsidiary the Everis Group conducted a demonstration experiment for the Virgen del Rocío University Hospital and intensive care units (ICUs) for the purpose of supporting daily operations of doctors and nurses and their decision making. In the experiment, we established a system to collect and refer to vital data obtained from medical monitors and life-sustaining devices, and the electronic health record system was extended to realize the integration. As a result, it became possible to analyze and confirm information about patients in a detailed and unified manner as medical big data, and this enabled doctors and nurses to make decisions based on more accurate information. Furthermore, it was also confirmed that this system is effective in reducing working hours. Through the demonstration experiment, we will further improve the accuracy of information gathering and analysis, and make efforts to establish and implement technologies to detect signs of diseases becoming more severe.
- With cooperation from Chip Ganassi Racing, an IndyCar team that is sponsored by our U.S. subsidiary NTT DATA Inc., we conducted a demonstration experiment during the 2016 season (the final match ended in September) to collect and analyze vital data of drivers during races by using clothing to which the “hitoe” technology^(Note4) is applied. By analyzing the obtained data, we aim to support decision making concerning racing tactics and drivers' training.

Notes:

1. Legacy Modernization

The entire operations realized by the current system, which has been maintained for a long period of time (legacy system), are becoming difficult to understand with the system becoming increasingly enlarged, complex, and dependent on individual skills. The aim of legacy modernization is to clear those specifications of such black-box systems, utilize existing assets, and renovate them into new systems.

2. Agile

Agile is a development method to break an object subject to software development into a host of small functions and progressively develop software capable of operating over a short amount of time. Since the agile development method is totally different from the existing waterfall development model, it is necessary not only to have knowledge on the agile development but also to have experience of working on agile development projects in order to develop and train personnel who can deal with agile development projects.

3. NTT DATA Technology Foresight

The near-future vision of the information society (information society trend) and IT-related technology trends. It is derived through comprehensive surveys of the trend relating to IT that are implemented from the perspectives of politics, economy, society and technology, as well as through hearings and discussions with domestic and foreign intellectuals. Trend information has been released since 2012, and is updated every year.

4. hitoe technology

“hitoe” is a functional textile co-developed by Toray Industries, Inc. and Nippon Telegraph and Telephone Corporation, and a registered trademark of the two companies.

As a result of these activities, business performance during the second quarter of the consolidated fiscal year under review was as follows.

• Net Sales	779.6 billion yen	(up	4.9% year-on-year)
• Operating Income	45.3 billion yen	(up	45.8% year-on-year)
• Ordinary Income	45.0 billion yen	(up	44.3% year-on-year)
• Income before Income Taxes and Minority Interests	44.9 billion yen	(up	43.9% year-on-year)
• Net income attributable to owners of parent	29.0 billion yen	(up	84.5% year-on-year)

(2) Qualitative Information on the Consolidated Financial Position

At the end of the consolidated accounting period of the current second quarter, partly because we paid off accounts payable from the funds in hand that have been built up following on from the progress made in the recovery of accounts receivable, etc. and fixed assets were amortized, our assets became 1,827.8 billion yen, which is a 1.7%, 32.4 billion yen, decrease compared to the end of the consolidated accounting period of the previous quarter.

Due to increases in advances received, etc., our liabilities are 1,093.7 billion yen, an increase of 0.7%, 7.0 billion yen, compared to the end of the consolidated accounting period of the previous quarter. Due to a smaller currency translation adjustment as a result of yen appreciation, net assets are 734.1 billion yen, a 5.1%, 39.5 billion yen, decrease compared to the end of the consolidated accounting period of the previous quarter.

(3) Qualitative Information on the Consolidated Results Forecast

With regard to IT investment in Japan, while there is investment for the purposes of responding to institutional changes and new regulatory transitions, the reinforcement of our clients' points of contact with their end users, and growing new businesses, and the market is showing signs of a gradual recovery, we expect that the need to cut maintenance and operating costs, and stiff price competition, will continue as

before. Overseas, while we need to be aware of financial market fluctuations, monetary policy normalization in the US, the future economic performance of China and other Asian emerging economies, as well as growing geopolitical risk and other uncertainties in overseas economies, IT investment in Europe is strong, and in the US is showing signs of a gradual, sustained growth.

Under these circumstances, since the NTT DATA Group has more or less completed the acquisition of “Dell Services”^(Note1), to the forecasts of consolidated financial results for the fiscal year ending March, 2017 (April 1, 2016, to March 31, 2017), announced on May 10, 2016, has been revised as follows.

(millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of parent	Net Income per Share (yen)
Forecast previously announced (A)	1,650,000	105,000	99,000	58,000	206.77
Revised forecast (B)	1,670,000	105,000	98,000	49,000	174.69
Change (B-A)	20,000	-	-1,000	-9,000	
Rate of change (%)	1.2	-	-1.0	-15.5	
(Ref.) Results for the year ended March 31, 2016	1,614,897	100,885	98,158	63,373	225.93

<Reasons for revision>

(Net Sales)

Despite the decline in sales due to the effects of the foreign exchange rate in the wake of yen appreciation, the acquisition of “Dell Services”^(Note) means that an increase in revenue is expected.

(Net income attributable to owners of parent)

While there will be gain on sales of investment securities, acquisition expenses and loss on restructuring of subsidiaries and affiliates are expected to result in a decline in income.

Further, as regards operating income and ordinary income, while there will be an increase as a result of the acquisition of “Dell Services”, the increased amortization of goodwill and PPA due to the transfer, and increased advisory costs, will mean that the effects will be very limited.

Also, in accordance with the foregoing, as regards our earnings forecast for the period ending March, 2017, in the Global Segment, sales have been revised to 569.0 billion yen (sales to external clients 554.0 billion yen), an increase of 49.3 billion yen compared to the previous period, and operating income to 0 billion yen, a decrease of 0.8 billion yen compared to the previous period. Further, the forecast for capital investment throughout the company for the whole year has been revised to 153.0 billion yen, an increase of 18.9 billion yen compared to the previous period.

(Note) “Dell Services”: Dell Systems Corporation subsidiaries and IT services related businesses

2. Matters on Summary Information (Notes)

Change of accounting policy, change of accounting estimate, redisplay of modification

(Changes in accounting policy)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Implementation Guidance on Recoverability of Deferred Tax Asset (Accounting Standards Board of Japan Application Guideline No. 26, March 28, 2016; hereinafter called “Implementation Guidance on Recoverability”) is applied in the first quarter of the consolidated accounting period, and some of the accounting methods concerning recoverability of deferred tax assets have been revised.

Application of Implementation Guidance on Recoverability is based on transitional handling specified in Section 49 (4) of the Implementation Guidance on Recoverability; the difference between the amount of deferred tax assets and deferred tax liabilities prescribed by the regulations in Section 49 (3) 1 to 3 of the Implementation Guidance on Recoverability at the beginning of the first quarter of the consolidated accounting period, and the amount of deferred tax assets and deferred tax liabilities at the end of the previous consolidated accounting period is added to the retained earnings at the beginning of the first quarter of the consolidated accounting period.

The effect on retained earnings and deferred tax assets at the beginning of the first quarter of the consolidated accounting period due to this change is minor.

(A change of accounting policy that is difficult to distinguish from a change of accounting estimate)

(Change in depreciation method of tangible fixed assets)

The NTT DATA Corporation, the company submitting quarterly consolidated financial statements, and consolidated domestic subsidiaries had mainly employed the declining-balance method; however, from the first quarter of the consolidated accounting period, we have changed it to the straight-line method.

The NTT DATA Group has conducted research on the use of the tangible fixed assets from the viewpoint of accounting policy integration in our active global development based on the Medium-term Management Plan starting this Consolidated Fiscal Year; stable use of hardware for service providing, such as the provision of combination service with software, etc.

Therefore, we have judged that the depreciation method to equally allocate cost over useful lives more appropriately shows the reality of use of the above fixed assets, and employed the straight-line method from the first quarter of the consolidated accounting period.

Useful lives have been reviewed along with the change of the depreciation method of the tangible fixed assets and, for a part of the tangible fixed assets, the useful lives are revised.

Effect on the operating income, ordinary income and quarterly net income before tax in the first quarter of the consolidated accounting period due to the above change is minor.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	148,495	129,829
Notes and accounts receivable - trade	403,146	311,922
Lease receivables and investment assets	14,477	14,633
Securities	26,000	40,100
Inventories	26,676	55,441
Deferred tax assets	39,382	49,934
Deposits paid	121,646	174,162
Other	65,490	74,495
Allowance for doubtful accounts	(2,614)	(3,280)
Total current assets	842,701	847,238
Non-current assets		
Property, plant and equipment		
Data communication facilities, net	89,503	87,733
Buildings and structures, net	89,890	86,482
Machinery, equipment and vehicles, net	19,019	16,897
Tools, furniture and fixtures, net	16,995	15,179
Land	60,576	60,366
Construction in progress	21,548	26,346
Other, net	5,041	5,495
Total property, plant and equipment	302,575	298,501
Intangible assets		
Software	250,668	240,490
Software in progress	48,295	55,015
Goodwill	168,879	153,561
Other	67,494	56,256
Total intangible assets	535,337	505,323
Investments and other assets		
Investment securities	83,599	69,864
Net defined benefit asset	1,508	1,586
Deferred tax assets	44,735	56,003
Other	50,531	50,031
Allowance for doubtful accounts	(669)	(707)
Total investments and other assets	179,704	176,778
Total non-current assets	1,017,618	980,603
Total assets	1,860,319	1,827,842

