

Note; This document is in English translation of “Kessan Tanshin” for the Second Quarter of the Fiscal Year Ending March 31, 2018 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, 2018

November 7, 2017

Company name	: NTT DATA CORPORATION
Stock exchange on which the Company's shares are listed	: Tokyo Stock Exchange 1st Section
Code number	: 9613
URL	: <a href="http://www.nttdata.com/">http://www.nttdata.com/</a>
Contacts Company representative Person in charge	: Toshio Iwamoto, President and Chief Executive Officer : Hiroshi Setoguchi, Senior Executive Manager, Investor Relations Office Tel.:+81-3-5546-8119
Scheduled date of filing of Quarterly Business Report	: November 10, 2017
Scheduled date of dividend payment	: December 1, 2017
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 FY2017 (From April 1, 2017 to September 30, 2017)

#### (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	%
<b>FY2017 Q2</b>	1,020,983	31.0	52,067	14.8	50,298	11.6	21,857	-24.8
FY2016 Q2	779,674	4.9	45,339	45.8	45,086	44.3	29,060	84.5

Note: Comprehensive income: FY2017 Q2 42,144 million yen (-%) FY2016 Q2 (26,111) million yen (-%)

	Net income per share	Net income per share (diluted)
	¥	¥
<b>FY2017 Q2</b>	15.59	—
FY2016 Q2	20.72	—

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017. For net income per share, calculated based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

Note: Operating Income w/o goodwill amortization: FY2017 Q2 66,769 million yen

FY2016 Q2 53,561 million yen

Net income attributable to owners of parent w/o goodwill amortization: FY2017 Q2 36,560 million yen

FY2016 Q2 37,282 million yen

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
<b>FY2017 Q2</b>	2,182,738	863,371	38.1
FY2016	2,238,941	833,715	35.8

Note: Equity FY2017 Q2 830,997 million yen FY2016 802,148 million yen

Note: As indicated in “2. Matters on Summary Information (Notes) – (Changes in Accounting Policies)”, the value disclosed for the fiscal year ending March, 2018 has been changed from the one which was disclosed on May 10, 2018.

## 2. Dividends

	Cash dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total
FY2016 (Prior to Stock Split)	¥ —	¥ 35.00	¥ —	¥ 40.00	¥ 75.00
(Reference) FY2016 (After Stock Split)	—	7.00	—	8.00	15.00
<b>FY2017</b>	—	7.50			
<b>FY2017</b> (Forecast)			—	7.50	15.00

Note: Revisions to the forecasts of dividends: No

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017. Cash dividends per share forecasted at the consolidated financial forecast of the fiscal year ending March, 2018 is referring the amount after the stock split.

## 3. Forecasts of Consolidated Results for FY2017 (From April 1, 2017 to March 31, 2018)

(% 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	%	¥
<b>FY2017</b>	2,060,000	18.9	120,000	2.5	116,000	2.7	59,000	-10.2	42.07

Note: Revisions to the forecasts of consolidated financial results: No

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017. Net income per share forecasted at the consolidated financial forecast of the fiscal year ending March, 2018 is referring the amount after the stock split.

\* 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 : No
- 2) Changes in accounting policies other than 1) : Yes
- 3) Changes in accounting estimates : No
- 4) Restatements : No

(4) Number of shares outstanding (common stock)

- 1) Number of shares outstanding (inclusive of treasury stock) FY2017 Q2 1,402,500,000shares FY2016 1,402,500,000shares
- 2) Number of treasury stock FY2017 Q2 953shares FY2016 495shares
- 3) Average number of shares over period (consolidated total for quarter) FY2017 Q2 1,402,499,305shares FY2016 Q2 1,402,499,505shares

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017. The number of the shares are calculated on the assumption of that the stock split was conducted at the beginning of the previous consolidated fiscal year.

\* “Kessan Tanshin” is an unaudited financial report.

\* Explanations relating to the appropriate use of results forecasts, and other noteworthy items

- 1. Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017.
- 2. 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, 2018" section on page 12.

3. 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.
4. 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, 2018

### (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 continues gradual recovery and shows a continuous growth in corporate profitability as well as the trend of capital investment increase. The future domestic economy is expected to maintain a gradual recovery.

In domestic information services industry, the market shows a gradual recovery due to the enforcement of new law and regulations and the correspondence to the indication modification active IT investment for the purpose of responding to the new system and the enforcement of legal restrictions, enhancing the end user's contact point in our clients' companies, and the business growth brought by new services. Meanwhile, needs for reducing the maintenance and operation costs and also the price competition still remain.

