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**Editorial Policy for NTT DATA Annual Report 2019**

NTT DATA Annual Report 2019 has been positioned as a medium for communicating with shareholders, investors, and a wide range of other stakeholders as part of NTT DATA’s efforts to achieve ongoing improvements to corporate value through constructive dialogue. In preparing this annual report, the financial and non-financial information to be included was limited to that which is of particular importance in order to allow for more clear illustration of the logical causal relationships between information and to facilitate understanding with regard to the likelihood of the NTT DATA Group accomplishing its long-term vision and the targets of its Medium-Term Management Plan.

More detailed information is available on the investors and sustainability sections of NTT DATA's corporate website.
NTT DATA’s Businesses

NTT DATA combines various IT services to deliver the optimal services to customers around the world.

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Balanced Deployment of IT Services in Japan and Overseas

NTT DATA

Full Outsourcing Plan-Based Services
System Development System Integrator Consulting

Net Sales by Segment (FY2018)

- EMEA & LATAM
  Segment ¥400.1 billion 17.3% (Europe, the Middle East, and Africa)
- North America
  Segment ¥421.9 billion 16.4% (Retail, services, manufacturing, payment services, networks, and data centers)
- Public & Social Infrastructure Segment ¥401.9 billion 10.0% (Government ministries, local governments, telecommunications, electricity, gas, and medicine)
- EMEA & LATAM
  Segment ¥303.1 billion 22.0% (Megabanks, regional banks, cooperative financial institutions, insurance, securities, and financial infrastructure and networks)
- Enterprise & Solutions Segment ¥929.8 billion 20.5% (Produced by Sier System companies, etc.)
- Others
  ¥116.2 billion 4.9% (Produced by NTT Communications, etc.)

Outside Partnerships

- Hardware manufacturers
  Fujitsu, NEC, Hitachi, Dell Technologies, etc.
- Software developers
  Microsoft, Oracle, SAP, etc.
- Programming companies
  Produced by Sier System companies, etc.
- Telecommunications carriers
  NTT Communications, etc.

The NTT DATA Group’s Performance (FY2018)

- Net Sales
  ¥2,163.6 billion
- Operating Income
  ¥147.7 billion
- Total Assets
  ¥2,476.1 billion
- Employees
  123,884 people
- Consolidated Subsidiaries
  307 companies

Net sales ranking among Japanese companies specializing in IT services
1st
(Based on research by NTT DATA)

Revenue growth for 30 consecutive years since our founding

Rankings in the Japanese IT services market in 2018** (Net sales)

- Overall
  2nd
- Financial
  1st
- Public & Social Infrastructure
  2nd
- Enterprise & Solutions
  5th

Rankings in the global IT services market in 2018** (Net sales)

- Overall
  8th
- Financial
  4th
- Public
  9th
- Manufacturing
  9th

External recognition

- ESG Index
  Dow Jones Sustainability World Index / Asia Pacific Index
  Managed by
  Dow Jones Sustainability Indices in Collaboration with HabeanSdn Bhd

Cutting-Edge Technologies

- Blockchain (Blockchain in Business Process Transformation NEAT Evaluation)
- UX/UI design (NEAT report for UX/UI Services 2019)

*1 Graphs / charts are created by NTT DATA based on Gartner Research.
Source: “Market Share: IT Services, 2018,” Dean Blackmore et al., 8 April, 2019
Ranked in the global IT services market: Financial = Banking & Securities / Public = Government / Manufacturing = Manufacturing & Natural Resources based on vendor revenue

Message from the CEO

Value Creation by NTT DATA

Management Strategies
Business Strategies by Segment
ESG Management
Financials and Others

P54: NTT DATA’s ESG Management

Spain
3rd
Italy
8th
Germany
11th

Financial
4th
Public
9th
Manufacturing
9th
Mission Statement / Group Vision / Values

NTT DATA uses information technology to create new paradigms and values, which help contribute to a more affluent and harmonious society.

Group Vision – What we aim to become in 10 years –

Trusted Global Innovator

A partner trusted by clients over the long term

We realize the dreams of our clients around the world through Long-Term Relationships.

We develop evolving ecosystems with our clients through leading-edge technologies.

We enhance our creativity by respecting diversity.

Clients First

First, and above all else, we place the needs of our clients. We work continuously to understand your business and we strive to resolve every concern to your satisfaction. We feel responsibility to ensure your success and we let this obligation set the direction of our work and guide our actions.

Foresight

We never settle for the status quo. Instead, with speed and foresight, we anticipate challenges that lay ahead. We consider the future of IT as well as the future of your business, work to enhance our ability to picture the future, and with our ecosystems, adapt to the changing business environment. In this way, we help you to meet your goals and create a brighter future for society.

Teamwork

We put great importance on enabling our employees to achieve their best through their work with each other. We believe that when a diverse group of individuals brings their unique world views together, shares their wisdom, and works toward a common goal, the results are extraordinary and far beyond what can be achieved by any one person.

Long-Term Relationships—Unwavering Bonds of Trust—

On its quest to shape an affluent and harmonious society using information technology, NTT DATA has continued to adhere to its clients first principle, never becoming preoccupied with short-term gains or straying aware from the challenges it faces. Today, the unwavering Long-Term Relationships with clients built upon this principle have become the cornerstone of NTT DATA’s competitive advantage.

NTT DATA works side-by-side with its clients as a trusted partner, connecting their abundant ideas and social needs to cutting-edge technologies from throughout the world to create business innovations and address social issues. We support our clients to the very end in these undertakings.

This is the strength of the Long-Term Relationships NTT DATA has fostered.

Examples of Long-Term Relationships

Roughly half a century ago, NTT DATA partnered with its clients to develop the Zengin Data Telecommunications System, a payment infrastructure system that allowed for immediate transfers of money for transactions during business hours on weekdays. This innovation was realized a step ahead of the rest of the world. Supported by the trust of our clients, we have updated this system five times in the past, and we are currently preparing to make the sixth update.

CAFIS, a proprietarily developed NTT DATA business, is a platform for transmitting credit card and other cashless payment credit and transaction data. This platform has been used for years since its introduction in 1984 as credit card companies, financial institutions, and affiliated retailers and even individuals have embraced this payment infrastructure for its convenience.

Fostered Strengths

The Zengin Data Telecommunications System

Recommended Message from the CEO

The Zengin Data Telecommunications System

Launch of Zengin Data Telecommunications System

Together with Tokyo Ginko Kyokai, which developed the business later inherited by the Japanese Banks’ Payment Clearing Network, NTT DATA developed a system that was revolutionary at the time, even when viewed from a global scale, to link financial institutions across Japan through a network.

1973 (First Generation) Launch of Zengin Data Telecommunications System

1967 (Third Generation) Division of Japan into Tokyo and Osaka Centers and Transition to Same-Day Payment

Japan was divided into the two sectors of Tokyo and Osaka under the Zengin system in order to improve reliability through increased sophistication and greater transaction volumes.

1979 (Second Generation) Mutual savings banks, Shinkin banks (credit associations), foreign banks in Japan, credit cooperatives, workers’ credit unions, agricultural cooperatives, and other institutions were incorporated into the system.

1995 (Fourth Generation) The method of linking centers and banks was changed to a private packet network.

2003 (Fifth Generation) Improvement of Safety and Reliability

The system was once again enhanced to improve safety and reliability and install rigorous information security measures through means such as encrypting data and establishing 20-digit electronic data interchange information columns.

2011 (Sixth Generation) The system was made compatible with ISO 20022, and real-time gross settlement functions for large-scale transactions as well as data transmission functions were added.

Future Plan: 2019 (Seventh Generation) Cybersecurity measures will be installed and business continuity plans will be enhanced.

2018 “More-time” system was launched.

1984 Commencement of CAFIS Service

CAFIS was born at the dawn of cashless payments as a proprietarily developed NTT DATA joint use service that transmitted credit data to offer increased convenience to credit card companies and affiliated retailers.

2002 TCP IP Connectivity

CAFIS was quick to be made compatible with TCP IP protocol, the same protocol used by the Internet, which was showing signs of its future spread at the time. This move made the service convenient while offering greater processing speeds coupled with reduced burden on connected entities.

2013 Illegal Transaction Detection Service

With the spread of e-commerce, illegal transactions via the Internet became a major issue. NTT DATA began providing services that detect such illegal transactions to realize greater convenience and peace of mind when shopping online.

2019 Code Payment Services

As numerous code payment services appeared on the market, NTT DATA has begun providing a solution that enables various code payment services to be processed through a single payment terminal.

Examples of Long-Term Relationships

- Roughly half a century ago, NTT DATA partnered with its clients to develop the Zengin Data Telecommunications System, a payment infrastructure system that allowed for immediate transfers of money for transactions during business hours on weekdays.
- CAFIS, a proprietarily developed NTT DATA business, is a platform for transmitting credit card and other cashless payment credit and transaction data. This platform has been used for years since its introduction in 1984 as credit card companies, financial institutions, and affiliated retailers and even individuals have embraced this payment infrastructure for its convenience.
Value Creation and History of Self-Transformations

The NTT DATA Group has continued to undergo self-transformations in conjunction with changes in technologies and in customer needs. This ongoing process of transformation has led to us achieve revenue growth for 30 consecutive years since our founding.

Major Indicators

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<tr>
<td>Net sales (¥ trillion)</td>
<td>¥2 trillion</td>
<td>¥1 trillion</td>
<td>¥100 billion</td>
</tr>
<tr>
<td>Overseas sales ratio (%)</td>
<td>30%</td>
<td>Approx. 30%</td>
<td>18%</td>
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<tr>
<th>Segment Portfolio</th>
<th>FY2018</th>
<th>FY2015</th>
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<td>Financial Segment</td>
<td>25%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Enterprise &amp; Solutions Segment</td>
<td>33%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Public &amp; Social Infrastructure Segment</td>
<td>18.8%</td>
<td>17.7%</td>
</tr>
<tr>
<td>EMEA &amp; LATAM Segment</td>
<td>17.3%</td>
<td>16.6%</td>
</tr>
<tr>
<td>North America Segment</td>
<td>16.6%</td>
<td>16.6%</td>
</tr>
<tr>
<td>Others</td>
<td>4%</td>
<td>5.0%</td>
</tr>
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2005-:
- External environment: Overseas deployment by Japanese companies
- Established direct support for Japanese companies operating overseas
- Adopted slogan “Global IT Innovator”
- Began proactive development of global business

2006:
- Increased Global Coverage
  - Expanded geographical coverage to 185 cities in 45 countries and regions
  - The NTT DATA Group employed approximately 80,000 people

2008:
- Recognized Global Brand
  - Established a global brand with an overseas sales ratio of approximately 50% and consolidated net sales in excess of ¥2 trillion

2009-:
- External environment: Maturity of Japanese IT market
- Full-fledged global business
- Expanded geographical coverage

2012-:
- Brand integration / development of global management structure

2015-:
- Adopted slogan “Trusted Global Innovator”

2016-:
- Surpassed net sales of ¥1 trillion

2018-:
- Surpassed net sales of ¥2 trillion

1988:
- NTT DATA founded (split from NIPPON TELEGRAPH AND TELEPHONE CORPORATION to become independent)

1989:
- Listed on the Tokyo Stock Exchange

1995:
- Increased capital (built a solid financial foundation)

2000-:
- External environment: Client and industry changes due to spread of the Internet
- Strengthened business development centered on Internet technologies
- Expansion of business domain in Japan by the entire NTT DATA Group
- Growth driven by Group companies through IT partner strategies

2005-:
- Brand integration / development of global management structure

2010-:
- Increased capital (built a solid financial foundation)

2015-:
- Brand integration / development of global management structure

2019-:
- Surpassed net sales of ¥2 trillion

Global 1st Stage 1988–1999
Global 2nd Stage 1999–2014
Global 3rd Stage 2014–2025

NTT DATA: ASCEND
Pursuing profitable global growth with consistent belief and courage to change

Message from the CEO

The NTT DATA Group uses information technology to create new paradigms and values, which help contribute to a more affluent and harmonious society.

Enterprise Business Expansion

Global Business Expansion

Value Creation and History of Self-Transformations

Management Strategies

Financials and Others

ESG Management

Business Strategies by Segment

NTT DATA : New Medium-Term Management Plan

P20: Review of Previous Medium-Term Management Plan
P24: New Medium-Term Management Plan
P35: M&A Strategy

NTT DATA Annual Report 2019
Using its refined strengths to propose optimal solutions to clients, NTT DATA will contribute to a more affluent and harmonious society and enhance corporate value by shaping the society of the future together with customers. This is the very embodiment of our mission statement.

Value Co-Innovation Model

Provision of optimal solutions by linking cutting-edge technologies from around the world to customer needs

- Full outsourcing
- System development (System integration)
- Professional services
- Consulting
- ABO / ITO / BPO
- Managed services
- Telecommunications
- Healthcare and life sciences
- Banking and financial services
- Insurance
- Manufacturing
- Retail
- Service industry
- Transportation and logistics
- Education
- Media

Organizational structure

NTT DATA: NTT DATA Business
P44: Financial Models of Principal Businesses

Input

Capital Usage

Financial Capital

Consolidated Net Sales
2,163.6 billion

Consolidated Operating Income
147.7 billion

Non-Financial Capital

- 70 clients (Number of clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan))
- Employees More than 120,000
- Ratio of employees working more than 70%
- Workforce of affiliated and external development partners: More than 30,000
- Cutting Edge Technologies (Blockchain, AI & IoT), Identified as "Leader" by Leading Research & Analysis Firm
- Global IT services ranking (Net revenue, RIA)**
- Ranked among top 10 market share leaders in three of 10 major countries of operations**

Non-Financial Capital

- Human Resources and Organizational Capabilities
- Brand
- Partners

Reinvestment

Output

Realizing a More Affluent and Harmonious Society

Resolving social issues

- Building a social foundation with consultation, safety and mobility
- Saving environment, energy and region
- Improving infrastructure and social services, and enhancing service level
- Ensuring stable and efficient energy provision
- Developing safe and efficient logistics
- Eliminating social inequality and longevity

Enhancing Corporate Value

Targets of New Medium-Term Management Plan

Consolidated Net Sales
2.5 trillion

Consolidated Operating Income Margin**
8%

Overseas EBITA margin**
7%

Client Base*4
Over 80

Non-Financial Capital

- Human Resources and Organizational Capabilities
  - Unlock our employees’ potential to maximize organizational strengths
  - Unleash employees’ potential
  - Digitize our work environment
  - Enhance our governance processes

Technologies

- Expand global digital offerings
- Create global digital offerings
- Expand Center of Excellence (COC)

Brand

- Enhance relational brand image as a “Trusted Global Innovator”
- Aiming for Global Top 5 brand

Partners

- Collaboration with the NTT Group through cutting-edge R&D, economies of scale, etc.
- Enhance resources and solutions through reinforcing partnerships with vendors


** Excluding temporary costs such as M&A and structural transformation

* Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan)

** Over 80

P04: Mission Statement / Vision

- Trusted Global Innovator

P05: Fostered Strengths

- Teamwork
- Foresight
- Values

Group Vision

- Group Vision
- Trusted Global Innovator

Values

- Clients First
- Foresight
- Teamwork

Strengths

- Long-Term Relationships
- NTT DATA’s Value Creation Process

Long-Term Relationships

- NTT DATA employs to build positive relationships with external suppliers

- A certification system NTT DATA employs to build positive relationships with external suppliers

- Source: Gartner “Market Share: IT Services, 2018”, Dean Blackmore et al., 8 April 2019

Financial / Non-Financial Highlights

Order Backing / Net Sales

Operating Income / Operating Income Margin

Operating income grew, reflecting the impact of unprofitable projects with additional profits from sales growth and steady cost control on a Companywide basis. Overseas net sales grew mainly due to expansion of business scale in the EMEA & LATAM Segment. The overseas EBITA Margin improved mainly due to cost control efforts and reduced PMI expenses in the North America Segment.

Financial / Non-Financial Highlights

Non-Financial Highlights

Client Base

Number of Employees / Number of Overseas Employees

Number of Countries / Regions / Cities Overseas

Financials and Others

Value Creation by NTT DATA

Message from the CEO

5-Year Average Consolidated Cash Flow Dividend Payout Ratio** / Annual Dividends per Share**

Total Shareholder Return (TSR)

Return on invested capital (ROIC)** / Return on Equity (ROE)**

Return on Equity (ROE)*5

ROE = net income attributable to shareholders of NTT DATA average equity during the period

Return on invested capital (ROIC)*6

ROIC = (operating income (IFRS) + amortization of intangible assets subject to purchase price allocation (PPA) arising from acquisition and others) / shareholders' equity

Workhours**

Total shareholder return (Holding period of 5 years)

Gross Income

Number of countries and regions

Greenhouse gas emissions (CO2e) Emissions by region

NTT DATA has been working to reduce the number of workhours as “workstyle innovation” before its importance has become widely recognized as a social issue. Workhours continued to decrease, and is now largely below the average of all industries and the information service industry in Japan.

PMI expenses in the North America Segment.

The number of overseas employees increased significantly due to acquisition of the former Dell Services.

As a result of our initiative of “Game-Changing Approach” in the previous Medium-Term Management Plan (FY2016–2018), we have 20 more clients with annual net sales of ¥5 billion or more (Japan) or US$50 million (overseas) compared to 50 as of the end of FY2015.

The number of countries, regions, and cities increased as a result of especially focusing on increasing global coverage until FY2015 (Global 1st Stage). In FY2016, the number significantly increased due to acquisition of the former Dell Services.

Considering diversity and inclusion as one of our key business strategies, we are focusing on promoting active participation of women. The number of female managers and the ratio of female new graduates hired are continuing to rise.

Total shareholder return (Holding period of 5 years)

GSI’s Human Resource Management continues to recognize the number of workhours as “workstyle innovation” before its importance has become widely recognized as a social issue. Workhours continued to decrease, and is now largely below the average of all industries and the information service industry in Japan.

This is a result of our initiative of “Game-Changing Approach” in the previous Medium-Term Management Plan (FY2016–2018), we have 20 more clients with annual net sales of ¥5 billion or more (Japan) or US$50 million (overseas) compared to 50 as of the end of FY2015.

Number of female managers** / Ratio of female new graduates hired**

The number of employees increased significantly in the past 10 years mainly due to expansion of scale of business including M&A. Especially in FY2018, the number of overseas employees increased significantly due to acquisition of the former Dell Services.

Total shareholders return (holding period of 5 years) exceeded 150%, which is higher than TOP10 (with dividend).

The rate of return for holding our company’s share for the most recent 5 years exceeded 150%, which is significant.

The number of employees increased significantly in the past 10 years mainly due to expansion of scale in the EMEA & LATAM Segment. The overseas EBITA Margin improved mainly due to cost control efforts and reduced PMI expenses in the North America Segment.

Operating income grew, reflecting the impact of unprofitable projects with additional profits from sales growth and steady cost control on a Companywide basis.

As a result of our initiative of “Game-Changing Approach” in the previous Medium-Term Management Plan (FY2016–2018), we have 20 more clients with annual net sales of ¥5 billion or more (Japan) or US$50 million (overseas) compared to 50 as of the end of FY2015.

Diversity and inclusion as one of our key business strategies, we are focusing on promoting active participation of women. The number of female managers and the ratio of female new graduates hired are continuing to rise.