Consolidated Balance Sheets-continued

(Unit: ¥ million)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	121,688	89,932
Short-term loans payable	51,627	54,090
Current portion of long-term loans payable	29,245	46,410
Income taxes payable	33,158	28,229
Advances received	167,738	186,521
Provision for loss on order received	5,356	3,783
Other	128,442	161,534
Total current liabilities	537,258	570,501
Non-current liabilities		
Bonds payable	210,062	210,066
Long-term loans payable	109,451	83,332
Deferred tax liabilities	23,327	19,511
Net defined benefit liability	185,992	189,485
Provision for directors' retirement benefits	934	795
Other	19,621	20,024
Total non-current liabilities	549,390	523,216
Total liabilities	1,086,648	1,093,718
Net assets		
Shareholders' equity		
Capital stock	142,520	142,520
Capital surplus	139,295	141,051
Retained earnings	452,458	470,821
Treasury shares	(0)	(0)
Total shareholders' equity	734,273	754,392
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,522	27,299
Deferred gains or losses on hedges	(7,527)	(30,707)
Foreign currency translation adjustment	36,552	5,258
Remeasurements of defined benefit plans	(38,805)	(36,662)
Other	(16,107)	(14,145)
Total accumulated other comprehensive income	6,635	(48,956)
Non-controlling interests	32,762	28,688
Total net assets	773,670	734,124
Total liabilities and net assets	1,860,319	1,827,842

(2) Consolidated Statements of Income and Comprehensive Income

(Unit: ¥ million)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	743,273	779,674
Cost of sales	566,666	581,291
Gross profit	176,606	198,382
Selling, general and administrative expenses	145,500	153,042
Operating income	31,105	45,339
Non-operating income		
Interest income	517	666
Dividend income	1,455	1,478
Other	2,326	2,977
Total non-operating income	4,299	5,122
Non-operating expenses		
Interest expenses	2,645	2,730
Other	1,524	2,645
Total non-operating expenses	4,170	5,375
Ordinary income	31,234	45,086
Extraordinary income		
Gain on sales of investment securities	—	15,073
Total extraordinary income	—	15,073
Extraordinary losses		
Acquisition expenses	—	12,750
Loss on restructuring of subsidiaries and affiliates	—	2,452
Total extraordinary losses	—	15,203
Net income before income taxes	31,234	44,956
Income taxes	14,706	14,989
Net income	16,528	29,967
Net income attributable to		
Net income attributable to owners of parent	15,749	29,060
Net income attributable to non-controlling interests	779	906
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,930)	(5,320)
Deferred gains or losses on hedges	77	(23,177)
Foreign currency translation adjustment	(10,240)	(31,022)
Remeasurements of defined benefit plans, net of tax	1,464	1,982
Share of other comprehensive income of entities accounted for using equity method	15	(502)
Other	316	1,961
Total other comprehensive income	(11,297)	(56,078)
Comprehensive income	5,231	(26,111)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,387	(26,658)
Comprehensive income attributable to non-controlling interests	844	546

(3) Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Net Income before income taxes	31,234	44,956
Depreciation	73,899	74,623
Loss on retirement of non-current assets	4,018	1,400
Increase (decrease) in net defined benefit liability	4,991	7,779
Interest expenses	2,645	2,730
Decrease (increase) in notes and accounts receivable - trade	51,138	75,268
Decrease (increase) in inventories	(23,316)	(29,030)
Increase (decrease) in notes and accounts payable - trade	(20,851)	(24,327)
Increase (decrease) in advances received	31,494	19,889
Increase (decrease) in accrued consumption taxes	(18,016)	(6,478)
Other, net	13,088	(4,525)
Subtotal	150,327	162,287
Interest and dividend income received	2,105	1,921
Interest expenses paid	(2,699)	(2,776)
Income taxes (paid) refund	(15,926)	(33,032)
Net cash provided by (used in) operating activities	133,807	128,400
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,116)	(34,449)
Purchase of intangible assets	(38,868)	(41,787)
Proceeds from sales of investment securities	4,050	20,582
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(27,517)	(5,703)
Net decrease (increase) in time deposits	(726)	1,300
Net decrease (increase) in short-term deposits paid	—	(20,000)
Other, net	(3,020)	2,372
Net cash provided by (used in) investing activities	(86,198)	(77,685)
Cash flows from financing activities		
Redemption of bonds	(40,000)	—
Proceeds from long-term loans payable	410	22,127
Repayments of long-term loans payable	(224)	(25,222)
Net increase (decrease) in short-term loans payable	(9,978)	5,692
Repayments of lease obligations	(939)	(1,795)
Cash dividends paid	(8,417)	(11,218)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(75)	(4,554)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	92	2,481
Other, net	(421)	(574)
Net cash provided by (used in) financing activities	(59,553)	(13,064)
Effect of exchange rate change on cash and cash equivalents	(4,413)	(9,880)
Net increase (decrease) in cash and cash equivalents	(16,358)	27,770
Cash and cash equivalents at beginning of period	250,843	233,553
Cash and cash equivalents at end of period	234,484	261,323