The overseas economy also has maintained a gradual recovery. Regarding the future economic trends, the impact and increasing uncertainty of overseas economies—such as fluctuations in the financial capital market, future economic trends in China and other emerging Asian countries, geopolitical risks, and possible changes in governmental policies—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 U.S. 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. As for China, the demand for IT industry has remained stable, and high demand especially for digital-related investment is expected.

### Circumstances around the NTT DATA Group and the issues requiring attention

NTT DATA Group has attempted to expand its business in Global market, broadened the global coverage(\*), and established the business base. On the other hand, 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, 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 year 2020, the NTT DATA Group has launched the Global 2nd Stage, which aims for NTT DATA Group to be recognized as a global brand and to attain consolidated net sales of over 2 trillion yen and an approximately 50-50 net sales ratio of domestic to international sales. 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 FY 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. We recognize that sufficient correspondence to those needs is also our issue. To that end, we plan to aggressively apply innovation 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.

\*Expanded to 219 cities in 53 countries and regions as of September 30, 2017.

### [Medium-term Management Plan]

Given the circumstances mentioned above, the NTT DATA Group has set the following three-year Medium-Term Management Plan “FY 2016 to FY 2018”.

<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 improve our brand value as a global brand.

<Global strategy>

■ Game-Changing Approach

For “Game-Changing Approach”, capture the environmental change and breakthrough technologies, expand the existing market share and create new markets that anticipate the customers’ needs, we have steadily achieved them by entering the electric industry, the system construction of Omni channel, and the expansion of our digital archiving business and so on in our previous Medium-Term Management Plan.

Going forward, taking the continued acceleration of market trends and breakthrough technology as opportunities to be grasped, we will continue to work to accelerate the expansion of existing markets and the creation of new market, 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 response capabilities to undertake our clients’ global projects, and increase our competitive strength around the world.

■ Breakthrough Technology

So that we enable 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 technology that we have developed to date with new production technology that respond to the needs of the digital society.

In addition, NTT DATA will strengthen our technological capabilities in the digital field to respond to our clients’ growing needs for a strategic use of IT, by placing the right resources for research and development—including our expertise, personnel and bases—in the right place globally. We will also continue to adopt cutting-edge technologies by closely cooperating with other companies that have advanced technological capabilities. Through these initiatives, NTT DATA is determined to create new frameworks and value that did not exist before, by enabling the application of the cutting-edge technologies to business operations through co-innovation with our clients.

< 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 “Game-Changing Approach” and value creation through breakthrough technology.

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

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

After setting the above Medium-Term Management Plan, we have steadily achieved the deepening of remarketing efforts through the entry to the new business areas including IoT-related, the system construction of Omni channel, and the expansion of the banking business. Based on those achievements, we have reinforced customer base through the establishment of long-term relationships with customers while setting up stable business foundation. Also regarding “Breakthrough Technology,” steady progress has made with our R&D efforts on “innovation of production technology” such as the rapid and high quality system

development, and working on the “utilization of advanced technology” which proactively adopts the new technological trends.

Meanwhile, with regard to our high-priority issues for the management, the restraint on unprofitable projects and the improvement in the profitability of overseas business was the most significant management subject for us. Although we took more rigorous countermeasures against unprofitable projects through the Project Review Committee and promoted initiatives, we are aware that more restraint is needed. Also for overseas, seeking for the profit improvement, however still not reaching to the target level. Therefore, we acknowledge that these issues will remain as our significant management agendas.

To seek further globalization toward the Global 3rd Stage and achieve a new goal of “Trusted Global Innovator”, we decided to improve our local presence in market, strengthen our relationships with global clients and better understanding the business in a timely manner under our organization redesigned to enhance our promotion and management of global business on the date of July, 1 2017.

In particular, we transferred the current global operational functions under the Global Business Sector, such as the global account service (which provides support for global and key Accounts) and offering service (which provides cross-regional solutions), to the newly established Global Marketing Headquarters. Also we launched the China & APAC Business Sector, and transferred our businesses in China and the APAC region from the Global Business Sector to the new Sector. At the same time, we would manage to create collaborations between the three existing domestic business fields (Public & Social Infrastructure Segment, Financial Segment, and Enterprise & Solutions Segment) and the China & APAC Business.

With this organizational change, four segments classified for reporting (i.e., “Public & Social Infrastructure,” “Financial,” “Enterprise & Solutions” and “Global”) were reclassified into five segments as follows.

- Public & Social Infrastructure Segment

This business segment provides high-value added IT services that play important roles in social infrastructure, such as government, medical, communication, and utility systems as well as in regional development.

- Financial Segment

This business segment provides high-value added IT services that help financial institutions to improve their business efficiency and offer good services.

- Enterprise & Solutions Segment

This business segment provides high-value added IT services that support manufacturers, distributors, and service providers as well as payment services such as credit cards and platform solutions services, provided in collaboration with other IT services.