Two-thirds of NTT DATA’s greenhouse gas emissions are from data centers, which is now decreasing as a result of introducing cooling technologies with cutting edge facilities and other efforts. Air for paper usage, it is also decreasing due mainly to promotion of paperless meetings.

Greenhouse gas emissions (CO2e) Emissions by region

Paper usage (left)

Greenhouse gas emissions (CO2e) Emissions by region

Number of employees

Number of overseas employees)

Number of countries and regions

Number of countries and regions
Message from the CEO

Fueled by consistent belief and courage to change, we aim for quality growth on a global scale.

We are moving resolutely ahead toward our “Global 3rd Stage” objectives, harnessing our global power to generate strengths unique to NTT DATA.

Yo Honma
President and Chief Executive Officer, Representative Director

Through Long-Term Relationships with our clients, we create new value and take on social issues. This defines our raison d’être.

Established in 1988, for over 30 years NTT DATA has single-mindedly pursued the goals ingrained in its mission statement, “NTT DATA uses information technology to create new paradigms and values, which help contribute to a more affluent and harmonious society.” One such paradigm involves the nationwide banking data communication system. The Zengin Data Telecommunications System (referred to below as the “the Zengin system”) connects Japanese banks directly and indirectly, and is central to the ability to transfer funds between banks. Tracing our history back some 50 years, NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORPORATION (currently NIPPON TELEGRAPH AND TELEPHONE CORPORATION) set up DATA Communication Bureau, which was the predecessor to NTT DATA. This bureau was tasked by the Tokyo Bankers Association, the forerunner to the Japanese Banks’ Payment Clearing Network, with building a payment infrastructure that would take the global lead in allowing same-day remittances on business days. This system has been upgraded five times since it first began. Operations of the seventh-generation Zengin system, which is the sixth upgrade, is scheduled for November 2019. We have been working on this system with our clients from the initial design stage to ensure systems are efficient on the maintenance, operational, and other fronts to maximize service value even after system configuration is complete. Making use of the understanding of client operations we gain through this set of processes sets up the cycle for the next stage of upgrades, which we will have repeated six times over approximately the past 50 years. We have taken our business model a step beyond that of a traditional system integrator, which develops systems according to client’s requests. As the example of the Zengin system illustrates, we believe in looking for ways to provide value by taking responsibility for the entire IT service life cycle. When I was head of the Public Relations Department, I worked with then-president Yamashita to solidify the concepts of the “3D Value Cycle”: Design, Develop, and Drive. These concepts have taken root throughout the Company, and this cycle continues to be used for a variety of projects. Making full use of this cycle requires, above all, that we maintain Long-Term Relationships with our clients. On the surface, NTT DATA is a provider of IT services, but what we are really building is trust. A company strength that derives from our Long-Term Relationships with clients. This was the thinking last year behind the formulation of our new Group Vision, “Trusted Global Innovator,” to mark the 30th anniversary of our establishment. Based on Long-Term Relationships, we work with clients to create new paradigms and generate new value for society, while taking on social issues. This essence describes NTT DATA’s raison d’être, is a factor that differentiates us in the global market, and points to our path for achieving sustainable increases in corporate value.

We achieved all the management objectives of our previous Medium-Term Management Plan.

We are now beginning to move toward our Global 3rd Stage objectives.

In FY2018, the final year of our previous Medium-Term Management Plan, “NTT DATA: ASCEND Rise and grow our global brand,” we experienced robust business in Japan and growth abroad. As a result, we achieved both of the plan’s management objectives: consolidated net sales of over ¥2 trillion and a 50% or higher increase in adjusted operating income*. Under the previous Medium-Term Management Plan, we used the global coverage we had built to date to increase our local presence. We formulated “Game-Changing Approach” as a key policy for realizing this objective. We strengthened our client base by building Long-Term Relationships with our clients and established a stable business foundation. We achieved significant success as a result, heightening our presence in eight of the 10 countries representing the world’s largest IT markets and expanding our customer base over three years by 20 companies, to 70. (We refer here to clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan).) Under another of our key policies, “Breakthrough Technology,” we pursued “production technology innovation” by standardizing and automating software development, and working to cut costs by boosting productivity. We have been developing and introducing tools for automating software development since around 2010. The number of projects that apply these tools has now reached around 90%. We also apply our integrated development cloud (a globally integrated and standardized development environment) on some 1,000 projects, including around 100 overseas projects. Furthermore, to leverage cutting-edge technologies, we established the Center of Excellence (CoE) to consolidate blockchain, design, artificial intelligence (AI), and other digital technologies and expertise and serve as a research base to drive global consistency. The center has facilitated the sharing of case studies of these technologies being applied, which has led to synergies between operations and across countries. We have earned particularly high marks for our blockchain and design initiatives, a leading research & analysis firm assessed us as “A Leader” in this area, pointing to our success in globalizing the application of technology. NTT DATA aims to achieve Global Top 5 status by around 2025. We are positioning this as a Global 3rd Stage objective, under which we are pursuing global development. At the previous stage, our Global 2nd Stage objectives were consolidated net sales of more than ¥2 trillion and overseas business accounting for some 50% of net sales. Having achieved both goals during the period of the previous Medium-Term Management Plan, I believe we have reached the Global 2nd Stage. The final fiscal year of the previous Medium-Term Management Plan thus came to an excellent conclusion. FY2019 marks the start of the three-year period that is the Global 3rd Stage. This will be an extremely important period. Based on the new Medium-Term Management Plan we have formulated by taking past successes and lessons into account, we look forward to making a leap ahead in the next three years.

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* Compared to FY2015 (adjusted item: incremental investment in new areas)
By reinforcing four key factors, the “GETS,” we aim for growth with quality.

A core concept of our new Medium-Term Management Plan is increasing our strength with four key factors: growth, earnings, transformation, and synergy—collectively, “GETS.”

Under this plan, “Growth” refers to the ability to increase net sales and expand our customer base to enter the Global Top 5. By implementing the strategies outlined by the new Medium-Term Management Plan, we aim to generate consolidated net sales of ¥10.5 trillion and expand our client base from the 70 we reached in FY2018 to 80 or more. These are clients with annual sales over ¥5 billion (Japan) or US$50 million (ex-Japan), in annual IT spend (net sales).

To enhance “Earnings,” we will work on a global basis to increase the proportion of our high added value, and highly profitable digital business. On the cost front, we will pursue further breakthroughs in production technologies and promote regional efficiencies, aiming for a consolidated operating income margin of 8%.* We recognize improving the profitability of our overseas business as a particularly important management challenge. Through dialogue with our shareholders and investors, it has become clear that many people are concerned about the profitability of our overseas business. Under the new Medium-Term Management Plan, we will continue to increase net sales. At the same time, the plan clearly spells out an objective for improving profitability: an overseas EBITA margin of 7%—our first target of this sort. Along with the consolidated operating income margin and the overseas EBITA margin, we have set management objectives “continuing to increase the added value we provide clients” and “aiming for growth with quality” that clearly emphasize profit margins rather than amounts.

Meanwhile, given that our operating environment is undergoing significant changes, I believe it is vital to maintain the “courage to change” things that need to be changed and continue to do so boldly. With digital transformation accelerating, the use of AI and other digital technologies to drive changes in business models is gaining momentum. In 2014, digital business accounted for around 10% of the IT market. This figure is forecast to grow to 35% by 2020, and to above 60% by 2025. Against this backdrop, in order to continue providing value to clients that are transforming their business models, and to society, we ourselves must continue to change.

To do so, we must maintain the “courage to change.” As we embrace transformations that will strengthen our “Transformation” and “Synergy,” we will hone NTT DATA-specific strengths that will enable us to provide high added value. We have summarized the details for achieving these changes under three strategies, which I would like to explain next.

* Excluding temporary exit such as M&A and structural reorganization.

Armed with the “courage to change,” we will thoroughly enhance the value we provide to clients.

As we step up our “Transformation” and “Synergy,” I am convinced that by harnessing the power of our 123,000 employees working in 223 cities across 53 countries and regions, we can amass a formidable force that puts us head and shoulders above our competitors. We will implement three strategies to this end.

Our first strategy is to “expand global digital offerings.” To date, we have focused mainly on leveraging region-specific strengths. Going forward, we will augment this approach by creating globally consistent solutions that highlight our unique strengths, and differentiate us in the global market. We have a solid reputation with clients in the automotive sector, that are developing their businesses globally, for the way we develop a team comprising automotive sector specialists from each country. We are also strong in the healthcare, finance and insurance, telecoms, and retail sectors, among others. Meanwhile, we are focusing on specific digital technologies, such as the use of AI for analysis and automation, customer experience enhancement, and IoT. We will create our offerings—globally consistent, superior solutions and platforms—in industries where we are strong, combining these digital technologies. Leveraging these tools, we plan to build global, industry-specific teams to provide offerings around the world. In R&D, we will further expand CoE to accelerate the consolidation of digital technologies and expertise and put them to work on a global scale. By aggregating the strength represented by our global workforce of more than 123,000 people, we will generate synergies to boost the sum of 1+1 to three or even four. We aim to take full advantage of all aspects of the strengths we are deploying globally.

Our second strategy, which is to “deliver greater value to clients based on regional needs,” calls for us to proceed in line with market characteristics, and our own strengths that differ by region. We will continue operating under a shared value offering model called the “4D Value Cycle,” and utilize this to increase the value we provide to clients. The 4D Value Cycle adds the word “discover” to the previous 3D Value Cycle. This addition is because of the growing importance of forecasting and discovering new digital technologies as they continue to emerge. The 4D Value Cycle emphasizes discovering, designing, developing, and driving digital offerings that are designed specifically for clients, based on Long-Term Relationships. Through this cycle, we will move business forward by making new proposals for projects timed to coincide with the next stage of system upgrades.

Our third strategy is to “unlock our employees’ potential to maximize organizational strengths.” Here, we will promote a host of initiatives to augment our organizational
Addressing Key Challenges

We will address focused initiatives to restrain unprofitable projects and improve the profitability of overseas businesses.

We see restraining unprofitable projects and improving the profitability of overseas businesses as essential to achieving our management objectives, so we will address these two challenges with focused efforts.

Most of the amount of loss from unprofitable projects we conducted in FY2017 and FY2018 stemmed from one specific project that required extremely sophisticated technological capabilities. No other project was significantly unprofitable, which suggests the Project Review Committee, which we established in FY2013, is proving effective. In the past, we have screened projects at the order acceptance stage. To stem major losses of the sort we are experiencing from this one project, we will start screening projects at the proposal-making stage, particularly for highly complex projects. By revising our order-acceptance standards, having specialists verify feasibility, and optimizing project manager assignments to match project complexity and characteristics, we should be able to curtail losses from unprofitable projects to below 0.3%-0.5% of consolidated net sales each fiscal year.

With regard to improving the profitability of overseas businesses, we are experiencing a recovery in sales in North America, which dipped temporarily due to our focus on the process of integrating the former Dell Services. For this reason, in addition to the three globally consistent strategies explained above, we plan to achieve higher levels of efficiency through selection and concentration on our existing offerings. By doing so, we aim to boost the overseas EBITA margin from 3.1% in FY2018 to 4.8% in FY2019, and target 7% for FY2021.

For the past several years, net sales in the EMEA & LATAM Segment have been growing at a significantly higher pace than other markets. However, boosting profitability in this area has been a challenge, developing business across more than 40 countries.

Against this backdrop, we will introduce business structure reforms aimed at unification. Through these efforts, we aim to boost our EBITA margin in the EMEA & LATAM Segment from 3.4% in FY2018 to 7% in FY2021. Specifically, we will shift toward a highly profitable structure by unleashing employees' potential to increase talent for digital disruption, and boosting operational efficiency by revamping our internal IT systems. The overseas EBITA margin of 7% was determined after thorough discussions with the top management of each operating company, including how we are going to achieve it, and we are beginning to see our way toward reaching this goal.

Addressing Key Challenges

We will address focused initiatives to restrain unprofitable projects and improve the profitability of overseas businesses.

P25: Three Strategies for Maximizing Value for Our Clients

We will achieve ongoing increases in corporate value by working together with our clients to shape the future society.

The Sustainable Development Goals (SDGs) are one example of how companies are being called on to tackle global social and environmental issues. Our business has traditionally involved using the power of IT to solve issues faced by clients and society. With today's rapid advances in technology, we are now being called on to do more than ever before.

Based on this understanding, in our new Medium-Term Management Plan we have clarified our perspective on NTT DATA’s ESG management and formulated these ideas into strategies. By working to provide solutions to promote the sustainable development of clients and society, in addition to creating the society of the future, we will concentrate on corporate activities in line with the third strategy I have outlined. We will focus on measures that maximize employees' potential, such as cultivating human resources and introducing workstyle reforms. As environmental and social issues grow more important, tackling them becomes a greater priority. These increasing needs point to the potential expansion of our business of providing effective solutions. By engaging in corporate activities that maximize consideration for ESG, we can maximize the Company’s potential and minimize risk. For this reason, in addition to contributing to clients and society, through ESG management we aim to achieve sustainable increases in NTT DATA’s corporate value.

Over the next three years, we will harness our global power to take the lead in the digital world.

Through steady implementation of the strategies I have explained above, we will leverage NTT DATA’s unique strengths to provide added value to clients and society. These efforts should lead naturally to the achievement of our management objectives. Over the next three years, we will harness our global power to take the lead in the digital world.

I ask our shareholders and investors for your continued understanding and support.
Changes in the Growth Strategy and Positioning of the New Medium-Term Management Plan

Global 1st Stage
Increased Global Coverage

FY2012–2015
Two Previous Medium-Term Management Plans
Evolving into a corporate group that can efficiently provide diverse IT services worldwide

Management Targets

<table>
<thead>
<tr>
<th>Strategy Overview and Major Achievements</th>
</tr>
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</table>
| - Expansion of new business fields and reinforcement of product competitiveness
  - We used game-changing approaches to increase our share of existing markets (client base** 50 companies) and successfully entered new business fields.
| - Expansion, enhancement, and reinforcement of global business
  - We achieved an overseas sales ratio of more than 30%, and overseas sales exceeded ¥500.0 billion.
| - Pursuit of overall optimization
  - By introducing shared service centers, we reduced management expenses by more than ¥10.0 billion compared with FY2011.
| - Strengthens local presence
  - In the IT services market, we increased our presence in 8 of 10 countries.
| - Game-changing approach
  - We built a stronger client base and established a stable business foundation (client base** 70 companies).
| - Breakthrough technology
  - We reduced costs through standardization, automation, and other production technology innovations, and formed globally consistent R&D facilities to support client digitalization initiatives.

Issues

| - Prevent unprofitable projects
  - The Company has introduced a variety of measures to curtail unprofitable projects, including the establishment of the Project Review Committee in FY2013. However, we recognize the need for further curtailment efforts, as a large amount of loss from unprofitable projects occurred in FY2015.
| - Maximize value for our clients
  - To maximize value for our clients, we recognize the need to further accelerate digital transformation and maximize global synergies.
| - Prevent unprofitable projects
  - With the exception of a specific project, we succeeded in reducing the number below our target level** through such methods as establishing the Project Review Committee. Due in particular to increasingly complex technologies, we need to further step up curtailment efforts.
| - Improve profitability of overseas businesses
  - Although net sales grew significantly, profitability remains low, so substantial improvement is necessary.

Values

| Net Sales |
| Over ¥1.5 trillion | Achieved |
| Earnings |
| ¥200 | Achieved |
| Operating Income |
| +50%** | Achieved |

Global 2nd Stage
Recognized Global Brand

FY2016–2018

Global 3rd Stage
Diffuse of Trusted Brand

FY2019–2021

New Medium-Term Management Plan
~Midpoint to Global 3rd Stage~
Pursuing profitable global growth with consistent belief and courage to change

Client base** of more than 100 companies
Rank ▲ Top10 in major countries

Management Strategies

| Strategy 1 |
| Expand global digital offerings |
| Strategy 2 |
| Deliver greater value to clients based on regional needs |
| Strategy 3 |
| Unleash our employees’ potential that maximize organizational strengths |

Transformation & Synergy

Drive NTT Group Collaboration

Maximize Value for Clients

Growth
| Net Sales |
| ¥2.5 trillion |
| Client Base** |
| Over 80 |

Earnings
| Operating Income Margin** |
| 8% |
| Overseas EBITA Margin** |
| 7% |

Value Creation by NTT DATA

Trusted Global Innovator
Aiming to become a company trusted by clients worldwide with
Global Top 5 status

NTT DATA ASCEND
Rise and grow our global brand

P20: Review of Previous Medium-Term Management Plan
P21: Key Challenges to Address under the New Medium-Term Management Plan
P22: Strengthening Responses to Key Management Issues
P23: Three Strategies for Maximizing Value for Our Clients
P24: New Medium-Term Management Plan
P25: Three Strategies for Maximizing Value for Our Clients
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P27: Key Challenges to Address under the New Medium-Term Management Plan
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P53: New Medium-Term Management Plan
P54: NTT DATA’s ESG Management

Consistent Belief
Shape the Future Society with Our Clients

*5  Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan)
*6  Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan)
*7  0.3%–0.5% of consolidated net sales

*1  Compared to FY2015
*2  Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan)
*3 Excluding temporary costs such as M&A and structural transformation
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Japan & APAC
EMEA & LATAM
North America
Latin America & Brazil
Asia Pacific
Global 1st Stage
- Increased Global Coverage
- Overseas sales ratio 30%
- Net Sales Over ¥1.5 trillion
- Achieved
- EPS ¥200
- Achieved

Global 2nd Stage
- Recognized Global Brand
- Overseas sales ratio 50%
- Net Sales Over ¥2 trillion
- Achieved
- Adjusted Operating Income +50%**
- Achieved

Global 3rd Stage
- Diffuse of Trusted Brand
- Net Sales ¥2.5 trillion
- Client Base** Over 80
- Operating Income Margin** 8%
- Overseas EBITA Margin** 7%
- Around 2025

Two Previous Medium-Term Management Plans

| Global Coverage |
| Increased |
| Overseas sales ratio 30% |

| Strategy 1 |
| Expand global digital offerings |
| Strategy 2 |
| Deliver greater value to clients based on regional needs |
| Strategy 3 |
| Unleash our employees’ potential that maximize organizational strengths |

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Under the central theme of “strengthen local presence,” our previous Medium-Term Management Plan (FY2016–2018) set the targets of attaining more than ¥2 trillion in consolidated net sales and increasing consolidated operating income after adjustment by 50% (compared with fiscal 2015). We also undertook initiatives under two global strategies: “game-changing approach” and “breakthrough technology.”

Management Goals

- Net Sales Over ¥2 trillion
- Operating Income + 50%*

Strategies and Major Achievements

Strengthen Local Presence

Increasing Presence in Major Countries in the IT Services Market

We aim to increase the number of opportunities to propose IT services to a variety of key clients, including national governments and multinational corporations. To achieve this goal, we believe NTT DATA needs to gain a market share of 2% or higher, which we equate with a top-10 sales ranking, and we worked to augment our presence in major countries.

Review of Previous Medium-Term Management Plan (FY2016–2018)

- Net Sales
- Operating Income

Game-Changing Approach

- We have strengthened our client base by building Long-Term Relationships with our clients and established a stable business client.
- We increased market share with existing clients and won in new markets.