(4) Notes to quarterly consolidated financial statements

(Notes to Going Concern Assumptions)

N/A

(Notes to Significant Changes in Shareholder's Equity)

Resolution	Stock Type	Total amount of Dividend (¥ million)	Dividends per share (¥)	Record Date	Effective Date	Dividend Sources
Ordinary General Meeting of Shareholders on June 22, 2016	Common stock	11,219	40	March 31, 2016	June 23, 2016	Retained earnings

(Material Subsequent Events)

(Conversion of Dell Systems Corporation into subsidiaries and acceptance of transfer of IT services related businesses)

On November 2, 2016 (US time) NTT Data, which submits quarterly consolidated financial statements, acquired all of the shares outstanding of Dell System Corporation through our North American subsidiary, NTT DATA, Inc. Also our company acquired all of the shares outstanding of Dell Technology & Solutions Limited and Dell Services Pte. Ltd., through our Netherlands subsidiary, NTT DATA Services International Holdings B.V.

Also, our company acquired all of the stakes of U.S. Services L.L.C. through our North American subsidiary, NTT DATA International L.L.C., and NTT DATA Inc.

Additionally, our company acquired the Dell Group's IT services related businesses mainly in North America through NTT DATA International L.L.C., NTT DATA Inc. and NTT DATA Services International Holdings B.V.

1. Outline of business combination

(1) Name of the company acquired

Dell Systems Corporation
Dell Technology & Solutions Limited
Dell Services Pte. Ltd.
U.S. Services L.L.C.

(2) Name of the company associated with business transfer

Dell Inc.

(3) Business lines of the company acquired

IT outsourcing, BPO, application development/management, etc.

(4) Major reasons for the business combination

"Dell Services"* provides cloud services, application-related services and BPO services mainly in North America, with a strong customer base encompassing healthcare, manufacturing and service sectors, financial institutions, the federal government, etc. Particularly, the division has been highly valued for its sector-specific digital solution and BPO services for the healthcare sector, mainly medical institutions and health insurers. By the transfer of the Dell Services, NTT Data Group will expand the group's businesses in various sectors mainly in North America and aim to strengthen cloud services and BPO services by utilizing cutting-edge technologies.

*“Dell Services” : Dell Systems Corporation subsidiaries and IT services related businesses

(5) Business combination date

November 2, 2016 (U.S. time)

(6) Legal form for the business combination

Through a purchase of shares/equity interests and business transfer

(7) Principal basis for determining the acquirer

Due to the purchase of shares/equity interests and business transfer with cash as consideration

(8) Name of the company after the business combination

Dell Systems Corporation

Dell Technology & Solutions Limited

Dell Services Pte. Ltd.

U.S. Services L.L.C.

(9) Percentage of voting rights acquired

Dell Systems Corporation 100%

Dell Technology & Solutions Limited 100%

Dell Services Pte. Ltd. 100%

U.S. Services L.L.C. 100%

2. Breakdown of Acquisition Cost

Cash 345,375 million yen

Total acquisition cost 345,375 million yen

3. Details and Price of Major Acquisition Related Cost

Advisory cost etc. 2,907 million yen (estimation)

(Large-scale borrowing)

To fund the purchase of shares/equity interests and business transfer associated with the acquisition of the Dell Services division, NTT Data obtained a loan as follows.

Lender	Loan amount	Interest (p.a.)	Drawdown period	Term	Collateral/guarantee
NTT Finance Corporation, etc.	210 billion yen	Fixed rate, or base rate + spread	October 13, 2016 – October 28, 2016	11 months	None