- North America Segment

This business segment provides high-value added IT services taking into consideration the market characteristics and affinity for North America business.

- EMEA & LATAM Segment

This business segment provides high-value added IT services taking into consideration the market characteristics and affinity for EMEA/Latin America business.

Since our overseas business has expanded and the scope of our business and geographic coverage have also been expanded, we seek to grow our business for reaching the Global 2nd Stage and for the Global 3rd Stage by enhancing the promotion and management system of our global business.

## Status of business activities and performance of each segment

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 Segment]

We aim for receiving system renewal orders for core businesses from governments and infrastructure companies, and made efforts to grow our business through the following methods: creating new domestic and overseas businesses by utilizing the results and know-how that our group has cultivated; and responding to new businesses including those utilizing "My Number" and concerning IoT and the change in the utility industry system (the power and gas system reform)

<Commenced the provision of "WinActor financial and accounting solution" that contributes to more efficient operations of financial and accounting sections>

- NTT DATA and its subsidiary, NTT DATA MANAGEMENT SERVICE Corporation, commenced provision of the "WinActor financial and accounting solution" that supports the efforts of the financial and accounting sections to make operations more efficient and work style reform in July 2017 in cooperation with Pasona Inc. This solution helps clients in developing and sending human resources who can utilize the RPA (Robotic Process Automation) solution "WinActor" <sup>(Note 1)</sup> especially for financial and accounting operations for which automation is highly needed. We will provide enhanced support for work style reform by reducing operation volume at the financial and accounting sections of private companies, etc. and contributing to issue resolution and more efficient works on an ongoing basis.

<Opened the "Koyasan Archive" to the public, which allows the public to see precious cultural assets related to Kobo Daishi Kukai>

- NTT DATA and its subsidiary, NTT DATA KANSAI Corporation developed a digital archive system for historically precious materials related to Buddhism and Esoteric Buddhism stored by Koyasan University, the highest educational institution on the study of Esoteric Buddhism that was established 130 years ago, and opened it to the public on the official website of the university in July 2017. This service utilizes NTT DATA's "AMLAD" <sup>(Note 2)</sup> and we successfully won the contract because our achievements and know-how in the development of numerous digital archive systems including that of the Vatican Apostolic Library have been highly appreciated. We hope that this project will continue to lead to further exploration and rediscovery of the regional history of Koyasan and will make an effort to enhance the contents and functions and to improve the value it provides. Through the project, we will continue to aim at establishing ourselves as the leader in the field of digital archiving of historically precious materials and grow business by expanding the scope to include digital asset management for private companies, etc.

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

The net sales were 183.0 billion yen (2.0% decrease compared to the previous year) mainly due to the reactionary decline of the services for the utility industry in the previous fiscal year etc. The operating



income was 11.2 billion yen (22.5% decrease compared to the previous year) mainly due to the decline of sales etc.

[Financial Segment]

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

<Senshu Ikeda Bank's adoption of a new function of accounting software for terminals "BeSTAlinc">

• The Senshu Ikeda Bank, Ltd., was the first among the users to adopt the new "function of voucher and form entry via tablet terminal" of "BeSTAlinc" <sup>(Note 3)</sup>, accounting software for terminals provided by NTT DATA. The function will enable the bank to promote paperless operations without voucher and form at branch offices, make complicated and cumbersome paper work more efficient, reduce the administrative burden on employees, and speed up the response to clients. In addition, in February 2018, information entered in tablet terminals will be linked to the administration concentration center, which will enable the bank to have the center conduct back office administration for branch offices and reduce the administrative burden on employees further.

<Launched a consortium comprised of 13 companies to develop the trade data sharing platform using blockchain technology>

• NTT DATA tested blockchain technology, one of the core FinTech technologies by completing two PoCs <sup>(Note 4)</sup> including Phase 1 and Phase 2 for letter of credit transactions and maritime cargo insurance policy respectively in order to improve the efficiency and convenience of the administrative procedures for parties involved in trading. As a result, benefits and issues of applying blockchain technology to the entire trade procedures were identified; thus, we launched the "consortium to develop the trade data sharing platform using blockchain technology" <sup>(Note 5)</sup>, in August 2017, with ourselves as the headquarters with 13 major companies from various sectors involved in trade-related business including banking, insurance, integrated logistics, import and export, and others (Phase 3). Through the consortium, we will explore solutions to the challenges in trade procedures between businesses and aim to achieve the practical use of the trade data sharing platform using blockchain technology.