We broadened and deepened existing businesses by taking advantage of changes in client needs and our strengths, enabling us to increase market share with existing clients. We also anticipated IT technological trends and created new business with growth strategies according to the characteristics of each country, which enabled us to win in new markets. Efforts on these two fronts enabled us to further expand our market.

Net Sales in North America

- FY2018: ¥421.9 billion
- FY2016: ¥246.3 billion

Example of Increasing Our Market Share with Existing Clients

Launch of 24 / 7 Operation of the Zengin System

NTT DATA has been entrusted with operations related to the Zengin system, which connects financial institutions throughout Japan and handles cash settlements. We have built a trust-based relationship with our clients by providing service without a halt in transactions since the system commenced operations in 1973.

In addition to the core-time system (during weekdays), October 2018 marked the launch of the “more-time” system (nights, weekends, and holidays). The transition, which proceeded without mishap, made it possible to deposit and transfer funds instantly at participating financial institutions around the clock and throughout the year.

A deep understanding of client operations based on Long-Term Relationships made this large-scale project possible. The project also serves as an example of a framework for working with our clients to build the future society.

Example of Winning in New Markets

Awarded New BPaaS Contract with U.S. Healthcare Payer

We entered into a new BPaaS agreement with a U.S. medical insurance company that includes using digital technology to transform customer operations. This seven-year agreement is substantial, having a total value of more than US$300 million. We won this contract on the back of NTT DATA Services’ strengths in application management services, BPO, and infrastructure maintenance and management operations in the medical field, as well as an extensive service track record.
Utilization of Cutting-Edge Technology

- Establishing a mechanism to globally consolidate and utilize expertise on the latest technologies
- Software development automation tool
- AI

Initiatives of Investments in New Fields

- Breakthrough Technology
  - Reducing costs through standardization, automation, and other production technology innovations
  - Forming globally consistent research hubs and supporting client digitization initiatives

Status of NTT DATA Integrated Development Cloud Applications

<table>
<thead>
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<tbody>
<tr>
<td>EMEA &amp; LATAM</td>
</tr>
<tr>
<td>Expanding applications to global development environments</td>
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Key Challenges to Address under the New Medium-Term Management Plan

**Key Challenge 1: Maximize Value for Our Clients**

- P25: Three Strategies for Maximizing Value for Our Clients

**Key Challenge 2: Prevent Unprofitable Projects**

- P31: Enhancing Efforts to Curtail Unprofitable Projects

**Key Challenge 3: Improve the Profitability of Overseas Businesses**

- P44: Business Strategies by Segment

Impact of Loss from Unprofitable Projects (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
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</tr>
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<tbody>
<tr>
<td>FY2016</td>
<td>3.2</td>
</tr>
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<td>3.2</td>
</tr>
<tr>
<td>FY2018</td>
<td>2.34</td>
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</tbody>
</table>

Overseas Net Sales / Overseas EBITA Margin (Billions of yen)

<table>
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<th>Year</th>
<th>Overseas Net Sales</th>
<th>Overseas EBITA Margin</th>
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<tbody>
<tr>
<td>FY2016</td>
<td>15.5</td>
<td>15.9</td>
</tr>
<tr>
<td>FY2017</td>
<td>15.9</td>
<td>7.4</td>
</tr>
<tr>
<td>FY2018</td>
<td>10.6</td>
<td>9.9</td>
</tr>
<tr>
<td>FY2019</td>
<td>11.9</td>
<td>15.7</td>
</tr>
</tbody>
</table>

NTT DATA Annual Report 2019
New Medium-Term Management Plan (FY2019~)

Financials and Others

Message from the CEO

Business Strategies by Segment

Overview of the New Medium-Term Management Plan

We reached the Global 2nd Stage under our previous Medium-Term Management Plan, which set the targets of consolidated net sales in excess of ¥2 trillion and an overseas sales ratio of around 50%. Our new Medium-Term Management plan is designed to propel us toward the Global 3rd Stage by around 2025. As such, this will be an extremely important three-year period.

Under the new Medium-Term Management plan, we aim to enhance our capabilities in four factors—growth, earnings, transformation, and synergy (GETS)—and promote profitable global growth. In the first area, growth, we aim to achieve consolidated net sales of ¥2.5 trillion and expand our client base to 80 or more companies to meet our management target of achieving the Global Top 5 status.

To reinforce earnings, we are targeting a consolidated operating income margin*2 of 8% and an overseas EBITA margin*2 of 7%. In particular, we recognize the need to improve the profitability of overseas businesses as an important management issue. For this reason, we have set the overseas EBITA margin at 7% to provide a clear indicator for improving profitability as we expand.

We have set the overseas EBITA margin at 7% to provide a clear indicator for improving profitability as we expand.

Specifically, we aim to contribute to society through our business by providing social infrastructure and business category-specific solutions in collaboration with our clients to help resolve social issues.

Furthermore, in our corporate activities we will embrace workstyle innovations, respect diversity, and promote other initiatives that give maximum consideration to social issues. As a result, we aim to minimize risk and maximize our employees’ capabilities.

~Midpoint to Global 3rd Stage~

Pursuing profitable global growth with consistent belief and courage to change

We understand the need to improve the profitability of overseas businesses as an important management issue. For this reason, we have set the overseas EBITA margin at 7% to provide a clear indicator for improving profitability as we expand.

To reinforce earnings, we are targeting a consolidated operating income margin*2 of 8% and an overseas EBITA margin*2 of 7%. In particular, we recognize the need to improve the profitability of overseas businesses as an important management issue. For this reason, we have set the overseas EBITA margin at 7% to provide a clear indicator for improving profitability as we expand.

Overview of the New Medium-Term Management Plan

<table>
<thead>
<tr>
<th>Growth</th>
<th>Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over ¥2.5 trillion</td>
<td>8% Operating Income Margin</td>
</tr>
<tr>
<td>Over 80</td>
<td>Overseas EBITA Margin 7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Clients</th>
<th>Long-term Relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 80</td>
<td>NTT DATA</td>
</tr>
</tbody>
</table>

Three Strategies for Maximizing Value for Our Clients

Amid the onward march of digitization and globalization, as well as the major changes taking place in our business environment, we recognize the need to change ourselves in order to maximize the value we provide to clients.

To this end, we maintain the courage to change we will enact three strategies to step up our transformational and synergistic capabilities.

1. **Shape the Future Society with Our Clients**

   - **COURAGE TO CHANGE**
   - **Maximize Value for Our Clients**
     - **Transformation & Synergy**
       - Strategy 1: Expand global digital offerings
       - Strategy 2: Deliver greater value to clients based on regional needs
       - Strategy 3: Unleash our employees’ potential that maximize organizational strength

2. **Shape the Future Society with Our Clients**

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   - **Maximize Value for Our Clients**
     - **Transformation & Synergy**
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       - Strategy 3: Unleash our employees’ potential that maximize organizational strength

Three Strategies for Maximizing Value for Our Clients

- **Strategy 1:** Expand global digital offerings
- **Strategy 2:** Deliver greater value to clients based on regional needs
- **Strategy 3:** Unleash our employees’ potential that maximize organizational strengths

New Medium-Term Management Plan (FY2019~)

Business Operation Based on Strategies Tailored to the Characteristics of Individual Regions

- **Strategy 1:** Expand global digital offerings
- **Strategy 2:** Deliver greater value to clients based on regional needs
- **Strategy 3:** Unleash our employees’ potential that maximize organizational strengths

To “shape the future society with our clients,” we will contribute toward achieving the SDGs and cultivate ongoing increases in corporate value by creating value based on Long-Term Relationships with clients.

Specifically, we aim to contribute to society through our business by providing social infrastructure and business category-specific solutions in collaboration with our clients to help resolve social issues.

Furthermore, in our corporate activities we will embrace workstyle innovations, respect diversity, and promote other initiatives that give maximum consideration to social issues. As a result, we aim to minimize risk and maximize our employees’ capabilities.

*1 Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan)
*2 Excluding temporary costs such as M&A and structural transformation
Enhancing our global digital offering is a strategy designed to strengthen our overall global capabilities, increasing the Company’s sophistication and creating the tools it needs to compete globally.

The previous Medium-Term Management Plan concentrated on increasing our local presence, and under this plan we operated businesses on the basis of strategies tailored to individual regions. However, to achieve the further growth necessary to reach the Global 3 Stage, we recognize the need to create globally consistent strengths. For this reason, the new Medium-Term Management Plan defines global industry and technology focus areas. We will make strategic investments and consolidate our resources around the world to provide sophisticated services to global clients. We have three specific measures: accelerate global marketing, develop digital offerings, and expand COE.

By defining the focus areas and investing proactively, we will create offerings that will be our strengths and accelerate the global synergies together with marketing and technology utilization.

**Accelerate Global Marketing**

- Enhance client loyalty program and accelerate collaboration throughout focus industries
- Improve external relation activities (such as public relations and analyst relations)
- Leverage digital success stories

**Expand Digital Offerings**

- Formulate offering strategy based on our industry expertise
- Drive collaboration with clients and create offerings with open innovation initiatives
- Roll out global offerings

**Expand COE**

- Accelerate the utilization of assets by aggregating knowledge and assets around advanced technologies such as blockchain and AI

---

**Integrated Initiatives for Global Marketing and the Development of Offerings**

**Accelerate Global Marketing**

- Provide feedback on customer needs
- Roll out global offerings

**Develop Digital Offerings**

- Formulate offering strategy based on our industry expertise
- Drive collaboration with clients and create offerings with open innovation initiatives

**Expand COE**

- Accelerate the utilization of assets by aggregating knowledge and assets around advanced technologies such as blockchain and AI

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**Accelerate Global Marketing**

Globally Accelerate Intra-Industry Synergies and Strategically Approach Global Accounts

We will foster collaboration around the world among members in charge of specific industries and accelerate our global accounts program, which strategically approaches key clients doing business on a global basis. By also sharing and making use of digital success stories, we will encourage organic efforts as a unified global team (“Global One Team”).

**“Global One Team” Approach to Focus Industries**

- **Focus Industries**: Healthcare, BFSI*, Automotive, Telco, Retail
- **Global One Team**: NTT DATA EMEA, NTT DATA CHINA, NTT DATA APAC, NTT DATA Services

**Case Study: Global Automotive Initiative**

Through regional alliances at a global level, we were able to provide high-quality services to 70,000 end users in 30 locations across 25 countries.

- Concluded a multiyear agreement as a strategic partner for the operation, maintenance, and development of SAP systems in recognition of NTT DATA’s strengths, including global achievements in both SAP projects and the automotive industry.
- Collaborated with three client shared service centers to provide IT services leveraging development base coverage mainly in India, global automotive industry know-how, and Japanese project management capabilities.

**Case Study: The Digital Design CoE Initiative**

By consolidating expertise on various digital technologies and providing training, technical support, and assets (intellectual property), we are expanding our Center of Excellence (CoE), a base that underpins the expansion of our digital business globally. We are also supporting the rapid creation of global offerings and their rollout in individual regions.

**Broad-Based Design for the User Experience of “ho.,” Vodafone’s Second Brand**

Our Digital Design CoE provided support that was central to the launch of “ho.,” a new mobile phone brand in Italy. In addition to the website and app, we were instrumental in establishing the user experience design. We provided designs aimed at communicating enjoyment and ease of use to consumers. For instance, we designed an easy-to-open SIM card package, communicating enjoyment and ease of use to consumers. For users and the response from the users has been positive.
Regional Strategies

New Medium-Term Management Plan (FY2019–2021)

Strategy 2  Deliver greater value to clients based on regional needs

In addition to providing the digital offerings we have created through strategy 1, “Expand global digital offerings,” we will further enhance the value we provide to clients by continuing to utilize the “4D Value Cycle” (a value offering model shared throughout NTT DATA), taking into account market characteristics that differ by region and leveraging the Company’s strengths.

Value Offering Model

Trusted

Discover  Forecasting the market and clients’ needs, discovering new technology
Design  Grand plan with a view to collaboration of various businesses and services
Develop  Creating and offering solutions based on advanced system construction abilities and applicability
Drive  Support for clients’ maximum utilization of solutions

Strategy 3  Unleash our employees’ potential that maximize organizational strengths

To support the implementation of the first and second strategies, we will promote collaboration based on common values (clients first, foresight, and teamwork) and enhance organizational strengths to maximize global employee potential.

Unleash Employee Potential

• Enhance digital capabilities
  With a view to the Global 3rd Stage, we aim for all employees to develop the ability to leverage digital capabilities. We will provide measures accounting to the level of our human resources.
• Ensure our workplace enhances the diversity of our professionals
  By promoting human resource recruitment and workstyles we aim to cultivate a workplace that helps diverse human resources develop themselves professionally.
• Improve employee engagement
  We intend to enhance individual and organizational strengths by creating an environment that fosters a desire for diverse human resources to improve.

Digitize Our Work Environment

• Share knowledge, promote collaboration, and transform business processes leveraging digital technologies
  By accumulating “Know Here” and “Know With” information related to daily operations on a digital information platform, we will create a framework that empowers the Company. The Company can use for quick access to necessary information and employees. By sharing knowledge and promoting collaboration in this way, we aim to cultivate our culture as a knowledge-driven company.
• Transform the system development process through next-generation production technology
  To foster productivity further, we are encouraging further concentration toward the integrated development cycle, system development environment, and expanding the scope of applicability for the automation of software development.

Enhance Our Governance Processes

• Enhance risk management
  With a view to the Global 3rd Stage, we will reinforce our overall risk management systems globally.
• Advance project management
  We aim to set useful, trackable projects through initiatives such as strengthening our early response to risks, further enhancing on-site capabilities, and bolstering administrative processes.

Focus Industries

Healthcare  BFSI*1  Automotive  Retail
Digital Focus Areas

Customer Experience  Other customer technologies  Digital design, VR / AR, other technologies  DevOps / agile, legacy modernization, other technologies  Cloud / edge computing, other technologies

Case Study: Solution for AI Diagnostic Imaging Support

Case Study: Open Banking Platform

Our AI diagnostic imaging solution helps radiologists with diagnostics by using AI technology to analyze patients’ medical images for serious disease. The solution can be used for 12 disease categories, including cerebral hemorrhage. During proof-of-concept (PoC) testing in India, we used CT images to target emphysema and confirmed the solution’s ability to detect a greater number of cases.

We are developing an SaaS-type platform that facilitates low-cost and rapid launch of banking functions for companies that wish to provide simple financial services without having to acquire banking licenses and financial institutions that want to provide new financial services while minimizing their impact on existing systems.

In addition to the minimal functions required of accounting-type systems for deposits, loans, and remittances, this platform facilitates the ongoing addition of features, including QR code payment, data renting, and wallet functions. We plan to roll out the platform globally as a light cloud accounting service, providing a common platform for areas without regional color.
**Drive NTT Group Collaboration**

While continuing to strengthen NTT DATA’s own management and brand, we will enhance our presence in the global market by creating new value for the NTT Group as a whole.

**Collaboration in advanced fields**

- Leverage global solution-based R&D* as well as R&D in next-generation science**
- Expand business by cross-sell and provision of total service (B2B2X, etc.)

**Collaboration in each region**

- NTT Research, Inc.
- NTT Communications
- NTT Ltd.
- NTT Global Sourcing, Inc.

**Collaboration utilizing economy of scale**

- Drive reduced costs through NTT global procurement organization

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**Format for寬広域の協働支援**

- **NTTデータ**
- **NTTリサーチ、NTTコミュニケーションズ、NTTデータ、NTTグローバルソーシング、等**

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**Collaboration in Advanced Fields**

In advanced fields, we leverage the results of basic research conducted by NTT Research, Inc. and NTT Laboratories and take charge of efforts to transform those results into businesses. NTT Research and NTT Laboratories have an annual budget of around ¥100.0 billion. The privilege to utilize research institutions such as these is a major benefit of belonging to the NTT Group.

**Basic research**

- NTT Research, Inc.
- NTT Laboratories

**Applied research**

- NTT Data Group

**Business application**

- Notable examples of applications
  - Abnormal sound detection
  - Edge computing technology

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**Tests Using NTT’s “corevo” AI Technology to Predict Lifestyle Diseases for an Insurance Company**

Lifestyle diseases are associated with rising medical expenses and other social problems, prompting the need to prevent such diseases by improving individual lifestyles and ascertaining health risks.

NTT’s AI technology (corevo) facilitates highly precise analysis, even when data quality is non-uniform or sparse. We were able to use this technology to predict the likelihood of lifestyle diseases occurring in the future.

NTT DATA provides an environment for the trial use of this technology, and works to achieve one of the management targets of the new Medium-Term Management Plan: an overseas EBITA margin* of 7%.

In FY2018, we controlled costs on unprofitable projects to below the target level, with the exception of one particularly complex project requiring an extremely high level of technological expertise. However, we generated substantial losses on that project. As that project was particularly complicated, even when viewed from a global perspective, we recognize the need to step up our efforts to curtail unprofitable projects that are extremely complicated.

**Where We Are**

- Where We Are
- Challenge

**Advance Projects Management**

Learning from past projects that were unprofitable or highly complex, we are stepping up our early-stage response to risks, further enhancing on-site capabilities, and reinforcing administrative processes as part of our efforts to curtail unprofitable projects.

**Where We Are**

- Prevention, order receipt
- Development

**Pre-proposal**

- Moving the third-party check forward
- Provision areas for third-party check by the Project Review Committee

**Challenge**

- Further control especially for complex projects

**Strengthen teams’ capabilities**

We will optimize the allocation of project managers according to project complexity and characteristics.

**Enhance management process**

We will review our standards for accepting projects that have a tendency to present issues and augment the Project Review Committee’s effectiveness. In addition, we will provide early-stage, Companywide support for projects that are expected to generate additional losses.

**Leverage past learnings**

In addition to projects that were unprofitable in the past, we will step up our efforts to accumulate expertise and know-how on highly complicated projects. We aim to increase our ability to curtail unprofitable projects, regardless of type.

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**Case Study**

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**Strategies for Improving the Profitability of Overseas Businesses**

In the North America and EMEA & LATAM Segments, America, we will engage in a growth strategy aimed at improving profitability as we work to achieve one of the management targets of the new Medium-Term Management Plan: an overseas EBITA margin* of 7%.

**Growth strategy in North America Segment**

- We aim to expand sales profitably by creating new digital offerings, engaging in the selection and concentration of these offerings, and enhancing our digital response capabilities.

**Where We Are**

- Completed integration with the former Dell Services as planned, resulting in stronger US market presence

**Challenge**

- Further sales volume expansion with profitability

**Enhance value for clients through unification**

**Dramatically improve profitability by investing in structural transformation**

**Where We Are**

- A high rate of growth led to greater sales, strengthening our market presence

**Challenge**

- Improve profitability through constant, rapid growth

**Enhance value for clients through unification**

**Expand our focused service portfolio and secure high-potential customers**

- *Temporary costs related to M&A, structural transformation, etc., are excluded.*

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**NTT DATA Annual Report 2019**
Message from the CFO
(Business Performance Review, Financial and Capital Strategy)

Results for FY2018

In FY2018, the final year of the previous Medium-Term Management Plan (FY2016–2018), we steadily expanded new orders received and net sales, thanks to the scale of operations in Japan and overseas. FY2018 also marked the 30th consecutive year of an increase in net sales, dating back to our founding. Operating income absorbed the impact of unprofitable large-scale projects in the Public & Social Infrastructure Segment, rising 20% year on year thanks to profit accumulated on higher sales and steady cost control implemented Companywide. Furthermore, we booked record highs in new orders received, net sales, operating income, and net income attributable to shareholders of NTT DATA. New orders received in the North America Segment rose by more than ¥400 billion in FY2018, due primarily to the receipt of several large-scale orders in the fourth quarter. We view this development as a positive sign for FY2019.