<Selected as the partner vendor for the "Collaborative Blockchain Platform" of the Japanese Bankers Association>

• NTT DATA was selected as one of the partner vendors for the "Collaborative Blockchain Platform" of the Japanese Bankers Association. The platform will be used to facilitate experiments of new financial services utilizing blockchain technology and share expertise. In order for the platform to be realized, we will contribute to the advancement of Japanese financial services by utilizing our highly reliable cloud-service for financial institutions "OpenCanvas" and using our advanced blockchain technology and expertise in financial infrastructures accumulated.

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

The net sales were 259.1 billion yen (5.2% increase compared to the previous year) mainly due to the expansion of businesses for banks. The operating income was 22.9 billion yen (37.6% increase compared to the previous year) mainly due to the growth in sales and the improvement in cost of sales ratio mainly attributable to a decrease in depreciation of some systems.

[Enterprise & Solutions Segment]

We aim at our business expansion as business partner who works with the clients such as the retailers, distributors, service providers and manufacturers who are actively promoting IT investment in response to the changes in value chains brought by digitization and the global development, to solve those problems utilizing our advantages in the areas of enterprise & solutions corresponding to those clients' needs.

<Enhanced collaboration for solution between NTT DATA and NTT Communications Corporation with the "NTT DATA Mitaka Data Center EAST" as the base>

• In August 2017, NTT DATA and NTT Communications Corporation (hereinafter referred to as NTT Com) announced that they would enhance collaboration for solution with the "NTT DATA Mitaka Data Center EAST"<sup>(Note 6)</sup> that will start operation in April 2018 as the base. NTT DATA will provide the highly robust and reliable data center (hereinafter referred to as DC) services and managed services<sup>(Note 7)</sup> we have developed through the building of core systems at the biggest data center in Japan, with cutting-edge equipment. NTT Com will provide high-quality and reliable global network services, cloud services for corporations, services for connection between cloud environments and other services. The combination of values provided by the two companies will enable the development of a secure hybrid cloud<sup>(Note 8)</sup> environment within a DC, provision of "full-stack services"<sup>(Note 9)</sup> for clients in an integrated manner and enhancement of a structure where we can immediately respond to complicated global system expansion with an added value of the integrated management ability of NTT DATA as a system integrator. Both companies will actively cooperate with each other, aim to increase the business volume to 100 billion yen by 2020 via their sales channel, and globally support the digital transformation of global player clients as NTT group companies.

<Promoted the provision of various settlement-related services to meet social needs>

NTT DATA has promoted the provision of various settlement-related services to meet social needs with the "achievements," "diversity," "safety and security" and know-how we have gained through our engagement in CAFIS<sup>(Note 10)</sup> as the core.

• We launched a demonstration experiment of the settlement service via a smartphone by linking smartphone application to a bank account in September 2017 with the aim of commercializing it in FY2018. We will verify the potentiality of the settlement service that would allow even those who do not have a credit card to easily use the smartphone settlement service with a bank account and to feel secure with authentication using biological information.

• In addition, we started to provide a settlement service using a UnionPay card for EC site operators in cooperation with Sumitomo Mitsui Card Company, Limited in July 2017, jointly established the "Japan Payment Service CO., LTD.," a settlement agency company that provides settlement methods for member stores in a collective manner, with The Kyushu Card Co., Ltd. in July 2017, and started to provide the service of "CAFIS Attendant" that supports marketing activities and sales promotion targeted at foreigners visiting Japan for retailers in September 2017, etc. We will aim to promote the cashless economy and create a more convenient society in Japan while meeting various needs for regional revitalization and inbound

settlement for foreign visitors, etc.

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

The net sales were 219.0 billion yen (9.0% increase compared to the previous year) mainly due to the growth in the businesses for the manufacturing industry in addition to the expansion of digital-related businesses including M&A in the previous fiscal year. The operating income was 20.8 billion yen (34.9% increase compared to the previous year) mainly due to the growth in sales.

[North America Segment]

Under the new structure of NTT DATA Services that was launched in April 2017, by steadily promoting PMI (Post Merger Integration, integration process after M&A) for the former Dell Services and integrating businesses in North America and other regions, we will aim to expand business especially in healthcare, public and financial segments through the utilization of our wealth of achievements and expertise in outsourcing, etc., and enhance the capability to respond to the digital field, etc. to increase our local presence further.

<Awarded contract extension with United States Navy>

• NTT DATA's U.S. subsidiary, NTT DATA Services, secured a two-year option contract extension to a previously awarded Enterprise Wide Contractor Support Services (EWCSS) contract with the U.S. Department of the Navy, Naval Sea Systems Command (NAVSEA), and Team Submarine <sup>(Note 11)</sup>. This means that the services we have provided to support the U.S. Navy's mission for about 30 years were highly evaluated; we will continue to support the acquisition and life cycle management of the submarine fleet by providing support services across a wide range of functions including business and financial management, technical and engineering, and logistics functions.