Despite the impact of unprofitable large-scale projects, we were able to meet all targets in our full-year forecast due to our implementation of necessary measures, including our planned investment of approximately ¥10 billion in new fields. Our success leads us to the conclusion that we were able to wrap up the final year of our previous Medium-Term Management Plan in very good shape.

Forecasts for FY2019

In the Financial Segment, we project that new orders received will decline due mainly to less orders compared to the previous fiscal year such as for large-scale projects for banks, as well as the projected downward impact of exchange rates on overseas operations. Based on favorable overall performance in new orders received during FY2018, we forecast higher sales in all segments and will aim for our 31st consecutive year of an increase in net sales.

In pursuit of the management objectives in our new medium-term management plan, which ends at the conclusion of FY2021, we will raise growth investment (particularly investment in digital-related growth) by approximately ¥10 billion and conduct about ¥10 billion worth of concentrated investment aimed at meeting the requirements of the 31st year. We believe this will raise costs by approximately ¥20 billion, we still expect to secure the same level of operating income as we did in FY2018, thanks to higher profits due to increasing sales, and efforts to curb unprofitable projects.

We also conducted digital-related growth investment of approximately ¥10 billion in FY2018. In contrast, in FY2019 we will invest about twice as much into new areas after narrowing down our target technologies and sectors, and create digital offerings on a global level. We believe this type of digital-related investment will remain necessary in FY2020 and onward.

On the other hand, concentrated restructuring investment in the EMEA & LATAM Segment will have a mainly temporary financial impact. Our three subsidiaries in this area operate in more than 40 countries, and operational costs are expanding. As a result, the efficiency of these subsidiaries is a major issue. In FY2019, we will conduct concentrated investment in structural transformation aimed at increasing their efficiencies and profitability by implementing a variety of measures based on our goal of enhancing value for clients through unification.

Moving forward, we aim to meet all the management objectives of our new Medium-Term Management Plan by securing growth and quality through the appropriate implementation of this investment.

Financial and Capital Strategy

To achieve the objectives in our new Medium-Term Management Plan, our policy regarding the use of cash is to prioritize essential business investment that focuses on growth. We also proactively allot cash for use in M&A and other activities related to our objective of achieving growth and quality on a global scale.

In addition, we believe it is important to maintain a sound financial base to stably ensure the integrity of the information infrastructure supporting society, finance, and the economy. Our shareholder return policy is to enhance returns over the medium- to long-term while considering an overall balance between the factors indicated above. We aim to raise capital efficiency by expanding profit rather than reducing invested capital.

Essential Business Investment Targeting Growth Necessary for Achieving the Objectives in Our New Medium-Term Management Plan

Under our new Medium-Term Management Plan, we will allocate cash for growth investment in digital and related domains, structural transformation in the EMEA & LATAM Segment, and various business investment necessary for conducting M&A and completion activities.

Basically, we intend to keep this investment within the range allowed by free cash flow. However, if we encounter large-scale M&A opportunities that serve our strategies, we may raise the necessary extra funding by temporarily incurring debt while continuing to give due consideration to the maintenance of a sound financial base.

Maintaining a Sound Financial Base

Regarding the soundness of our financial base, we believe it is important to maintain a strong financial base to enhance corporate value over the medium- to long-term and stably continue business activities as a company tasked with the development and operation of large-scale systems that support society, finance, and the economy. Meanwhile, developing and operating information infrastructure supporting society requires large-scale prior investment. We position the debt-to-equity (D/E) ratio as an important indicator and closely monitor the soundness of our financial base, considering it our critical mission to secure funds for such purposes favorably, flexibly, and reliably. As a general guideline, we maintain an awareness regarding whether or not we are achieving levels that allow us to maintain an AA credit rating, while focusing on the soundness of our financial base.

When acquiring the former Dell Services in FY2016, we raised funds through long- and short-term borrowings. As a result, the D/E ratio temporarily rose to 0.81 but later improved to 0.66 in FY2018 thanks to repayment of debt.

We believe the FY2018 D/E ratio of 0.65 is within an appropriate range, and we have maintained our credit ratings (AA [R&I], AA+ [JCR]). While remaining aware of credit ratings, if the D/E ratio rises due to M&A or other activities, we will prioritize management activities targeting a healthier balance sheet.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Billions of yen)</th>
<th>Operating Income (Billions of yen)</th>
<th>Net Income (Billions of yen)</th>
<th>D/E Ratio (Times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,205.7</td>
<td>1,477.7</td>
<td>388.0</td>
<td>0.65</td>
</tr>
<tr>
<td>2011</td>
<td>2,205.7</td>
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<td>2012</td>
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*1 Net interest-bearing liabilities + Amount invested to acquire the former Dell Services, Approx. ¥350.0 billion
*2 D/E ratio = interest-bearing liabilities / (net assets – non-controlling interests)

<table>
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<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Net Income</th>
<th>D/E Ratio</th>
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(Business Performance Review, Financial and Capital Strategy)

Shareholder Return Policy

Due to our policy of allooting cash for business investment necessary for growth, we are not currently considering share buybacks. For the foreseeable future, we will conduct shareholder return primarily through the consistent issuance of dividends.

We issue dividends in light of overall consideration for business trends and financial conditions on a consolidated basis. Such consideration includes achieving a balance between business investments, technological developments, and the maintenance and strengthening of our financial structure. When determining the dividend amount, we place emphasis on maintaining the medium-to-long-term consolidated cash flow dividend payout ratio.*1 In FY2019, we plan to increase the dividend per share by ¥1 compared to the previous fiscal year. Going forward, in the event of changes to the balance between the scales of free cash flow and growth investment, we will also consider change to the shareholder return balance.

Improving Capital Efficiency

We are facing higher demand for management that is conscious of capital efficiency due to revisions made to the Corporate Governance Code. Our policy concerning ROIC*2 is to ensure a level that exceeds WACC over the medium-to-long term. In terms of improving capital efficiency, we are currently in a growth stage and will allocate cash to business investment necessary for achieving growth as we move forward. For this reason, we will improve capital efficiency by expanding profit (the numerator in the ROIC equation) through the achievement of growth that accompanies quality, rather than by decreasing invested capital (the denominator in the ROIC equation). We are maintaining an awareness regarding profitability improvement under the new Medium-term Management Plan and have set our target operating income margin*3 to 8% and our target overseas EBITA margin*4 to 7%. Drifting our management targets from their focus on the amount of operating income under the previous Medium-term Management Plan to a focus on operating income margin, NTT DATA will raise ROIC by expanding profit through the improvement of profitability.

We will reduce acquisition risk implementing the following risk reduction measures:

1. Implementation of long-term incentives (Compensation for a predetermined period of service)
2. Utilizing earnout (Payment of acquisition price in installments)

Major Overseas Acquisitions
(Acquired company, year of acquisition, purpose of acquisition)

We will increase our overseas business through M&A using the M&A strategy below.

M&A Strategy

Up until now, M&A has been a growth driver for overseas business. Moving forward, we will continue to view M&A as an important tool as we aim to achieve our Global 3rd Stage.

The NTT DATA Group will utilize M&A as a driving force for global growth, placing the highest degree of importance on acquiring compatible companies that share its values.

Geography (Priority regions)

- Expanding coverage and increasing local presence
- Regions where IT services have a large market scale
- Regions in which our market share is less than 2%

Offering (Service provision capability)

- Strengthening insufficient capabilities throughout the business cycle, from upstream to downstream
- Enhance our consulting abilities
- Strengthening technical capabilities and solutions
- Augment our capability to provide digital business
- Enhance solutions for priority industries

Focus Points

Example of Acquisition Scheme

Acquisition price
- Earnout
  - Paid additionally in the event that the company to be acquired meets business performance targets
- Initial payment amount
  - Paid at the time of acquisition

Time of acquisition

- Time
- Initial payment amount
- Earnout

Acquisition price

- Paid additionally in the event that the company to be acquired meets business performance targets
- Paid at the time of acquisition

- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
- 2018
- 2019

Geography (Priority regions)

- Offering (Service provision capability)

- Spain / LATAM
- Germany
- United States
- Italy
- The former Dell Services
- Spain / LATAM
- United Kingdom
- France
- The former SunGard
- The former DHL
- The former GE
- The former CITRIX
- The former ITW
- The former LAKAN

*1 Consolidated cash flow divided by annual weighted average of past 5 yrs.
*2 Figures for the forecasts for FY2019 were calculated excluding the impact amount of the stock split.
*3 For “weighted average of past 5 yrs.” In IFRS, figures based on JGAAP are used in FY2016 and earlier.
*4 Figures for the forecasts for FY2019 were calculated excluding the impact amount of the stock split.
*5 ROIC was calculated excluding temporary costs such as M&A and structural transformation.
*6 Figures for the forecasts for FY2019 were calculated excluding the impact amount of the stock split.
Business Strategies by Segment

**NTT DATA Group (Results for FY2018)**

**Net Sales**
¥2,163.6 billion

**Operating Income**
¥147.7 billion

---

**Business Overview by Segment (FY2018 Results)**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Net Sales (Billions of yen)</th>
<th>Operating Income (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st IT Services Vendor Ranking in Financial Market (Japan)**:</td>
<td>¥3.0 trillion</td>
<td>15.6%</td>
</tr>
<tr>
<td><strong>Public &amp; Social Infrastructure</strong></td>
<td>2nd</td>
<td>13.0%</td>
</tr>
<tr>
<td>2nd IT Services Vendor Ranking in Public &amp; Social Infrastructure Market (Japan)**:</td>
<td>¥2.4 trillion</td>
<td>13.0%</td>
</tr>
<tr>
<td><strong>Enterprise &amp; Solutions</strong></td>
<td>5th</td>
<td>5.2%</td>
</tr>
<tr>
<td>5th IT Services Vendor Ranking in Enterprise &amp; Solutions Market (Japan)**:</td>
<td>¥6.5 trillion</td>
<td>5.2%</td>
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<td>¥6.5 trillion</td>
<td>5.2%</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>30th</td>
<td>0.9%</td>
</tr>
<tr>
<td>30th North America Market and NTT DATA’s Market Share*</td>
<td>¥47.3 billion</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>EMEA &amp; LATAM</strong></td>
<td>15th</td>
<td>1.2%</td>
</tr>
<tr>
<td>15th IT Services Vendor Ranking in EMEA &amp; LATAM Market**:</td>
<td>¥36.5 trillion</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

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**Value Creation by NTT DATA**

Net sales has grown steadily due to the robust domestic business and expansion of scale in overseas businesses. As a result, net sales has grown for 30 consecutive years since the Company was founded. Operating income grew by ¥24.6 billion, offsetting the impact of unprofitable projects with additional profits from sales growth and steady cost control on a Companywide basis.

Net sales and operating income were ¥559.1 billion (0.1% decrease year-over-year) and ¥52.9 billion (2.9% increase year-over-year), respectively, due mainly to the sales growth in services for the insurance industry despite less profits compared to the previous fiscal year from services provided to banks.

Net sales was ¥472.9 billion (1.4% decrease year-over-year) due mainly to the decrease in services for the healthcare and financial industries, despite an increase in services for public and manufacturing sectors. Operating income was ¥35.5 billion (no comparison with the previous fiscal year) due mainly to cost improvement and decrease of PM expenses, despite a decrease due to decline in sales.

Net sales was ¥440.1 billion (13.6% increase year-over-year) due mainly the expansion of businesses in Europe, mainly in Spain and Italy. Operating income was ¥7.9 billion (62.4% increase year-over-year) due mainly to sales growth.
## Business Strategies by Segment

### Public & Social Infrastructure Segment

We provide high-value-added IT services that underpin government, medical, telecommunications, electric power, and other social infrastructure that energize regions, centered on Japan.

<table>
<thead>
<tr>
<th>2018</th>
<th>2021 (Estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources: Reference materials of the Cabinet Secretariat of the IT Strategic Council (as of January 2019)</td>
<td></td>
</tr>
</tbody>
</table>

**Market Environment**

Going forward, the Japanese government’s IT investment will remain nearly unchanged for existing IT operations but is expected to increase slightly as a whole as a result of IT investments in new measures for digitizing government operations and for realizing “Society 5.0.”

In addition, although IT investment in the energy market is on a downward trend for electric power and gas system innovations, it is expected to increase overall due to IT investments aimed at achieving xEMS and smart cities.

**Opportunities and Threats**

**Opportunities**

- Increased business opportunities stimulated by government action plans
- Growing business opportunities stemming from digital process regulations
- Investment targeting public infrastructure reforms and enhancements

**Threats**

- Increasing demands to reduce cost of government information systems
- Increased demand for cost reduction among businesses
- Increased demand for cost reduction in existing system integration (IS) areas

**Growth Strategy**

In the Public & Social Infrastructure Segment, we will maintain existing projects, through means such as consistently receiving upgrade orders for core processes from the government and infrastructure companies, while at the same time expanding regional businesses by branching out into digital fields through the leveraging of the achievements, know-how, and other strengths cultivated thus far. In addition, operations in this segment will be grown by creating new businesses for developing new social systems through public-private integration in accordance with future investment strategies and digital government action plans based on “Society 5.0.”

We will aim for medium- to long-term growth by expanding businesses in new fields based on trends in government policy, customers, and markets.

**Focus Areas of the New Medium-Term Management Plan (FY2019–2021)**

The new Medium-Term Management Plan focuses on the expansion of digital businesses that capitalize on existing strengths in order to facilitate the implementation of growth strategies for progressing to the Global 3rd Stage (around 2025).

### Strengths / Achievements

- Top-class technological and project management capabilities that facilitate development and operation of mission-critical systems supporting social infrastructure
- Deep understanding of client businesses and strong trusting relations built through years of operating clients’ systems

### Business Areas Analysis

#### Corporate Activities Supporting Lifestyles

- **Government services focused on users**
- **Government service data coordination**

#### Public Services Supporting Society

- **Cash Study: Grid Data Bank Lab.**

#### Digital Business Initiatives 1

**Compatibility with Digital Governments**

Support the realization of digital governments based on the visions of the existing government process reform plans on digitization.

- Promotion of digitization of public and current authentication processes using My Number cards
- Development of secure and reliable personal data distribution platforms
- Provision of governance services that can be shared among agencies based on agency structures

**Digital Business Initiatives 2**

**Digital Services That Are Co-Creative with Clients**

Provision of high-value-added services for various industries and business models that combine the digital data of existing clients with that of companies from different industries.

- Utilization of data to transform business processes
- Promotion of co-creation with companies, organizations, and individuals to support creation of consumer services using data
- Provision of governance services that can be shared among agencies based on agency structures

#### Digital Business Initiatives 3

**Expansion of Solution Businesses**

- Thoroughly reinforce competitive technologies to deploy solutions that drive digital transformation
- **Enhancement of products through proactive adoption of cloud technologies and services**
- **Development of next-generation solutions by ensuring technological edge and aggressively employing digital technologies**
- **Expansion of sales channels through alliances with various partners**

### Digital Service That Are Co-Creative with Clients

#### Grid Data Bank Lab. LLP

- **Grid Data Bank Lab. LLP**

- **Existing Solutions**

- **New Market**

- **Existing Solutions**

- **New Market**

- **Next Solution**

- **Cash Study: Grid Data Bank Lab.**

- **Business Areas Analysis**

- **Government services focused on users**

- **Government service data coordination**

- **Cash Study: Grid Data Bank Lab.**

- **Public Services Supporting Society**

- **Cash Study: Grid Data Bank Lab.**

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- **Expansion of sales channels through alliances with various partners**
Business Strategies by Segment

Financial Segment

We provide high-value-added IT services that contribute to increased service and operational efficiency, centered on Japanese financial institutions.

Net Sales / Operating Income
(Million of yen)

Politics
Government promotion of financial innovation and business environment reforms
• Services to the Banking Act and the Payment Services Act opening
• Globalization and deregulation
• Negative interest rate policies, and other factors
• Generalization of regulations related to handling of personal data

Economics
Emergence of new financial services
• Diversification of players other than financial sectors
• Globalization and deregulation
• Other factors
• Increased opportunities for data utilization

Society
Population decrease and rapidly changing population composition
• Declining population and birth rate and aging population of the countryside
• Progressive integration of non-working-age population represented by digital natives

Technology
Exponential advances in technology
• Increasing number of users using AI, robots, blockchain, and other new technologies

Main External Environment

• Swift and low-cost creation of services through partnerships in cloud and open application programming interface (APIs)

Growth Strategy

In the Financial Segment, we will continue to provide large-scale mission critical systems, an area of strength for NTT DATA, as well as high-quality systems based on strong relationships of trust with clients. In addition, we will leverage the NTT Group’s state-of-the-art technologies to contribute to the promotion of clients’ digital shifts, and to expand businesses through the creation and deployment of new services together with clients.

Focus Areas of the New Medium-Term Management Plan (FY2019–2021)

Contribute to the Promotion of Clients’ Digital Shifts
Open Mission Critical Platform Initiatives

Prospects for Open Mission Critical Platform

Application to Ultra-Large-Scale Systems

Consolidation of Platforms into Community-Cloud-Computing Services

Create and deploy new services together with clients.

OpenCanvas Initiatives

OpenCanvas is a delivery platform for digital services created using the system platform for ANSER, which is employed by nearly every financial institution in Japan, and our related operational know-how.

Since the launch of OpenCanvas in September 2017, we have proceeded to swiftly and efficiently:

• Create and deliver services with low cost and high quality through APIs, thereby allowing for new digital services to be provided across financial institutions.

OpenCanvas enables financial institutions to coordinate their financial services that allow for various cloud services as well as an institution’s in-house systems to be leveraged while maintaining high levels of safety and reliability.

We will continue to proactively expand the lineup of available services going forward in order to supply OpenCanvas as a systems of engagement (SoE) platform that promotes digitization throughout society.

NTT DATA is currently moving ahead with efforts to achieve compatibility with open platforms for core banking systems in order to enhance its lineup of delivery platforms for core banking systems currently operating on mainframes. By ensuring the same reliability as conventional mainframes while introducing open platforms that can utilize the applications currently operating on mainframes, NTT DATA aims to make it possible for financial institutions to choose the platform that best matches their specific strategies.

Going forward, we will look to propose options for clients other than financial institutions, which tend to prioritize reliability and therefore use mainframes, while also broadening the lineup of delivery platforms to include those that utilize cloud systems in the future.

Financial institutions connected to "ANSER"

Parasol • 833 institutions
BiZSol • 815 institutions

Share related to "OpenCanvas" API**

For individuals: Approx. 54% For companies: Approx. 73%

"Zengin system" annual handling volume approximately ¥3,000 trillion

Client Coverage Ratio (Core Banking Systems)

Maintaining stable market share for domestic banks’ core banking systems

Major banks / Japan Post Bank (%) 40%
Regional banks (103) 38%
Stoisko (297) 92%
Credit unions (146) 98%
Labor banks (13) 100%
JA Bank (607) 100%

As of July 2019

*2 According to NTT DATA's research as of July 2019. Bankers that disclose the names of vendors that provide API infrastructure (e.g. vendors of mid-tier, regional, local, and other mid-tier banks)
*3 Internet banking for individuals
*4 Internet banking for companies
In addition to those clients who use IT primarily for the purpose of improving efficiency, there has been a rise in the number of clients proactively using IT to strengthen competitiveness and innovate business models to increase sales. Such market changes are occurring at an increasingly rapid pace, and the enterprise market is growing against this backdrop.

**Market Environment**

In the Enterprise & Solutions Segment, we will combine its existing strengths with cutting-edge technologies to deliver greater levels of new value that contribute to client businesses.

**Business Strategies by Segment**

**Enterprise & Solutions Segment**

**Management Strategies**

**Areas to Strengthen**

**Expectations for NTT DATA**

- Expectations for IT changing from increasing efficiency to strengthening competitiveness and innovating business models
- Substantial anticipations for NTT DATA to utilize sophisticated technologies

**Opportunities and Threats**

**Opportunities**

- Growth in IT investment aimed at expanding sales through the utilization of digitization to strengthen customer touchpoints
- Diversifying needs related to expanding settlement methods and settlement functions supporting online tourism and spread of code payment services
- Promotion of cashless payments by the Japanese government
- Development of systems for addressing labor shortages (hired by digital stores)

**Threats**

- Rapid changes in logistics and retail business models
- Entry of new payment system players
- Entry of players from other industries

**Digital Commerce / Digital Marketing**

- Track record in developing digital commerce systems combining payment services with omnichannel systems
- Experience supporting corporate transformations through user experience design

**Payment**

- Leading Japanese comprehensive cashless payment platform and compatibility with multiple payment methods
- Five bases in APAC area for providing global payment services

**AI / IoT**

- Human resources capable of using AI, IoT, and data to offer support from concept planning through to platform development and finally creation of business results and experience with this regard
- Leading domestic embedded software engineer staff (1,500 people)

**Global Operation Platform**

- Around 1,000 SAP experts in Japan alone
- Global SAP delivery capabilities

**Advanced Outsourcing - Cloud - Network**

- Successful implementation of numerous integration and comprehensive outsourcing projects in the infrastructure domain

**Growth Strategy**

In the Enterprise & Solutions Segment, we are promoting business enhancements and expansion based on the following policies.

- Focus on areas of clients’ transformation and contribution to business growth
- Provide high levels of value by combining work process and cutting-edge technology expertise
- Cultivate mindset and culture of leading clients with the goal of becoming professionals in the areas of work processes and cutting-edge technology

**Focus Areas of the New Medium-Term Management Plan (FY2019–2021)**

In the Enterprise & Solutions Segment, we will combine its existing strengths with cutting-edge technologies to deliver greater levels of new value that contribute to client businesses.
Business Strategies by Segment

North America Segment

We provide high-value-added IT services centering on North America, taking market characteristics into account.

Market Environment

The North America IT market is the world’s largest, accounting for approximately 43% of the global IT market.* In terms of the future outlook, this market is expected to grow by Y8 trillion (CAGR of approximately 5.2%) over three years, from Y47.3 trillion in 2018 to Y55.1 trillion in 2021.

North America Market 2018 Industry Composition**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial &amp; Insurance</td>
<td>16.0%</td>
</tr>
<tr>
<td>Healthcare Providers</td>
<td>14.9%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>14.6%</td>
</tr>
<tr>
<td>Communications &amp; Services</td>
<td>14.3%</td>
</tr>
<tr>
<td>Retail &amp; Logistics</td>
<td>10.6%</td>
</tr>
<tr>
<td>Government &amp; Public</td>
<td>10.3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.3%</td>
</tr>
<tr>
<td>Services</td>
<td>8.8%</td>
</tr>
<tr>
<td>Manufacturing &amp; Nature</td>
<td>8.4%</td>
</tr>
</tbody>
</table>

Scale and Growth Rates of North America Market**

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>47.3</td>
</tr>
<tr>
<td>2021</td>
<td>55.1</td>
</tr>
</tbody>
</table>

Opportunities and Threats

Opportunities

- The ongoing march of business innovation due to digitization
- Increased investment in AI / IoT, Big Data analytics, mobile technology, cloud computing, etc.
- Demand for updating IT environments at governmental and other institutions in response to the Modernizing Government Technology Act (the modernization of legacy systems and a heightened response to cybersecurity)
- Increased demand for investment contributing to labor saving, automation and operational efficiency improvement in accordance with the rise in personnel, expenses
- Increased demand for outsourcing using cutting-edge technologies
- Increased business opportunity in Canada

Threats

- Trend toward insourcing aimed at enhancing high-value-added internal resources in line with rapid digitization
- Rapid vendor consolidation in attempt to thoroughly reduce cost in the outsourcing domain
- Competition in the conventional infrastructure services market
- Impact on IT spending caused by U.S.–China trade dispute

Strength

We build long-term relationships of trust with clients in various industries by deploying competitive solutions based on our deep knowledge of their businesses.

Healthcare and Life Sciences

- Approx. 50% of U.S. hospitals
- 10 of the top U.S. health insurers

Public Sector

- Approx. 50 national agencies and military branches
- Approx. 25 states and municipalities

Financial Services and Insurance

- Top 25 leading financial institutions in North America

Manufacturing

- Top 25 automotive companies worldwide

Growth Strategy

Expand Our Focused Service Portfolio, and Secure High-Potential Customers

The North America Segment will increase high-potential clients by enhancing service delivery capabilities in the digital field and generating strength with a focused service portfolio through creation of new digital offerings by accelerating investment in innovation, improvement of efficiency by selecting focused offerings, and unleashing of employees’ potential as a digital workforce for digital transformation, while taking advantage of our current business foundation.

Through this growth strategy, we aim to expand our business with profitability and achieve EBITA margin* of 7% in FY2021.

Create New Digital Offerings by Accelerating Investment in Innovation

North America Segment has been enhancing service delivery capabilities through growth investment in the digital field. For example, in the fields of Intelligent Automation and Data Intelligence, we not only achieved results on trial basis in PoC but are also starting to see actual results, receiving orders of a scale exceeding tens of billions of yen annually.

We intend to create competitive digital offerings by focused investment in areas narrowed down based on the three policies of: strengthening the core through digital optimization, creating next-gen advantage through digital transformation, and nurturing of future bets through digital innovation.

Focus investment area of North America

- Strengthen the core through digital optimization
- Create next-gen advantage through digital transformation
- Nurture future bets through digital innovation

Improve Efficiency by Selecting Focused Offerings

In North America, we have narrowed the focus of our many existing offerings and have also developed new digital offerings that address the greatest areas of need for our clients. This sharper focus on the most intense areas of market demand, along with deep expertise in select vertical industries, is expected to help us increase our sales and delivery efficiency.

Unleash Employees’ Potential as a Digital Workforce for Digital Transformation

To become a partner who works alongside our clients to advance their digital strategy, we recruit and acquire talent and enrich our digital workforce in terms of both number and quality through trainings for enhancing digital capabilities of our non-digital workforce.
Management Strategies

**ESG Management**

**Scale and Growth Rates of EMEA & LATAM Market**

- The scale of the EMEA and Latin America IT market accounts for approximately 33% of the global IT market.*1 In terms of the future development base in Romania, which has excellent leadership and have a solid client base.
- For small and medium-sized German companies, and have robust client relationships.
- Increased demand for outsourcing using cutting-edge technologies
- Growing security consulting and other needs in response to personal information protection regulations and a growing number of cyberattacks
- Increased demand for outsourcing using cutting-edge technologies

**Net Sales / Operating Income / EBITA Margin**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>EBITA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>33.2</td>
<td>37.7</td>
<td>33.2</td>
</tr>
<tr>
<td>2018</td>
<td>3.3</td>
<td>3.8</td>
<td>3.3</td>
</tr>
</tbody>
</table>

*1 Graphs / charts are created by NTT DATA based on Gartner Research.

**Opportunities and Threats**

**Opportunities**

- The onward march of business innovation due to digitization
- Increased investment in AI/ML, big data analytics, mobile technology, cloud computing, etc.
- Progress in digitization, mainly in the German automotive industry, in such areas as connected cars and autonomous driving
- Growing security consulting and other needs in response to personal information protection regulations and a growing number of cyberattacks
- Increased demand for outsourcing using cutting-edge technologies

**Threats**

- Impact of U.S.-China trade friction on overall economic activity
- Curtailed corporate and other investment due to future uncertainty over the United Kingdom’s exit from the EU, mainly in the European market
- Increasingly robust regulations, including that of personal information protection
- Impact on clients’ investment decisions of uncertainty over the political and economic future in certain parts of Latin America
- Shortage of IT personnel and correspondingly sharp rise in human resource cost.

**Industries and Domains of Strength**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail &amp; Logistics</td>
<td>Increased demand for outsourcing using cutting-edge technologies</td>
</tr>
<tr>
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</tr>
</tbody>
</table>

**Business Strategies by Segment**

**EMEA & LATAM Segment**

We provide high-value-added IT services centering on EMEA & Latin America, taking market characteristics into account.

**Example of our Initiatives: Interbank Transactions x Blockchain**

NTT DATA Italy is working with ABI Lab (the Banking Research and Innovation Center founded and promoted by the Italian Banking Association) and 17 banks in Italy on a project to apply blockchain for interbank transactions. This project is designed to automate most of the interbank transaction inquiries to expedite identification/verification of transaction interchanges, improving efficiency and speed of transaction inquiry service.

The project is now in the last phase for the launch of commercial service in 2020. The project aims to involve all banks (over 200) in Italy going forward.

**Create New Digital Offerings**

**Investment for Structural Transformation**

EMEA & LATAM Segment consists of three companies (EMEA, Evers, and Business Solutions), conducting business in approximately 40 countries. The efficiency of the segment is now the key to improving its profitability.

In order to improve efficiency, we will make concentrated investments to integrate business operations of the three companies, maximize synergies in both business enhancement and streamlining of indirect operations, and enhance value towards clients to achieve EBITA margin of 7% in FY2021. *2

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

**Unleash Employees’ Potential as a Digital Transformation**

By sharing and optimizing development resources among the three companies, we will avoid opportunity loss from overlap in hiring and resource shortage.

At the same time, we will expand the scope of application of software development automation tools to reduce development cost and period to enhance our delivery capability.

**Operational Efficiency by Reusing Own Internal IT Systems**

We will streamline operations by integrating systems and business processes of indirect operations such as accounting, human resource, and general affairs that existed separately in each three companies.
Looking Back on FY2018

FY2018 was pivotal for NTT DATA Services as we completed the intense work of recent years to achieve a strong competitive position that provides tremendous momentum for growth in the marketplace. In particular, the successful integration of the former Delo Services business, acquired in 2016, has added vital scale, scope, and market recognition for our business.

With this enhanced competitive position, we now present a more comprehensive portfolio to clients, especially with our industry focus and our strengths in cloud, BPO, infrastructure, and new digital offerings. As a result, we are being considered for more expansive and complex opportunities. We ended the last fiscal year with strong sales momentum, including one of the largest wins in our history.

We have built on this momentum by pursuing additional acquisitions. In 2018, we acquired Sierra Systems, which gives us an expansive reach across Canada, a large and fast growing market with similar needs to the United States. The more recent acquisition of Cognosante Consulting has bolstered our presence in Public Sector healthcare. We intend to continue making acquisitions that align well strategically, operationally, and financially while accelerating our capabilities to serve our clients.

Future Growth Drivers

The combination of our legacy capabilities coupled with new digital offerings creates a compelling differentiator for clients. This is especially true for clients acquiring or divesting businesses that rely upon our deep ERP expertise to modernize and adapt their critical systems for a rapidly changing marketplace. In addition, I am particularly excited by the increased demand for our services in digital, end user, cloud, and security markets.

The core building blocks we need for growth are well established, and I believe we are in a strong competitive position. We are increasingly pursuing opportunities that leverage our deep industry knowledge to deliver solutions that meet the needs of our clients. We are also focused on expanding our capabilities in areas such as automation and digital intelligence, and enable superior customer and employee experiences while protecting our clients’ security.

The high levels of reliability and safety realized through our years of operational know-how and through ongoing improvements to quality have in turn become strengths of NTT DATA itself. The high levels of reliability and safety realized through our years of operational know-how and through ongoing improvements to quality have in turn become strengths of NTT DATA itself.

For Achieving the Goal of the New Medium-Term Management Plan

I am confident about further enhancing our competitive position, creating differentiated strengths, and growing our profitability. I am also confident about achieving an “EBITDA margin of 7% by FY2021” which is a target of the new Medium-Term Management Plan. We plan to achieve this through a combination of accretive growth and productivity gains from continued automation and optimization of our business processes, systems and delivery model.

In short, I am optimistic about our strong market position, points of differentiation, and our capacity for profitable growth. I credit our success to the confidence and strong support of the leaders at our parent company as well as the talent and commitment of our people.
Entreprise & Solutions Segment

Start of provision of full-scale professional services for AI / data usage

In April 2018, NTT DATA started to provide in full scale, the following services for providing one-stop support for AI / data usage of client companies, from concept planning to infrastructure construction and execution support to results generation:

- One-stop support for AI / data usage from concept planning to results generation
- Development of strategy taking ahead into results generation in the actual operation from concept phase
- Consulting, system development, and support for analysis usage based on an understanding of advanced technologies

We will continue to contribute to business transformation and new value creation for clients in various business types and in various industries by combining advanced digital technologies related to AI and data utilization with high industry and business expertise.

Financial Segment

Start of provision of ATM deposit / withdrawal and inter-account transfer functions using QR code as additional functions of “My Pallete,” a smartphone app for financial institutions

In May 2018, NTT DATA started to provide a function that allows a user to deposit and withdraw cash at an ATM using only a smartphone without a bank card, as an additional function of “My Pallete,” a smartphone app for financial institutions offered by the Company. This enables users to deposit or withdraw cash from ATM by being a photo of a QR code displayed on the screen, and is expected not only to improve the convenience of app users but also to reduce the number of unauthorized use of a bank card through skimming. It also allows financial institutions to save a significant amount of introduction and maintenance costs compared to solo development and to add the burden of bank card issuance procedures, etc.

In March 2019, NTT DATA started to provide a function that allows inter-account transfer with a QR code using read & write API for the first time in Japan, thus simplifying bank transfer procedure and improving the convenience of app users.

North America Segment

Successful completion of former Dell Services Post Merger Integration (PMI)

NTT DATA Services successfully completed the PMI of the former Dell Services, acquired in November 2016.

The acquisition was not only the largest in the company’s history, but also took the form of “come-out” from Dell Inc. rather than an acquisition of a standalone company, and required complicated procedures for the PMI. PMI was usually regarded as the biggest challenge in M&A, but this project had become one of extraordinary difficulty. However, NTT DATA was able to complete PMI which was planned for 22 months in just 20 months in June 2018, and have completed business transfer in 40+ countries.

After the completion of PMI, NTT DATA Services has become one, both in name and substance, and intends to contribute to creating new values for our clients by continuously enhancing its services and solutions delivery capability.

Public & Social Infrastructure Segment

NTT DATA launches the Proof of Concept (PoC) for trade procedure data sharing system using blockchain technology

In Japan, paper and pdf files are often used to exchange trade environment information on import / export operations, which requires enormous time and cost for manually entering data and checking / correcting resulting errors. Also, while multiple operators are involved in a trade procedure, the process of sending / receiving information is not digitized, making it difficult for exporters to quickly capture the status of their freight.

In July 2018, NTT DATA was selected as a contractor for the "New-Biased Supply Chain Information Sharing System Development," part of the "Project for the Development of Infrastructures for Creating New Industrial Models Taking Advantage of IT" of the New Energy and Industrial Technology Development Organization (NEDO). The Company started the PoC for trade procedure data sharing system using blockchain technology.

We will build on the results of the present PoC for efficient trade procedures in the global supply chain through public and private partnership. During FY2019, we will socially implement a trade procedure data sharing system.
EMEA & LATAM Segment
Awarded a global SAP service contract for a leading Italian utilities company
A joint venture led by everis Group was awarded a global SAP service contract for the next five years with one of the largest utilities companies in the world based in Italy. It started providing the service in October 2018. The scope of contract covers all business lines of the client, such as headquarters functions including administration, finance & controlling, procurement, etc., as well as generation, retail, and renewables. It will provide evolutionary services by globally deploying cutting edge SAP solutions and platforms narrowing the usage gap for this level of solutions worldwide.

The roll-out plan covers the following countries: Italy, Spain, Morocco, Greece, Romania, Russia, Ukraine, Canada, South Africa, United States, Brazil, Argentina, Peru, Mexico, Columbia, etc. Once the program is fulfilled, the service will be used by approximately 40,000 users in over 30 countries. The contract was awarded based on everis’ proposal of the total solution on a global scale and its project management capability were appreciated. The company intends to contribute to the expansion of client businesses by further honing such strengths going forward.

Financial Segment
Starting to provide “A-Allies,” a solution that supports building of framework for public cloud utilization
Since October 2018, NTT DATA has provided “A-Allies,” a solution that supports development and maintenance of security governance for financial institutions to utilize public cloud services (Amazon Web Services and Microsoft Azure) safely and securely. This solution enables financial institutions to enjoy flexibility and convenience of public cloud services without developing and maintaining an “organization having expertise” or a “platform for secure usage” that are necessary for public cloud utilization by themselves.

We intend to expand this service mainly for financial institutions and clients in various industries to support safe and secure public cloud utilization.

Technology and Innovation General Headquarters
Collaboration with Tanium Inc. and Exabeam, Inc. for further enhancement of global security measures
NTT DATA Group implemented “Tanium,” which is capable of detecting, dealing with, and removing from threats, rapidly to ever-changing end point situations in our domestic and overseas Group sites. We also began gradually implementing “Exabeam,” or the Group’s security management platform, which can centrally collect and analyze logs from network and endpoint equipment. These efforts helped to improve the Group’s information security level. On the basis of the expertise we had garnered from these solutions and utilizing the Group’s sites, both NTT DATA and NTT DATA INTELLINK Corporation began to collaborate with Tanium Inc. in November 2018 and with U.S. Exabeam, Inc. in January 2019 to provide more advanced security services to our clients.

Enterprise & Solutions Segment
Enhancement of digital marketing delivery services capability by acquiring shares of Netyear Group
In March 2019, NTT DATA completed a tender offer for shares of Netyear Group Corporation. Since its foundation in 1999, Netyear Group has been providing its clients with services such as digital marketing strategy development, user experience design, Web construction, data analysis, social media marketing planning, system development, advertising, and sales promotion, with an aim to support companies to create new customer experiences through the Internet, using its unique problem solving method.

By integrating the problem solving capabilities that Netyear Group has cultivated for many years and NTT DATA’s experience in developing solutions and systems for digital commerce and payment services, as well as its capability to communicate with IT departments, providing a wider range of services has become possible. Thus, we can expect our presence to increase in the digital marketing market. NTT DATA aims to become a top-class corporate group in Japan to provide comprehensive digital marketing services across clients’ management, marketing, and IT through this tender offer.