<Recognized as the top rank, "Leader" and "Star Performer" for Workplace Services – PEAK Matrix published by the Everest Group>

• The NTT DATA group was named as a top rank "Leader" and "Star Performer" especially in recognition of the dramatic improvement from the previous year on the Everest's criteria in the report "Workplace Services <sup>(Note 12)</sup> – Market Trends and PEAK Matrix Assessment: 'End Users are no Less than Customers!'" published by a U.S. market researcher, the Everest Group, in July 2017. This means that its expansion of the scale and expertise due to the acquisition of the former Dell Services, as well as enhanced solution for automation, end-user analytics and digital transformation were highly recognized. We will support clients in strengthening their competitiveness at the global level by enhancing our readiness further.

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

The net sales were 263.2 billion yen (202.6% increase compared to the previous year) mainly due to the expansion of businesses as a result of the acquisition of the former Dell Services and the increase in months to be consolidated associated with the unification of accounting periods of the Group companies.

The Operating Income w/o goodwill amortization was 9.7 billion yen (234.1% increase compared to the previous year) mainly due to contribution by the acquisition of the former Dell Services, and the increase in months to be consolidated associated with the unification of accounting periods of the Group companies.

The operating income was -0.8 billion yen (40.6% decrease compared to the previous year).

[EMEA & LATAM Segment]

By expanding the existing business, promoting the M&A strategy and strengthening the capability to provide services especially in new fields such as the digital field, we will aim to increase the local presence in EMEA and Latin America, and create a source of competitiveness by gathering the strength and resources of group companies and exerting synergy effects for further growth.

<itelligence AG's acquisition of vCentric Technologies Pvt Ltd. in India>

• NTT DATA's German subsidiary, itelligence AG acquired 100% of the total number of issued shares of vCentric Technologies Pvt Ltd. in India (hereinafter referred to as vCentric) in September 2017. vCentric provides SAP services in India and other countries, has an advantage especially in consulting and system building for S/4 HANA, an SAP ERP <sup>(Note 13)</sup> solution, and was among the 3 worldwide finalists in the category of S/4 HANA for SMEs <sup>(Note 14)</sup> of the SAP Pinnacle Awards that recognizes excellent partner companies in 2017. We will aim to expand business in the Indian market where SAP business is expected to grow further by obtaining resources in the focused technology fields including S/4 HANA through this acquisition and accelerate cross selling by utilizing the NTT DATA group's client base and solution.

<The everis Group's launch of full-scale business in Andorra>

• NTT DATA's Spanish subsidiary, the everis Group, inaugurated a new office in Andorra in July 2017 to launch full-scale business in the country. The everis Group has carried out projects for companies including financial institutions and the government in Andorra over the last 15 years. Through the establishment of the new office, we will aim to provide services in a wider range of fields such as consulting, business transformation, application development/maintenance and BPO to contribute to clients' innovation and increase our presence further in Andorra and other European countries.

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

The net sales were 212.7 billion yen (24.7% increase compared to the previous year) mainly due to the increase in months to be consolidated associated with the unification of accounting periods of some Group companies, and the growth in businesses in Spain and Germany.

The Operating Income w/o goodwill amortization was 2.1 billion yen (32.6% decrease compared to the previous year) mainly due to the temporary decline in profitability despite a growth in earnings due to the increase in months to be consolidated associated with the unification of accounting periods of some Group companies.

The operating income was -1.6 billion yen (28.8% decrease compared to the previous year).

Notes:

1. WinActor

Purely domestic RPA solution to automate many application operations on Windows terminals that was developed by the NTT Advanced Technology Corporation with the technology of NTT Access Network Service Systems Laboratories as the core and provided by NTT DATA as the distributor.

2. AMLAD (Advanced Museum Library Archives Deposit)

This refers to a solution or a digital archive system owned by NTT DATA that allows easy browsing and searching on devices, such as PCs, tablets and smartphones, of the digital content, such as images, movies, and sounds and voices owned by museums, libraries, archives and companies.

### 3. BeSTAlinc

Accounting software for terminals to support financial institutions in teller operations and administration at branch offices by linking to accounting host “BeSTA.”

### 4. PoC (Proof of Concept)

Brief attempt for demonstrating that a new concept, theory, principle, and the like can be realized.

### 5. Consortium to develop trade data sharing platform using blockchain technology

The first trade-related consortium using blockchain technology in Japan. The following companies have participated in this consortium: Kawasaki Kisen Kaisha, Ltd. (“K” LINE), Mitsui O.S.K. Lines, Ltd. (MOL), Sojitz Corporation, Sompo Japan Nipponkoa Insurance Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., Toyota Tsusho Corporation, Nippon Express Co., Ltd., NYK Line, Marubeni Corporation, Mizuho Financial Group, Inc./ Mizuho Bank, Ltd., Mitsui Sumitomo Insurance Company, Limited, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., and NTT DATA (headquarters).

### 6. NTT DATA Mitaka Data Center EAST

NTT DATA’s data center that is scheduled to start providing services in April 2018. In terms of the total floor space, number of racks and maximum capacity of power receiving, this will be one of the largest data centers in Japan. It will adopt a quake-absorbing structure designed to withstand vertical shaking caused by an earthquake occurring directly beneath the Tokyo Metropolitan Area, etc., enhance the abilities to respond to BCP including the ability to continuously run an emergency generator for 72 hours, and install state-of-the-art equipment such as a device that can withstand high electric load.

### 7. Managed service

Practice of providing outsourcing services of system infrastructure management and operation.

### 8. Hybrid cloud

A cloud computing environment which uses a mix of public cloud (a cloud computing environment widely provided for the public) and private cloud (a cloud computing environment developed for internal use).

### 9. Full-stack services

Services provided for all areas necessary for systems related to cloud computing ranging from ICT infrastructure (DC/Network) as the base to managed ICT and upper application.

### 10. CAFIS

The biggest settlement network in Japan provided by NTT DATA, which supports various settlement methods.

### 11. Team Submarine

A team comprising of organizations within the U.S. Naval Sea Systems Command and Program Executive Office Submarine (PEO SUBS) that supports the most advanced submarine fleet in the world.

### 12. Workplace Services

An outsourcing service provided for all areas related to IT infrastructure of offices, etc. (e.g. IT infrastructure asset management, security measures, service desk and on-site support).

### 13. ERP (Enterprise Resource Planning)

Integrated business software package introduced and used to manage and allocate a company’s various resources (e.g., human resources, funds, equipment, material and information) in an integrated manner to improve operational efficiency and pursue the total optimization of management.

### 14. SME (Small Medium-size Enterprise)

Small and medium-sized companies.

## 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 “innovation 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]

We have been working on achieving the high speed and high quality development by the automation of software development and this has been our superiority in competition. Against this backdrop, in addition to further advancement in automation technology, we have undertaken legacy modernization <sup>(Note1)</sup> 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.

<Global expansion of the NTT DATA group's development environment "Integrated Development Cloud">

• NTT DATA has promoted the initiative of the "Integrated Development Cloud" to consolidate system development environments of each group company into a cloud environment and to improve the productivity of system development. We launched the "Integrated Development Cloud" in Japan in April 2017 and confirmed the effects caused by the introduction including acceleration and standardization, improved information security and contribution to work style reform. Also, we introduced it to our Spanish subsidiary, the everis Group, in September 2017 to increase its global competitiveness further. We will examine the introduction into the offshore development environment in China and other regions in addition to Japan and Spain and aim to improve our global competitiveness further.

[Utilization of advanced technologies]

NTT DATA has particularly focused on the technology themes of AI, IoT and advanced technology of IT infrastructure (e.g., blockchain) and put priority on investment in PoCs for applicable research topics and clients. As a means of discerning research topics for the mid- to- long term, we try to grab the changes in the future with four perspectives such as politics, economy, society and technology in order to derive the "information society trends" and "technology trends" of near-future and formulate and publish these as NTT DATA Technology Foresight <sup>(Note 2)</sup>.

<Set up a global blockchain technology utilization promotion team>

• NTT DATA set up a team to promote the utilization of blockchain across the group including overseas group companies in August 2017. The team will consolidate the know-how of blockchain technology for various industries including the financial, public and manufacturing sectors that has been accumulated by our group, and will develop a catalog for blockchain utilization by additionally taking into account the recent business technology trends. Also, it will develop a platform for efficient business examination and foster blockchain professionals. We will promote the creation of a business model utilizing blockchain and technology development with the team as the key axis to support clients in utilizing blockchain for their new business. Also, we will aim to create business from a broader perspective by combining blockchain and elemental technologies such as IoT and Big Data.

<Jointly established the Institute of Big Data Advanced Technology with Guiyang City, China>

• NTT DATA jointly established the "Guiyang Cohen Institute of Big Data Advanced Technology (hereinafter referred to as the Institute of Advanced Technology)" with Guiyang City, China and the Institute of Software, Chinese Academy of Sciences in September 2017 in order to develop and expand solutions for the utilization of Big Data including IoT in China and the APAC region. The Institute of Advanced Technology has set "next generation smart transportation" and "environmental IoT" as the key themes to expand the application scope of Big Data and IoT, and will start a joint study and technology demonstration on real-time visualization of transportation, prevention of traffic congestion by optimizing signal control and real-time measurement, projection, etc. of air environments and water resources utilizing low-energy consumption sensors. It will develop solutions that can be adopted in China and the APAC region by 2020.