NTT DATA Group’s Initiative on Defense in Depth Security

Security

- Enhanced security governance for controlling public cloud services

- Continued support for following the rapid evolution of public cloud

Supporting development of security governance for controlling public cloud services

- Providing common infrastructure equipped with features required for safe public cloud utilization

- Continued support for following the rapid evolution of public cloud


depth

Security

Enhanced security governance for controlling public cloud services

- Providing common infrastructure equipped with features required for safe public cloud utilization

- Continued support for following the rapid evolution of public cloud

Public & Social Infrastructure Segment
Starting a Proof of Concept (PoC) of a system to optimize the operation of ambulances using emergency Big Data
Since February 2018, with the aim of reducing the time required to transport an emergency patient to hospital by ambulance, NTT DATA has conducted joint research of a system to optimize the operation of ambulances using emergency Big Data together with the National Research Institute of Fire and Disaster and NIPPON TELEGRAPH AND TELEPHONE CORPORATION by utilizing our long-standing achievements and know-how of the development, operation, and maintenance of emergency medical information systems. As we confirmed the effectiveness of the following three themes in cooperation with multiple fire departments in the course of the research, we started a PoC in December 2018:

- Optimal allocation of emergency squads to locations with a high probability of having a sick or an injured person based on a forecast of demands for emergency care using previous cases of ambulance transport, weather condition data, dynamic demography data, etc.
- Real-time forecast of medical institutions’ possibilities to accept a patient taken by ambulance based on information analysis of records of emergency squads dispatches and medical institutions’ acceptance of emergency patients
- Provision of a suitable route for a safe ambulance service based on traffic projections using driving information of ambulances, map information, and other data

We will aim to increase the forecast accuracy of each theme and develop an operation system on the assumption of the actual use conditions.

North America Segment
Awarded new large-scale IT service agreement with British Columbia Health Authorities**1 leveraging healthcare expertise and exceptional expertise to increase presence in Canada
NTT DATA Canada signed an IT services contract with a new client, the Provincial Health Services Authority (PHSA)**4, based in Canada, in March 2019. This contract is for a large-scale project with a period of 5 years and a total value of over CAD$400 million.

We will provide a range of end-user IT support services including clinical service deals provided by staff who are familiar with the usage of applications used in medical institutions and work flows in multiple health authorities throughout the province.

We received the order for our strong willingness to invest in the Canadian IT market proven by our acquisition of Sierra Systems in December 2018. In addition to our track record of success in providing clinical services, our capability in responding to large-scale outsourcing projects, and our flexible attitude toward requests from clients.

We will aim to further expand our healthcare business in North America and increase our presence in Canadian markets using “Sierra Systems’” resources.

**1 Health authorities that work in 5 regions across the Province of British Columbia providing healthcare services to the residents of each region
**4 Financial Health Services Authority (FHSA)

Enhanced security governance for controlling public cloud services

- Providing common infrastructure equipped with features required for safe public cloud utilization

- Continued support for following the rapid evolution of public cloud

Supporting development of security governance for controlling public cloud services

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Provision of a suitable route for a safe ambulance service based on traffic projections using driving information of ambulances, map information, and other data

City data

Traffic record

Forecast

80%

Forecast

20%

Forecast

Possibility to accept patient and providing airborne work for transport

Forecast

80%

Forecast

20%
In recent years, there has been a growing movement to evaluate companies and their relationship with society in terms of environmental, social, and governance (ESG) factors that stems from a demand that companies make a global response to social and environmental issues as represented by the Sustainable Development Goals (SDGs).

In keeping with the mission statement of the Group, to “use information technology to create new paradigms and values, which help contribute to a more affluent and harmonious society,” our business itself resolves issues faced by our clients and society, using the power of IT. With technology advancing in leaps and bounds, and digital transformation accelerating in kind, we sense a growing expectation upon us to fulfill this duty.

Bearing this in mind, we have clarified our stance on ESG under the title “NTT DATA’S ESG-based MANAGEMENT” and incorporated it into the management strategy of our new Medium-Term Management Plan (FY2019-2021). Based on our consistent belief and our basic concept of “shape the future society with our clients,” we will provide solutions for the sustainable development of our clients and society, while contributing to resolve social issues through our corporate activities, which take into account cultivating IT talent, implementing workstyle transformation, and respecting diversity, etc., and sustainably enhancing our corporate value.

NTT DATA’s ESG Management

In addition to ensuring compliance, the Group is aimed at more effective corporate governance, and is making efforts to enhance its governance system and improve the effectiveness of the Board of Directors to that end. In addition, the Group is working to build a global ESG management base that includes overseas Group companies by strengthening ties across the entire Group, enhancing information security, and through thorough risk management.

To realize sustainable growth, the Company is making efforts to contribute to society and improve corporate value through business on one hand, and contribute to society and improve corporate value through corporate activities on the other.

Key themes from the social perspective are “Sustainable Solutions” that improve Company performance through resolving social issues, and “Human Resource Management,” a necessity for providing stable and high-quality services. The key environmental theme is “Corporate Governance,” which refers to services and business management of NTT DATA with care given to reduce environmental impact. Furthermore, to support these efforts within these key themes we will build an effective corporate governance framework.

<table>
<thead>
<tr>
<th>Key Themes</th>
<th>Contributing to society and improving corporate value through business</th>
<th>Contributing to society and improving corporate value through corporate activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Solutions</td>
<td>We strive for a convenient, safe, and reliable social infrastructure by promoting various IT services and solutions</td>
<td>key themes, Human Resource Management</td>
</tr>
<tr>
<td>Environmental Management</td>
<td>Green By IT comprises efforts to reduce environmental impact on society by promoting the creation and expansion of environmental solutions</td>
<td>key themes, Greening the Group (Green Of IT)</td>
</tr>
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</tbody>
</table>

High Third-Party Evaluation (As of August 2019)

The ESG efforts of the NTT DATA Group have received positive reviews from research agencies in Japan and overseas, and has been selected as a constituent of numbers of indexes.

Dow Jones Sustainability World Index Asia Pacific Index
NTT DATA was selected as a constituent of the Dow Jones Sustainability Index (DJSI) World and Asia Pacific Indexes. The DJSI is managed cooperatively by S&P Dow Jones Indices and RobecoSAM and evaluates business sustainability from the three perspectives of economy, environment, and society.

FTSE4Good Index
NTT DATA received the FTSE4GoodIndex as a constituent of the FTSE4Good Index, a socially responsible investment (SRI) index designed to promote investment in companies that meet global ESG standards.

FTSE Blossom Japan
NTT DATA has been selected as a constituent of the FTSE Blossom Japan Index, which recognizes Japanese companies deemed exceptional by international ESG standards set by FTSE Russell.

RobecoSAM Sustainability Award
NTT DATA has been awarded RobecoSAM Sustainability Award as a Gold Class Company by RobecoSAM, a Swiss SRI evaluation company and research agency. The award is given by evaluating sustainability and was awarded to NTT DATA for its exceptional CSR efforts.

S&P / JPX Carbon Efficient Index
NTT DATA has been selected as a member of the S&P/JPX Carbon Efficient Index, an environment-focused index managed by S&P Dow Jones Indices and the Japan Exchange Group.

NTT DATA has been rated Prime by Germany-based oekom research AG, designating the Company as one of the top leaders for CSR in the Internet and software industry.
Sustainable Solutions

There are a variety of social issues that need to be resolved before a sustainable society, as represented by the SDGs, can be realized. NTT DATA believes that it can help to resolve many of these issues while also showing great potential in the market.

The NTT DATA Group sensitively captures changes in the world to create new businesses and expand business domains, thereby contributing to the resolution of various social issues and working to enhance corporate value.

Moving forward, we will continue to create innovation together with customers and use IT to provide positive paradigms for society and the region.

Example of Social Issues That the NTT DATA Group Is Helping to Resolve through IT

- Realizing a more affluent and harmonious society
- Creating sustainable cities and regions
- Lowering environmental burdens
- Developing infrastructure to prevent disasters and respond to natural disasters
- Ensuring stable and sufficient energy supplies
- Realizing society of health and longevity
- Eliminating labor shortages

Initiatives Example 1

The World’s Most Accurate Global High-Resolution 3D Map, AW3D

NTT DATA has worked with the Remote Sensing Technology Center of Japan (RESTEC) to develop and launch AW3D, which creates digital 3D maps displaying global topography, for sale. This map allows consistent high-resolution analysis of terrain throughout the world, including mountainous regions, etc., where local surveys are difficult. In addition, NTT DATA has partnered with Digital Globe, a U.S. company operating some of the world’s highest-performance satellites, to map at a resolution as high as 0.5 meters in urban areas. At this level of detail, it is possible to represent fine undulations at the building level.

AW3D is utilized to resolve social issues in a wide variety of sectors, including mapping, disaster prevention measures, power generation planning in the electricity sector, exploration of mining areas in the resources sector, preventative measures against epidemics in the sanitation sector, as well as urban and facility planning. AW3D’s data of over 115 countries are utilized and it can be provided with short planning in the electricity sector, exploration of mining areas in the resources sector, preventative measures against epidemic in the sanitation sector, as well as urban and facility planning. AW3D’s data of over 115 countries are utilized and it can be provided with short delivery times and low cost using AI and Big Data technologies.

Example of use: Surveying for optimal wind power generation sites
Evaluate turbulence risk using wind analysis software and select potential locations

Example of use: Selecting wireless base stations
Select base stations by referencing signal strength simulations

Initiatives Example 2

WinActor and WinDirector—Solutions for Automating Routine Tasks

WinActor and WinDirector are software robots that automate processes performed using Windows applications. These tools can handle a wide variety of tasks ranging from those related to Excel and web browsers to workflows and other business systems, making it easy to create scenarios without having to modify entire systems. In addition to tackling personnel shortages, which have become a social issue, these tools contribute to labor saving and labor effectiveness for routine tasks across a variety of industries and businesses, which will allow these businesses and industries to optimize their allocation of human resources to added value work. This in turn leads to higher praise from customers. Both tools are notable for being easy to implement and for being stable and easy to use post-introduction as well, which is why they are being used at over 2,300 companies as of June 31, 2019.

<table>
<thead>
<tr>
<th>Merits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automation and efficiency</td>
</tr>
<tr>
<td>Improved productivity</td>
</tr>
<tr>
<td>Elimination of human errors</td>
</tr>
<tr>
<td>Cost reduction</td>
</tr>
<tr>
<td>Mitigation of labor shortage</td>
</tr>
</tbody>
</table>

Post-implementation

- 24-hour operation
- Excess paperwork
- Fatigue-related errors
- Original work backlogs

Initiatives Example 3

Aisaku—A Farming Support Platform

Agriculture has been marked as part of the Japanese government’s growth strategy, and smart agriculture utilizing IT is being promoted as a way to address various issues, such as improving productivity and efficiency. However, IT use is limited to parts of the agricultural industry at the present time, and several issues are standing in the way of IT promulgating fully.

To overcome these issues, NTT DATA has leveraged its strengths in system construction and operation for a variety of industries and businesses to launch the Aisaku Farming Support Platform for agricultural cooperatives, agricultural producers’ cooperative corporations and other union-type organizations. Aisaku allows producers to use their smartphones and tablets to submit cultivation plans and performance management schemes to the unions, a process that was previously done on paper. In addition, the union head can check the information entered in the system at any time, and confirm the agricultural chemical usage standards and access shipping times and estimated shipping volume.

Furthermore, the platform also supports communication between producers and union managers by providing a function for the interactive communicate and consult regardless of time and place, which serves to improve the quality and efficiency of farming activities.

How Aisaku Works

In heavy pursuit of an easy-to-use platform

In Pursuit of an Easy-to-use Platform

- Cultivation plan management
- Performance management
- Consolidation of information

Producers

Union Managers

- Cultivation plan management
- Performance management
- Consolidation of information

How Aisaku Works

In heavy pursuit of an easy-to-use platform
Enhance Digital Capabilities

As part of our new Medium-Term Management Plan, we are working to develop a variety of needs focused on improving the digital capabilities of all employees.

- **Newly Established Self-Innovation Time**
  As a new initiative for FY2019, we will introduce self-innovation time, dedicating some of the working time to improving digital and global skills, workstyle innovations that utilize digital technology, and knowledge sharing within the Company and other organizations, with a target of 40 hours per person as a common KPI for FY2019 across all organizations.

- **Training Program to Cultivate Human Resources That Utilize Digital Technology**
  In order to develop digital capabilities among all employees, the Company has implemented training programs since FY2017 aimed at moving away from previous modes of thinking and perspectives toward design-based thinking and idea creation. This program is implemented for all new employees, as well as mid-career and leadership-level employees.

- **Starting the Digital Acceleration Program**
  In order to nurture and strengthen digital-centric human resources throughout the Company, we have been implementing a series of training programs since fiscal 2019 that combine off-the-job training in advanced fields with actual experience in various cutting-edge projects.

### Major Seminar Themes
- Digital innovation
- Ask Value Creators! Developing a New Business Mindset
- Practical applications of data analysis and statistical methods
- AI and IoT—the Changes are Here
- A framework for creating ideas applicable to the field

### Creating Digital Professionals
NTT DATA and its Group companies introduced the Professional Career Development Program (CDP), a unique human resource development program that in FY2018 certified 6,700 employees in Japan and overseas. This program has certified a cumulative total of more than 41,400 employees.

From FY2019, we will add “Human Resources Driving New Business Development” and “Human Resources Related to Businesses That Utilize Data Gained via AI and Other Technologies” as new human resource types to respond to changes in technology and business.

### Human Resource Types at NTT DATA

#### System development
- Project Managers
- Application Specialists
- IT Service Managers
- IT Architects
- IT Specialists
- R&D Specialists

#### Data Science
- Data Scientists
- Added for FY2019

#### Sales
- Clients Sales
- Solution Sales
- Consultants

#### Business Developers
- Business Developers
- Added for FY2019

#### Staff
- NTT DATA  Annual Report 2019

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**Employee Skills Development**

- **Dedicated Training Time for Skills Improvement**
  A variety of training systems and development programs have been established to support the cultivation of employee skills. Each employee receives 60 hours of training per year.

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of newly graduated recruits</td>
<td>379</td>
<td>379</td>
<td>378</td>
<td>385</td>
<td>418</td>
</tr>
<tr>
<td>Number of experienced recruits</td>
<td>20</td>
<td>8</td>
<td>15</td>
<td>26</td>
<td>96</td>
</tr>
</tbody>
</table>
Message from the CEO

LGBT seminar

Workstyle Innovations

Promoting Flexible Workstyles

Telework has been introduced as a specific way to realize workstyle innovation, and is utilized by approximately 90% of employees. We are also pursuing flexible workstyles not limited by time and space through systems including discretionary labor and flextime, and infrastructure development that includes conversion to thin-client terminals as well as video and telephone conferencing.

Active Participation of Diverse Human Resources

- Initiatives Related to LGBT and Gender Minorities
  NTT DATA continues to promote efforts including employee seminars and development of system administration aimed at creating human rights awareness. In recognition, we received a Gold ranking in the PRIDE index from private institution “work with Pride” in 2018, marking the second consecutive year to receive this distinction. In April 2019, we participated Tokyo Rainbow Pride 2019, Japan’s largest LGBT event.

- Enhancing Childcare and Nursing Care Systems
  To help employees balance childbearing and child-rearing, nursing care, and work responsibilities with a greater peace of mind, the NTT DATA Group is enhancing its leave systems and introducing short working hours while working to increase employee understanding of such systems and improving the workplace environment, making these systems easier to use. In FY2018, 100% of employees returned to work after taking childcare leave.

- Initiatives to Improve Productivity
  By switching to thin-client terminals for work use, and by utilizing an “NTT DATA Integrated Development Cloud” that integrates our system development environment into the cloud, we can create the same working environments at the office, on business trips, and from home.

- Expanding the Circle of Globalization Drivers
  We aim to grow the number of human resources at Company headquarters with long-term experience in global business to 1,000 in FY2021.

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Environmental Management

In addressing global environmental issues, it is important to ensure sustainability from a wider perspective that includes responding to climate change and conserving biodiversity. The NTT DATA Group is working to resolve a range of environmental issues. In addition to “Greening the Group,” an approach that gives due consideration to the natural environment in every aspect of its corporate activities, the Group is continuing to promote progressive initiatives in the “Greening of Clients and Society” as a whole through its products and services. In order to achieve significant results in improving environmental issues, the Company is also aiming to enhance its environmental management while promoting Groupwide “environmental contribution and communication.”

The NTT DATA Group promotes environmental management that helps resolve environmental issues directly facing the earth and society based on its three action plans, which are rooted in its Environmental Policies:

- **Promote the visualization of environmental impact assessments of the Group based on data and solutions provided by the NTT DATA Group:**
- **Help to reduce society’s environmental impact by promoting the creation and expansion of environmental solutions**

### NTT DATA Group’s Action Plan

#### Contributing to the greening of our clients and society through IT

**Greening of Clients and Society (Green By IT)**

- Steadily reduce CO2 emissions by the Group by raising the efficiency of and implementing operational improvements to its data centers and by such work-style innovations as hot-desking
- Implement systematic cuts to paper usage and waste volumes

### Greening the Group (Green Of IT)

**Engaging each employee in thinking about the environment and making his / her own active contribution**

**Contributing to the global environment by promoting the greening of the NTT DATA Group**

**Reduce the environmental impact of society by promoting greening (IT)**

<table>
<thead>
<tr>
<th>Items</th>
<th>Defined Target</th>
<th>Base Value</th>
<th>FY2013</th>
<th>FY2018 Results</th>
<th>Performance Results</th>
<th>FY2019 Targets</th>
<th>FY2020 Targets</th>
<th>FY2021 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the environmental impact of society by promoting greening (IT)</td>
<td>NTT DATA Group’s contribution to reducing CO2 emissions in society will exceed the Group’s own emissions by a factor of 1.5</td>
<td>–</td>
<td>Over 4 times (1,025,138 t / 256,285 t)</td>
<td>4.5 times (1,043,002 t / 229,439 t)</td>
<td>Yes</td>
<td>4 times or more</td>
<td>4 times or more</td>
<td>4 times or more</td>
</tr>
<tr>
<td>Reduce greenhouse gas (GHG) emissions</td>
<td>Volume of CO2 emissions</td>
<td>244,081 t</td>
<td>5% increase or lower (within 256,285 t)</td>
<td>8% decrease (229,439 t)</td>
<td>Yes</td>
<td>5% increase or lower</td>
<td>0% reduction or higher</td>
<td>0% reduction or higher</td>
</tr>
<tr>
<td>Reduce greenhouse gas (GHG) emissions*1</td>
<td>Amount of copy paper (purchased)</td>
<td>201.22 million sheets</td>
<td>4% reduction or higher (193.17 million sheets or lower)</td>
<td>8% reduction (133,264 sheets)</td>
<td>Yes</td>
<td>6% reduction or higher</td>
<td>6% reduction or higher</td>
<td>6% reduction or higher</td>
</tr>
<tr>
<td>Reduce the amount of copy paper purchased*2</td>
<td>Amount of waste for final disposal (total amount)</td>
<td>207 t</td>
<td>80% reduction or higher (41.1 t or lower)</td>
<td>34% reduction (11.6 t)</td>
<td>Yes</td>
<td>80% reduction or higher</td>
<td>80% reduction or higher</td>
<td>80% reduction or higher</td>
</tr>
<tr>
<td>Reduce the amount of waste for final disposal*2</td>
<td>Ratio of waste for final disposal (final disposal amount / total amount of waste)</td>
<td>–</td>
<td>1.0 or lower</td>
<td>0.23%</td>
<td>Yes</td>
<td>1.0 or lower</td>
<td>1.0 or lower</td>
<td>1.0 or lower</td>
</tr>
<tr>
<td>Reduce the amount of waste for final disposal*2</td>
<td>Number of activity participants</td>
<td>–</td>
<td>4,600 or more</td>
<td>5,634</td>
<td>Yes</td>
<td>4,700 or more</td>
<td>4,800 or more</td>
<td>4,900 or more</td>
</tr>
</tbody>
</table>

#### Initiatives Example

**Contributing to the Project Funded by EU to Convert CO2 into a Renewable Energy**

i-deals, the technology broker of the everis Group, a subsidiary of NTT DATA Corporation, is participating in the MetCO2 project funded by EU. MetCO2 is a project conducting PoC of converting CO2 into a renewable fuel and versatile platform chemical such as methanol using hydrogen produced from renewable energy surplus, seeking to demonstrate its economic feasibility.

### Initiatives Example 2

**Responding to Increasingly Sophisticated Needs and Reducing Environmental Impact at Mitaka Data Center EAST, a Center with State-of-the-Art Equipment**

Mitaka Data Center EAST, with total floor space of approximately 38,000 m², accommodating approximately 5,600 server racks, is one of the largest dedicated data centers in Japan. While the building is capable of managing a heavy power load, it is also environmentally friendly and takes advantage of clean energy options which include wall-mounted air conditioning that enables outside-air cooling, natural lighting in common areas, and a solar panel power supply.

In September 2018, the center became the first in Japan to receive Gold certification under the Leadership in Energy and Environmental Design (LEED) rating system in its latest version of the data center category. The LEED rating system is an environmental performance evaluation system developed by the U.S. Green Building Council for buildings and other sites.

**Recipient of the 2018 ASPIC IoT, AI and Cloud Award (Data Center Division Grand Prix)**

The ASPIC IoT, AI and Cloud Award recognizes excellent and socially beneficial services in Japan and was created to enliven domestic IoT, AI, and cloud-related industries, create markets, establish information infrastructure, improve corporate activities and support business expansion. We were the recipients of the 2018 Data Center Division Grand Prix Award, which is bestowed upon the data center with the highest score in terms of environment, safety, technology, customer contributions and, challenge-seeking mindset to take on new businesses. NTT DATA will continue to provide customers with high value using Mitaka Data Center EAST as its digital business base.
Corporate Governance

Directors, Audit & Supervisory Board Members, and Senior Vice Presidents (As of June 31, 2019)
Corporate Governance

The NTT DATA Group aims to establish a business structure that produces stable profits through continuous growth by carrying out the mission to create new systems and values with information technology for a more affluent and harmonious society, and also by forecasting future trends to swiftly and accurately respond to the changing market environment, client needs, and cutting-edge technology trends.

Under this basic philosophy, NTT DATA is working on the following basic policies in accordance with the purpose of each principle of the Corporate Governance Code to ensure that corporate governance will effectively function: (1) to endure transparency and soundness in business management, (2) to achieve appropriate and swift decision-making and business execution, and (3) to implement compliance thoroughly. The purpose of working on such basic policies is to meet the various expectations of stakeholders, including shareholders, investors, clients, business partners, and employees, and to maximize enterprise value.

For details on our efforts, please see the Corporate Governance section of our website, www.nttdata.com/global/en/manager/corporate-governance

Corporate Governance Systems

NTT DATA established the Audit & Supervisory Board determining the auditing system by outside audits as effective as a function to monitor its corporate management and therefore adopts the company with corporate auditors system. The General Meeting of Shareholders, the Board of Directors, and the Audit & Supervisory Board are established as the Company’s organizations. We also established the Corporate Management Committee in an effort to make decision-making in our business execution as fast as possible.

Although NTT DATA has not set up an independent advisory committee such as a voluntary nomination committee or although NTT DATA has not set up an independent advisory committee such as a voluntary nomination committee or a dedicated organization (Office for Audit & Supervisory Board Members) to support the activities of the Board meeting, we provide independent directors and the remuneration committee, in advance of the resolution by the Board of Directors, we provide independent directors and the parent companies with explanations about the nomination of candidates for directors and remuneration for directors and receive appropriate advice from them. With the appropriate involvement and advice of independent directors for the nomination of candidates for directors and remuneration for directors, we believe that independence and objectivity of the functions and accountability of the Board of Directors concerning these matters is fully assured.

Basic Policy

We have increased the number of outside directors to three in June 2019 in order to improve the monitoring of management. We also appoint human resources in line with the human resource policy of selecting candidates on the basis of superior character, insight, and management ability regardless of age, gender, or nationality. At present, we have appointed one female director and one female Audit & Supervisory Board Member, as well as one foreign director. (As of June 21, 2019)

- Composition of the Board of Directors / Audit & Supervisory Board (As of June 21, 2019)

<table>
<thead>
<tr>
<th>Composition of the Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total directors</td>
</tr>
<tr>
<td>17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Composition of the Audit &amp; Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total members</td>
</tr>
<tr>
<td>4</td>
</tr>
</tbody>
</table>

Changes in the Composition of the Board of Directors

- 2017/6/21: Appointment of foreign director
- 2017/6/21: Appointment of outside director (female)

Appointment Policies / Procedures of Candidates for Directors and Candidates for Audit

Matters Regarding Appointment and Nomination

The candidates for directors have been appointed from personnel who have broad perspectives and experience and can contribute to the development of the entire Group, excel in management ability and leadership, and are sophisticated in business management and energetic, for improvement in the enterprise value of the entire NTT DATA Group. The size of the Board of Directors is in direct proportion to the scale of business, and it is composed with consideration of having diversity from various standpoints including internationally and the balance of specializations.

To strengthen the supervising function of business execution, NTT DATA appoints and nominates as independent directors personnel who do not have any possibility of causing a conflict of interest with general shareholders. In principle, multiple independent directors are to be appointed.

The candidates for audits are to be appointed from personnel NTT DATA can expect to conduct audits from the viewpoints of specialized experience and knowledge.

For fair audits of directors’ business execution, NTT DATA appoints and nominates as outside personnel who do not have any possibility of causing a conflict of interest with general shareholders, and appoints half the number of audits or more in accordance with Companies Act.

The procedures for appointing candidates for directors are to be carried out as follows: the backgrounds of candidates are first explained to the parent companies and independent directors prior to the Board of Directors’ meeting; then the parent companies and independent directors provide appropriate advice and the Board of Directors adopts the resolution, and such resolution is referred to at a shareholders’ meeting. The procedures for appointing candidates for audits are to be carried out as follows: the candidates for audits proposed by directors in accordance with the appointment policy for candidates for audits are deliberated at a meeting of the Audit & Supervisory Board that is made up of half the number of outside directors or more, and upon the agreement of the Audit & Supervisory Board, the Board of Directors adopts resolution, than such resolution is referred to at a shareholders’ meeting.

Proposed by independent directors, the NTT DATA Group is working on the following audit and management oversight systems to ensure the independence and objectivity of the Board of Directors and the Audit & Supervisory Board:

- Independent Audit
- Corporate Governance
- Corporate Ethics Committee
- Internal Control Promotion
- Corporate Financial Audit
- Corporate Audit

For fair audits of the business execution of the NTT DATA Group, NTT DATA appoints and nominates as outside personnel who do not have any possibility of causing a conflict of interest with general shareholders, and appoints half the number of audits or more in accordance with Companies Act.

Among 17 directors and audits

- Percentage of outside directors: 17%
- Percentage of outside directors: 18%
- Percentage of outside directors: 23%
The Board of Directors determines any matter stipulated in the “regulations of the Board of Directors,” including matters stipulated by law and important matters relating to management of the Company and the Group, and supervises the performance of directors’ duties by regularly receiving reports on the status of such performance from directors.

Additionally, since FY2017 the Board has been enhancing discussions on strategic management matters. In fiscal 2018, it held active discussions in formulating next Medium-Term Management Plan and improving effectiveness of the Board.

\[
\text{Board of Directors’ Meeting Agendas}
\]

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Matters to be Discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>Matters related to financing&lt;br&gt;• Result (Plan) of efforts related to internal control&lt;br&gt;• Result of internal audit for the 1st half of FY2018&lt;br&gt;• Audit plan and perspectives</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>Matters related to financing&lt;br&gt;• Result of voting rights execution at ordinary general meetings of shareholders&lt;br&gt;• Monitoring of key projects&lt;br&gt;• Report on duties performance status&lt;br&gt;• Report on IR activities / investor opinions</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>Matters related to financing&lt;br&gt;• Efforts on global security enhancement&lt;br&gt;• Monitoring of key projects&lt;br&gt;• Report on duties performance status&lt;br&gt;• Report on IR activities / investor opinions&lt;br&gt;• New Medium-Term Management Plan&lt;br&gt;• Evaluation of the Board’s effectiveness</td>
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With the purpose of enhancing the functions of the Board of Directors and to enhance corporate value, the Board of Directors has been implementing self-evaluation and analysis on the effectiveness of the Board of Directors since FY2016. As a result, we have received mostly positive evaluation on the structure and operation of the Board of Directors and consider that effectiveness of the entire Board of Directors is secured.

**Analysis / Evaluation Method**

- **Result of Measurement of Effectiveness Measures in the Current Fiscal Year**
  - **FY2016**
    - **Result**: 90% (above average)
    - **Key Measures for the Next Fiscal Year**
      - **FY2017**: Increase the weight of discussion on corporate strategy
      - **FY2018**: Enhanced discussions at the planning stage for corporate strategy, plans, etc.
      - **FY2019**: Revised made to determine matters to report at the Board of Directors based on the importance and risks of each matter, even in cases where it is not applicable to the standard for discussion at the Board meeting.
      - **FY2020**: Further enhancement of detail of report based on requests to provide further detailed information to the Board of Directors and to the public.

- **Evaluation of the Board’s Effectiveness**
  - **FY2016**: Improved discussions on strategic management matters. In fiscal 2018, it held active discussions in formulating next Medium-Term Management Plan and improving effectiveness of the Board.
  - **FY2017**: Enhanced discussions at the planning stage for corporate strategy, plans, etc.
  - **FY2018**: Revision made to determine matters to report at the Board of Directors based on the importance and risks of each matter, even in cases where it is not applicable to the standard for discussion at the Board meeting.
  - **FY2019**: Further enhancement of detail of report based on requests to provide further detailed information to the Board of Directors and to the public.
  - **FY2020**: Enhanced discussion on corporate strategy, plans, etc.

**Board of Directors’ Meeting Agendas**

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</table>
Corporate Governance

Policies Regarding Executive Remuneration

As for policies, composition, and standard of remuneration of our directors, NTT DATA explains the policy for determining the remuneration for directors to the parent companies and independent outside directors and, upon receiving appropriate advice from them, determines the amount of remuneration to such extent as resolved at a shareholders’ meeting at the Board of Directors. In fiscal 2018, the amount of remuneration for the directors was also determined by the Board of Directors after explanation was made to the parent companies and independent outside directors.

- The remuneration for directors (excluding outside directors) is composed of monthly remuneration and bonuses. The amount of monthly remuneration is determined and provided in accordance with the responsibility and extent of the role of his or her position. Bonuses are determined and provided in consideration of the Company’s achievement level of performance indicators such as operating income for a relevant period. As for standing directors residing in Japan, in order to reflect the medium- to long-term performance, each director is required to purchase the Company’s stock through the officers’ shareholding association by paying a certain amount of money from each of their own monthly remuneration and bonuses. Each director is also required to retain all the shares purchased by himself or herself during his or her term of office. The remuneration composition, in a standard performance case, is approximately 70% for fixed remuneration and 30% for performance linked remuneration. Also, in aim of achieving both the Medium-Term Management Plan and sustainable growth and strongly aware of enhancing corporate value in medium to long-term, we will consider increasing the percentage of performance linked remuneration, such as stock compensation, of total remuneration.

- Outside directors are paid only monthly remuneration, unrelated to business performance in order to ensure a high degree of independence.

- The remuneration for audits shall be determined by the audit after consultation. For the purpose of securing a high degree of independence of the audits, their remuneration is not linked to the business results and the audits receive monthly compensation only.

<table>
<thead>
<tr>
<th>Performance-linked remuneration</th>
<th>Bonus</th>
<th>In case of standard performance</th>
<th>Inside Directors</th>
<th>Outside Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td></td>
<td></td>
<td>Monthly salary</td>
<td>Monthly salary</td>
</tr>
<tr>
<td>Monthly remuneration</td>
<td></td>
<td></td>
<td>Bonus: 10%</td>
<td>Bonus: 0%</td>
</tr>
<tr>
<td>FY2018</td>
<td>¥387 million (out of which ¥81 million was a bonus) (14 directors)</td>
<td>¥102 million (6 audits)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Protection of Minority Shareholders

With regard to the relationship between NTT DATA and our parent companies, NTT DATA’s basic policies shall respect each other’s autonomy and independence while cooperating, and shall adequately conduct transactions, etc., between the companies complying with laws and regulations. When conducting transactions with the parent companies and NTT Group companies, NTT DATA considers the maximization of profit for NTT DATA’s entire shareholders. Specifically, NTT DATA confirms the rationality and adequacy of transactions, and gives approval in accordance with “Authority Rules” after preliminary screening, with the Legal Sector considering the opinions of the third-party specialists when necessary. When NTT DATA conducts a business transaction with those companies, the transaction condition and its determination method are the same as those of other business partners.

Important agreements contracted with the parent companies shall be legally reviewed by the Legal Sector and audited by the audits. Especially important agreements require approval by the Board meeting that independent directors and independent audits attend.

Cross-Shareholdings

NTT DATA’s purpose of cross-shareholdings is to maintain the medium- to long-term relationship, to expand trading volume and to create synergy with clients and business partners by holding shares issued by them. It is our policy to hold such shares if holding them is likely to enhance NTT DATA’s enterprise value and lead to profit for our shareholders.

NTT DATA assesses the meaningfulness of cross-shareholdings for each share every year, in a comprehensive manner, from the viewpoint of whether benefits and risks from holding the shares are commensurate with capital costs and in line with the purposes of holding: to maintain the medium- to long-term relationship, to expand trading volume, to create synergy with clients and business partners and so forth and reports to the Board of Directors, then decides whether to hold or sell such shares. In FY2018, as a result of this assessment, we have confirmed the adequacy of holding for all the listed shares held. If it proves to be inadequate to hold a share due to changes in situations, NTT DATA will take measures including reducing the number of shares.
In building its internal control systems, NTT DATA will further the basic policy that it will take various measures to efficiently conduct fair and transparent business activities in compliance with applicable laws and its Articles of Incorporation, as a matter of course, and at all times being aware of risks increasing as its business expands.

The NTT DATA Group seeks to assign all risks associated with business activities to minimize the frequency of occurrence of these risks and limit their impact on operations should they materialize. To facilitate this effort, in 2002 we appointed an officer in charge of supervising and promoting risk management from a Company-wide perspective. In addition, risk management promotion officers were appointed to the Risk Management Division as well as other divisions and Group companies to enable them to respond proactively and independently to various risks. NTT DATA defines material risks, reviews progress toward addressing these and achieving related targets, and reflects the results of such reviews in various measures. The Internal Control Committee convenes twice a year to discuss measures pertaining to the reduction of risks and evaluate their effectiveness. The results of these evaluations are reported to the Board of Directors.

Groupwide measure implementation status is analyzed, evaluated, and monitored by the Risk Management Division. In addition, risks determined to have the potential to impact the entire Group are defined as “global-control risks,” and are managed on a Groupwide basis. Global-control risks are identified by the Internal Control Committee based on changes in social trends and opinions from outside specialists.

Global-Control Risks of NTT DATA

<table>
<thead>
<tr>
<th>Material Risks</th>
<th>Major Improvements, etc.</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information leakage</td>
<td>• Enhance countermeasures against increasing sophisticated cyberattacks</td>
<td></td>
</tr>
<tr>
<td>Cyberattacks</td>
<td>• Stimulate awareness through training</td>
<td></td>
</tr>
<tr>
<td>Accounting fraud (including window dressing)</td>
<td>• Completely apply rules consistent with IFRS</td>
<td></td>
</tr>
<tr>
<td>Bribery</td>
<td>• Stimulate awareness through training (Japan: Implement compliance IBT and position-based training; Overseas: conduct training at individual locations)</td>
<td></td>
</tr>
</tbody>
</table>

Compliance

NTT DATA is determined to operate its business in accordance with high ethical standards as well as compliance by setting up the Global Compliance Policy, targeted at all officers and employees of the NTT DATA Group, in order to clarify its basic policy and specific behavior guidelines relating to corporate ethics. To make such business operation effective, NTT DATA considers it necessary to implement a continuous educational campaign to promote the awareness of such ethics and compliance. Therefore, it has been holding training sessions on compliance targeted at employees and conducting employees’ attitude surveys. Aiming for more openness in its corporate culture, NTT DATA has placed an internal reporting system “the Whistle Line,” which is cross-sectional within the Group, as an internal and external point to receive any declaration, whether anonymous or named. NTT DATA ensures that any declarer to the reception desk through “the Whistle Line” is not unfavorably treated because of his or her declaration.

Basic Approach Regarding Information Security

The Information Security Policy was established in 1998 as guidance for appropriately handling information assets and protecting information security, and the Personal Information Protection Policy was formulated in 2001. These policies are revised and improved in response to information technology progress and societal changes. The NTT DATA Group Security Policy (GSP) was also formulated in an effort to ensure the secure distribution of information throughout the entire Group.

The objective of the GSP, ensuring both the safety of information and active use and sharing of information, is essential as a partner that supports customers’ efforts to create new businesses. To realize these objectives, we are promoting initiatives including logical measures covering the formulation of rules and provision of training and other educational activities related to information security, and technical measures such as introduction of a solution to prevent information leakage as well as the introduction of thin-client PCs.

Information Security Management System

The Information Security Committee ascertain the Company-wide status of information security activities and areas requiring improvement and formulates necessary initiatives. In addition, NTT DATA-CERT was established as a specialized organization for preventing information security incidents*1 and responding to any incidents that might occur. NTT DATA also joined the Japan CSIRT Association as well as Forum of Incident Response and Security Teams (FIRST)*2, which is a global computer security incident response team (CSIRT)*3 community. Through our participation in these organizations, we are collecting a wide range of information on security trends, which we then utilize to improve security.

The Information security governance structure comprises three levels of information security steering organizations located at the Head Office, regional headquarters, and other companies. The Head Office conducts a quarterly monitoring of control status at regional headquarters.
Message from the CEO

Corporate Governance

Initiatives Aimed at Strengthening Information Security

To prepare against possible security risks, the NTT DATA Group formulates and promulgates necessary rules at the global level, promoting security training and awareness activities as well as the development of IT platforms.

- Policy Development and Promulgation
  We have formulated the NTT DATA Group Security Policy (GSP) and promote the inculation of this policy at Group companies worldwide. In particular, we developed and promulgated Security Measure Standards Related to Internet-connected Environments with the intention of preventing information leaks from cyberattacks and malware infections via the Internet.