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. 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 yearly updated.

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

• Net Sales	1,020.9 billion yen	(up	31.0% year-on-year)
• Operating Income	52.0 billion yen	(up	14.8% year-on-year)
• Ordinary Income	50.2 billion yen	(up	11.6% year-on-year)
• Income before Income Taxes and Minority Interests	42.4 billion yen	(down	5.6% year-on-year)
• Net income attributable to owners of parent	21.8 billion yen	(down	24.8% year-on-year)
• Operating Income w/o goodwill amortization	66.7 billion yen	(up	24.7% year-on-year)
• Net income attributable to owners of parent w/o goodwill amortization	36.5 billion yen	(down	1.9% year-on-year)

### (2) Qualitative Information on the Consolidated Financial Position

The assets as of the end of the second quarter of the consolidated fiscal year under review were 2,182.7 billion yen, a decrease of 56.2 billion yen or 2.5% as compared to the end of the previous consolidated fiscal year due to the payment of interest bearing liabilities and corporate taxes from the assets that had been increased by the progress in the collection of accounts receivable. The liabilities were 1,319.3 billion yen, a decrease of 85.8 billion yen or 6.1% as compared to the end of the previous consolidated fiscal year.

### (3) Qualitative Information on the Consolidated Results Forecast

In domestic information services industry, the market shows a gradual recovery due to the enforcement of new law and regulations and the correspondence to the indication modification active IT investment for the purpose of responding to the new system and the enforcement of legal restrictions, enhancing the end user's contact point in our clients' companies, and the business growth brought by new services. Meanwhile, needs for reducing the maintenance and operation costs and also the price competition still remain.

As for overseas markets, although a gradual continued growth in the U.S. market and a stable IT investment demand in China are expected, need to carefully monitor the impact of the increasing uncertainty of the world economy on IT investment in European market.

Under these business circumstances, since the NTT DATA Group continues to work on controlling the unprofitable projects, improving the profitability of overseas subsidiaries, and reducing the cost of whole group etc., adding to secure orders steadily capturing the IT investment needs in Japan and abroad. Therefore, no revision for the Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (announced on May 10, 2017) has been planned at the moment.

To seek further globalization toward the Global 3rd Stage and achieve a new goal of “Trusted Global Innovator”, we decided to improve our local presence in market, strengthen our relationships with global clients and better understanding the business in a timely manner under our organization redesigned to enhance our promotion and management of global business on the date of July, 1 2017. The business segments for reporting were reviewed accordingly, and they were reclassified into five segments: Public & Social Infrastructure, Financial, Enterprise & Solutions, North America and EMEA&LATAM.

No revision was made for the Consolidated Financial Results Forecast for Public & Social Infrastructure, Financial and Enterprise & Solutions segments for the Fiscal Year Ending March 31, 2018 due to the reclassification. The Consolidated Financial Results Forecast for the newly added segments are as follows.

The net sales of the North America Segment are expected to increase to 513.0 billion yen (with expected net sales to external clients of 509.0 billion yen) by 266.6 billion yen from the previous fiscal year. The operating income without goodwill amortization for the segment is expected to increase to 21.0 billion yen by 11.7 billion yen from the previous fiscal year. The operating income with goodwill amortization is expected to increase to 2.0 billion yen by 1.8 billion yen from the previous fiscal year.

The net sales for the EMEA/Latin America Segment are expected to increase to 362.0 billion yen (with expected net sales to external clients of 360.0 billion yen) by 31.1 billion yen from the previous fiscal year. The operating income without goodwill amortization for the segment is expected to increase to 9.0 billion yen by 4.5 billion yen from the previous fiscal year. The operating income with goodwill amortization is expected to increase to 2.0 billion yen by 5.2 billion yen from the previous fiscal year.

## **2. Matters on Summary Information (Notes)**

### **(1) Changes in accounting policies, changes in accounting estimates and restatements**

(Changes in accounting policies)

For financial lease transactions by the lessor, NTT DATA Corporation, a company that submits consolidated quarterly financial statements, and its domestic consolidated subsidiaries used a method in which sales and the cost of sales were recognized on the receipt of lease fees, but adopted a new treatment method in which sales and the costs of sales are recognized on the day that the finance lease transaction commences from the first quarter of the consolidated accounting period.

As proactively promoting global expansion, the NTT DATA Group updated systems for leasing in order to unify the accounting policies, which enabled the company to adopt an accounting treatment method that is better suited to actual conditions. We, therefore, adopted a treatment method in which sales and the costs of sales are recognized on the day that the finance lease transaction commences from the first quarter of the consolidated accounting period.

The effect of this change on operating income, ordinary income and income before income taxes of the current consolidated fiscal year is minor. The retained earnings at the beginning of the previous consolidated fiscal year increased by 3,447 million yen.



### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	212,459	164,592
Notes and accounts receivable - trade	458,085	418,788
Lease receivables and investment assets	28,085	24,036
Securities	4,302	14,318
Inventories	31,211	58,150
Deferred tax assets	32,061	28,836
Deposits paid	55,808	18,999
Other	79,635	87,076
Allowance for doubtful accounts	(3,740)	(3,466)
Total current assets	897,910	811,331
Non-current assets		
Property, plant and equipment		
Data communication facilities, net	89,760	91,172
Buildings and structures, net	114,995	102,156
Machinery, equipment and vehicles, net	31,034	33,798
Tools, furniture and fixtures, net	16,666	18,345
Land	63,835	69,840
Construction in progress	35,609	50,688
Other, net	4,957	5,085
Total property, plant and equipment	356,860	371,087
Intangible assets		
Software	240,304	238,293
Software in progress	61,168	70,287
Goodwill	315,261	344,215
Other	160,549	124,659
Total intangible assets	777,283	777,454
Investments and other assets		
Investment securities	86,834	106,100
Net defined benefit asset	5,603	5,795
Deferred tax assets	60,802	52,842
Other	54,419	58,860
Allowance for doubtful accounts	(772)	(734)
Total investments and other assets	206,887	222,865
Total non-current assets	1,341,031	1,371,407
Total assets	2,238,941	2,182,738

## Consolidated Balance Sheets-continued

(Unit: ¥ million)

	As of March 31, 2017	As of September 30, 2017
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	138,453	130,432
Short-term loans payable	213,160	49,986
Current portion of long-term loans payable	53,461	8,653
Current portion of bonds	49,996	49,998
Income taxes payable	35,916	25,503
Advances received	180,827	196,807
Provision for loss on order received	3,452	3,014
Other	158,351	152,631
Total current liabilities	833,619	617,028
Non-current liabilities		
Bonds payable	160,075	160,078
Long-term loans payable	168,618	305,615
Deferred tax liabilities	30,367	19,611
Net defined benefit liability	186,788	193,029
Provision for directors' retirement benefits	876	784
Other	24,880	23,219
Total non-current liabilities	571,605	702,339
Total liabilities	1,405,225	1,319,367
<b>Net assets</b>		
Shareholders' equity		
Capital stock	142,520	142,520
Capital surplus	141,048	141,026
Retained earnings	501,369	511,602
Treasury shares	(0)	(1)
Total shareholders' equity	784,937	795,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39,881	52,695
Deferred gains or losses on hedges	(155)	(122)
Foreign currency translation adjustment	23,889	28,866
Remeasurements of defined benefit plans	(30,083)	(29,238)
Other	(16,320)	(16,351)
Total accumulated other comprehensive income	17,211	35,849
Non-controlling interests	31,567	32,373
Total net assets	833,715	863,371
Total liabilities and net assets	2,238,941	2,182,738

**(2) Consolidated Statements of Income and Comprehensive Income**

(Unit: ¥ million)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	779,674	1,020,983
Cost of sales	581,291	767,967
Gross profit	198,382	253,016
Selling, general and administrative expenses	153,042	200,949
Operating income	45,339	52,067
Non-operating income		
Interest income	666	1,007
Dividend income	1,478	1,352
Gain on step acquisitions	1,437	—
Other	1,540	2,247
Total non-operating income	5,122	4,606
Non-operating expenses		
Interest expenses	2,730	2,982
Foreign exchange losses	786	1,873
Other	1,859	1,519
Total non-operating expenses	5,375	6,375
Ordinary income	45,086	50,298
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	7,865
Total extraordinary losses	15,203	7,865
Income before income taxes	44,956	42,433
Income taxes	14,989	19,137
Net income	29,967	23,295
Net income attributable to		
Net income attributable to owners of parent	29,060	21,857
Net income attributable to non-controlling interests	906	1,437

**Consolidated Statements of Income and Comprehensive Income-continued**

(Unit: ¥ million)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,320)	12,833
Deferred gains or losses on hedges	(23,177)	35
Foreign currency translation adjustment	(31,022)	5,129
Remeasurements of defined benefit plans, net of tax	1,982	896
Share of other comprehensive income of entities accounted for using equity method	(502)	(15)
Other	1,961	(30)
Total other comprehensive income	(56,078)	18,848
Comprehensive income	(26,111)	42,144
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(26,658)	40,496
Comprehensive income attributable to non-controlling interests	546	1,648

### (3) 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 20, 2017	Common stock	11,219	40	March 31, 2017	June 21, 2017	Retained earnings

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017.

Dividend per share is before the stock split. Dividend per share after stock split is 8 yen.