- Collecting and Sending Out Knowledge of Global Security Trends
  To prevent growing security damages across the globe, we publish a quarterly report on global trends in cybersecurity and their future outlook in both Japanese and English. We cooperate with TV broadcasters, newspapers, and journals for their coverage.

- IT Platform Development
  We conduct initiatives in an attempt to raise the level of security throughout the entire Group, including the joint development and operation of IT platforms for safely connecting to the Internet.

- Promulgation Education and Awareness Activities
  We issue a multilingual information security handbook in six languages: Japanese, English, Chinese, Vietnamese, Portuguese, and Spanish (information security IBT is issued in three languages: Japanese, English, and Chinese).

- In NTT DATA (Non-consolidated), information security and personal information protection training IBT is conducted for all employees. In addition, we conduct trainings each year to confirm that all employees are able to correctly identify and respond to targeted and distributed email attacks.

Information Security and Personal Information Protection Training IBT

<table>
<thead>
<tr>
<th>Goal</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% of employees completed training</td>
<td>100% of employees completed training</td>
</tr>
</tbody>
</table>

Information Security Experts

With information security threats getting more diverse and sophisticated, there are concerns about the shortage of human resources in information security as expertise required.

For Further Leveraging of the Board of Directors

The Japanese Corporate Governance Code, after four years of implementation, has entered a stage where its effectiveness is more valued than ever before.

Expectations are changing for the role of Board of Directors. We are now required not only to comply with formalities, such as the number of outside directors, but also to substantially and definitely reinforce its functions to enhance the long-term corporate value of the Company. Against this background, it is more essential than anything else that directors themselves have the clear understanding of management issues for the Board to properly fulfill its responsibilities.

The world is indeed going through a grand transformation centered on technological innovation. Our main business operations have expanded worldwide, and in order to survive in it all parties concerned must work together as one. To this end, we must first build consensus between the members of the Board and executives to further leverage the Board of Directors.

Corporate Governance Messages from Independent Directors (As of June 21, 2019)

Yukio Okamoto
Independent Outside Director

Kindness for Strangers

NTT DATA needs a new resolution as we advance toward the Global 3rd Stage. All employees, and not just those working in international divisions, must possess the qualities and talent to become competent globally as we proceed through our globalization strategy.

The most important quality of a global citizen is to have consideration and compassion for people who are living outside his/her community. It is the “kindness for strangers” that is most important. Those who can show it can reach out to the world, which will lead to subsisting diversity. Japanese people have a national character of being shy, and we are not very good at showing kindness to strangers. Therefore, we should first put ourselves in others’ positions, which is actually the first step toward globalization. We should not hesitate to reach out our hands to those who are in trouble. People around you are watching it, then they’ll accept us as one of them. We must always bear in mind that globalization of a country or an organization begins with an individual.

Eiji Hirano
Independent Outside Director

For Further Enhancement of Our Corporate Value

I have built experiences mainly in the field of economy working for a government department and in places of university education / research. I was also engaged in diplomatic service in Europe from 2015, and was blessed with an opportunity to broaden my perspective. I intend to fulfill my duties as an independent outside director, taking advantage of the knowledge that I have gained from these experiences.

NTT DATA has set “Unleash our employees’ potential that maximize organizational strengths” as one of the strategies in the new mid-term management plan. I have high expectations for this strategy, because it expresses the Company’s approach of having each employee enhance their professional competence. For an individual power of approximately 125,000 employees working in 53 countries and regions to create value which is greater than what could be gained by a mere addition, it is essential that we understand and respect each other. Our society is significantly changing, moving toward diversity. I would like to make the best effort to value people to increase our corporate value.

Mariko Fujii
Independent Outside Director

I have built experiences mainly in the field of economy working for a government department and in places of university education / research. I was also engaged in diplomatic service in Europe from 2015, and was blessed with an opportunity to broaden my perspective. I intend to fulfill my duties as an independent outside director, taking advantage of the knowledge that I have gained from these experiences.

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Message from the CEO
Management Strategies
Business Strategies by Segment
ESG Management
Value Creation by NTT DATA
Financials and Others

Full Outsourcing

| Business Model | • After receiving an order from a client, the company makes capital expenditures, holding IT systems, etc., that we built as our company asset, and provides full-cycle services from requirements definition to maintenance and management. • This model primarily targets Japanese central government offices and financial institutions. |
| Financial Model | • An order amount corresponding to several years of expected sales recorded once every few years as new orders received. Net sales is recorded over multiple years after the service starts. • This model accounts for the largest portion of the Company’s capital expenditure. • Upfront investments are necessary, but the model ensures stable earnings. |

Consulting Service
Outsourcing Service

| Business Model | • Consulting service: The company defines the concept of IT system by considering client's business together with the client. • Outsourcing service: AMD: An outsourcing service in which the company operates and provides maintenance on a client’s custom applications. ITO: One-stop maintenance and operation services for client’s IT system. BPO: An outsourcing service in which a client company outsources certain operations to achieve operational efficiency. |
| Financial Model | • After receiving an order from a client, net sales and cost of sales are recorded according to the provision of services and operations. • The period for outsourcing services contracts is often for multiple years. |

Financial Model Image

System Development (System Integration)

| Business Model | • NTT DATA handles the planning, design, and development of a client's information systems, delivering those systems to the client. • After the systems are delivered, the company usually handles the maintenance and operation of the client systems. |
| Financial Model | • Orders are recorded upon receipt. • Sales and cost of sales are booked upon delivery. (Projects that meet certain criteria employ the percentage-of-completion method, with sales and cost of sales recorded according to development status.) |

Financial Model Image

Plan-Based Services

| Business Model | • NTT DATA makes capital expenditure in anticipation of multiple clients using our services, holds IT systems, etc., that it built as assets, and receives commissions when the services are used. • The services are mainly for domestic financial institutions and payments, such as systems shared among regional banks, ANSER, CAFIS, various package software, etc. |
| Financial Model | • Upright investment is required, and although cost of sales does not vary greatly after service provision begins, sales fluctuate depending on client usage. • Additional investment is made according to the status of business. |

Financial Model Image

Main Example: North America
Awarded a new large-scale outsourcing services contract with a medical insurance company.

| NTT DATA has awarded a contract for outsourcing services using digital technology with a medical insurance company based in United States. The contract covers services for overall IT operations including maintenance and operation of the infrastructure in addition to AMD and BPO. The project will involve BI, analytics, cloud, automation, and other technologies. |
Financials and Others
Financial Position and Business Results Analysis

Consolidated Statement of Financial Position

The total assets as of March 31, 2019 increased by ¥205.9 billion compared to the previous fiscal year to ¥2,476.1 billion. The current assets increased by ¥244.4 billion to ¥2,276.2 billion, primarily due to an increase in cash and cash equivalents (by ¥61.2 billion) and sales and other receivables (by ¥63.8 billion). The non-current assets increased by ¥81.8 billion to ¥974.5 billion, primarily due to an increase in retained earnings (by ¥61.2 billion).

Equity increased by ¥106.3 billion compared to the previous fiscal year to ¥966.8 billion primarily due to an increase in retained earnings.

Changes in Order Backlog and Recognition Period of Net Sales (Forecast)

New orders received for FY2018 increased by ¥236.1 billion compared to the previous fiscal year to ¥2,076.1 billion.

The year-on-year increase in the Public & Social Infrastructure Segment may seem significant, but this is due to receiving less orders compared to the previous fiscal year in which there were large orders. Nonetheless, we have won orders steadily. The Financial Segment saw a positive growth because it continued to win projects from banks steadily. In the Enterprise & Solutions Segment, we have been able to maintain the high level of orders as in the previous fiscal year, mainly from the manufacturing industry. The North America Segment won multiple large-scale projects and its new orders received grew by more than ¥410.0 billion compared to the previous fiscal year. The EMEA & LATAM Segment won more contracts especially in Europe, mainly in Spain and Italy.

Net sales for FY2020 were ¥2,180.0 billion, ¥446.0 billion higher than the previous fiscal year. Recognition of the net sales in FY2020, FY2021, and FY2022 onward, however, as the fiscal year advances, the ratio of composition of net sales by segment will increase in the order of the Financial Segment, North America Segment, followed by Public & Social Infrastructure Segment. This reflects the fact that most of the projects in each segment are large-scale and long-term.

As for when the order backlog as of March 31, 2018 will be recognized as net sales, a little less than half is expected to be recognized as net sales within a year. Then, we plan to recognize net sales sequentially, in FY2020, FY2021, FY2022, and FY2023 onward. However, as the fiscal year advances, the ratio of composition of net sales by segment will increase in the order of the Financial Segment, North America Segment, followed by Public & Social Infrastructure Segment. This also reflects the fact, as with the case of the order backlog, that projects in each segment are usually large-scale and long-term.

Financials and Others
Impact of Loss from Unprofitable Projects

NTT DATA established the Project Review Committee in October 2013, and has been working to curtail unprofitable projects. While we have to make a challenge to acquire new projects, we consider that if the impact of loss from unprofitable projects is below 0.3%–0.5% of consolidated net sales, we are in control of risks in terms of management.

In FY2018, we have been able to control the loss from unprofitable projects below 0.3%–0.5% of consolidated net sales, except for one project which is highly difficult requiring extremely advanced technology. A large amount of loss occurred on this project.

However, almost no losses were incurred on other projects, from which we understand that efforts made by the Project Review Committee to curtail unprofitable projects achieved some positive results.

We will continue to make the effort our key business challenge, so that we could control risks of more difficult projects and others.

Impact of Loss from Unprofitable Projects and Changes in the Ratio of Consolidated Net Sales

Consolidated Statement of Income

Net sales increased by ¥123.9 billion compared to the previous fiscal year due to robust domestic business and expansion in the scale of overseas business.

Selling, general and administrative expenses grew by ¥16.2 billion primarily due to expansion in the scale of business including M&A and sales activities for winning orders.

Operating income increased by ¥24.6 billion and the operating income margin improved by 0.8 points, offsetting the impact of unprofitable projects with additional profits from sales growth and steady cost control on a Companywide basis.

In FY2018, we have been able to control the loss from unprofitable projects below 0.3%–0.5% of consolidated net sales, except for one project which is highly difficult requiring additional profits from sales growth and steady cost control on a Companywide basis.

Both operating income and net income attributable to shareholders of NTT DATA increased, offsetting the impact of unprofitable projects with additional profits from sales growth and steady cost control at a subsidiary in North America following U.S. tax system revision.

Gross Profit 504.2
Selling Expenses 145.4
R&D Expenses 14.6
Other Administrative Expenses 221.1
Operating Income 123.1

Impact of loss from unprofitable projects (left)
Ratio of consolidated net sales (right)

F35: Enhancing Efforts to Curb Unprofitable Projects

EBITDA

Increased due primarily to an increase in operating income.

EBITDA*1

Operating Income / Operating Income Margin / Net Income Attributable to Shareholders of NTT DATA

Both operating income and net income attributable to shareholders of NTT DATA increased, offsetting the impact of unprofitable projects with additional profits from sales growth and steady cost control on a Companywide basis.

Operating Income (Billions of yen) (%) (Billions of yen)
Oper员ing income (left)
Operating income margin (right)
Net Income attributable to shareholders of NTT DATA (left)

Net Sales Net sales grew steadily due to robust domestic business and expansion of scale in overseas business. As a result, net sales has grown for 30 consecutive years.

Net Sales (Billions of yen)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>FY</td>
<td>2018</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
<td>2022</td>
<td>2023</td>
<td>2024</td>
<td>2025</td>
</tr>
<tr>
<td>(Billions of yen)</td>
<td>2,163.6</td>
<td>2,164.5</td>
<td>2,165.4</td>
<td>2,166.3</td>
<td>2,167.2</td>
<td>2,168.1</td>
<td>2,169.0</td>
<td>2,170.0</td>
</tr>
</tbody>
</table>

Impact of Loss from Unprofitable Projects and Changes in the Ratio of Consolidated Net Sales

Impact of loss from unprofitable projects (left)
Ratio of consolidated net sales (right)

F35: Enhancing Efforts to Curb Unprofitable Projects

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<tbody>
<tr>
<td>FY</td>
<td>2018</td>
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<td>2020</td>
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<td>2022</td>
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<td>2,165.4</td>
<td>2,166.3</td>
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<td>2,169.0</td>
<td>2,170.0</td>
</tr>
</tbody>
</table>

Impact of Loss from Unprofitable Projects and Changes in the Ratio of Consolidated Net Sales

Impact of loss from unprofitable projects (left)
Ratio of consolidated net sales (right)

F35: Enhancing Efforts to Curb Unprofitable Projects

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<table>
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<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY</td>
<td>2018</td>
<td>2019</td>
<td>2020</td>
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<td>2022</td>
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<td>2,166.3</td>
<td>2,167.2</td>
<td>2,168.1</td>
<td>2,169.0</td>
<td>2,170.0</td>
</tr>
</tbody>
</table>
Net Sales and Operating Income by Segment

In FY2018, net sales in Public & Social Infrastructure Segment increased primarily due to an expansion of the scale of services for government ministries and the telecom industry. The Financial Segment maintained the same level as the previous fiscal year despite less sales from banks, which was offset by growth in services for the insurance industry. The Enterprise & Solutions Segment saw a significant increase due to the growth in sales from a wide range of clients mainly in manufacturing and logistics industries in addition to the impact of the expanded scope of consolidation. The North America Segment saw a decrease for the year, but increased for the three months in the fourth quarter due to the growth in services for public and manufacturing sectors. In the EMEA & LATAM Segment, net sales continued to grow steadily in Europe, mainly in Spain and Italy.

Operating income in the Public & Social Infrastructure Segment increased despite an increase in the amount of loss from unprofitable projects, which was offset by an increase attributable to sales growth and cost control. The Financial Segment saw an increase primarily due to the growth in sales services in the insurance industry despite less profits compared to the previous fiscal year from services provided to banks. The Enterprise & Solutions Segment recorded an increase primarily due to sales growth. The North America Segment recorded an increase due to cost control efforts and reduced PMI expenses despite a decrease due to decline in net sales. The EMEA & LATAM Segment recorded an increase primarily due to sales growth.

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2017 (Billions of yen)</th>
<th>FY2018 (Billions of yen)</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public &amp; Social Infrastructure</td>
<td>2,163.6</td>
<td>2,143.6</td>
<td>+13.9</td>
</tr>
<tr>
<td>Financial Segment</td>
<td>444.9</td>
<td>479.9</td>
<td>+9.5</td>
</tr>
<tr>
<td>Enterprise &amp; Solutions Segment</td>
<td>559.9</td>
<td>559.1</td>
<td>+0.8</td>
</tr>
<tr>
<td>North America Segment</td>
<td>478.1</td>
<td>529.8</td>
<td>+51.7</td>
</tr>
<tr>
<td>EMEA &amp; LATAM Segment</td>
<td>427.9</td>
<td>421.9</td>
<td>+6.0</td>
</tr>
</tbody>
</table>

Net Sales by Product and Service

Regarding net sales by product and service in FY2018, integrated IT solutions saw an increase by ¥7.7 billion to ¥198.4 billion, primarily due to an expansion of scale in the Public & Social Infrastructure Segment. Consulting / support saw an increase by ¥62.7 billion to ¥905.4 billion, primarily due to an expansion of scale in the EMEA & LATAM Segment.

Net Sales and Operating Income by Segment

Net Sales and Operating Income by Segment

Operating Income

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2017 (Billions of yen)</th>
<th>FY2018 (Billions of yen)</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public &amp; Social Infrastructure</td>
<td>541.4</td>
<td>529.2</td>
<td>-1.5</td>
</tr>
<tr>
<td>Financial Segment</td>
<td>38.3</td>
<td>43.9</td>
<td>+5.6</td>
</tr>
<tr>
<td>Enterprise &amp; Solutions Segment</td>
<td>9.2</td>
<td>9.5</td>
<td>+0.3</td>
</tr>
<tr>
<td>North America Segment</td>
<td>40.5</td>
<td>48.5</td>
<td>+20.0</td>
</tr>
<tr>
<td>EMEA &amp; LATAM Segment</td>
<td>6.8</td>
<td>13.3</td>
<td>+94.1</td>
</tr>
</tbody>
</table>

Value Creation by NTT DATA

Cash flows from operating activities in the fiscal year was positive at ¥242.0 billion (¥7.3 billion increase compared to the previous fiscal year) primarily due to net income of ¥97.7 billion and depreciation and amortization of ¥158.0 billion, while there was a payment including corporate tax of ¥55.2 billion. Cash flows from investing activities was negative at ¥186.9 billion (¥17.1 billion decrease compared to the previous fiscal year). This was primarily due to a capital investment expenditure of ¥130.8 billion. Overall, the free cash flow of the fiscal year was positive at ¥55.1 billion (¥24.4 billion increase compared to the previous fiscal year).

Cash flows from operating activities was positive at ¥5.5 billion (¥96.3 billion increase compared to the previous fiscal year). This was mainly attributable to an increase of interest-bearing liabilities due to financing for acquiring subsidiary stocks despite dividend payments.

Consolidated Cash Flow Statement

Free Cash Flow

Net Sales by Product and Service

Regarding net sales by product and service in FY2018, integrated IT solutions saw an increase by ¥7.7 billion to ¥198.4 billion. Systems / software development recorded an increase by ¥37.4 billion to ¥981.5 billion, primarily due to an expansion of scale in the Public & Social Infrastructure Segment.

Consulting / support saw an increase by ¥62.7 billion to ¥905.4 billion, primarily due to an expansion of scale in the EMEA & LATAM Segment.

<table>
<thead>
<tr>
<th>Definition / Example of Projects</th>
<th>FY2017 (Billions of yen)</th>
<th>FY2018 (Billions of yen)</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated IT Solutions</td>
<td>69.0</td>
<td>81.6</td>
<td>+24.3</td>
</tr>
<tr>
<td>Systems / Software Development</td>
<td>64.0</td>
<td>67.7</td>
<td>+5.9</td>
</tr>
<tr>
<td>Consulting / Support</td>
<td>77.9</td>
<td>77.7</td>
<td>+0.2</td>
</tr>
<tr>
<td>Other Services</td>
<td>38.9</td>
<td>42.9</td>
<td>+9.7</td>
</tr>
</tbody>
</table>
## Financials and Others

### Financial and Non-Financial Values (Historical Changes)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2008</td>
<td>Billion of yen</td>
</tr>
<tr>
<td>FY2019</td>
<td>Billion of yen</td>
</tr>
<tr>
<td>FY2020</td>
<td>Billion of yen</td>
</tr>
<tr>
<td>FY2021</td>
<td>Billion of yen</td>
</tr>
<tr>
<td>FY2022</td>
<td>Billion of yen</td>
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<tr>
<td>FY2023</td>
<td>Billion of yen</td>
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<tr>
<td>FY2024</td>
<td>Billion of yen</td>
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<tr>
<td>FY2025</td>
<td>Billion of yen</td>
</tr>
<tr>
<td>FY2026</td>
<td>Billion of yen</td>
</tr>
<tr>
<td>FY2027</td>
<td>Billion of yen</td>
</tr>
<tr>
<td>FY2028</td>
<td>Billion of yen</td>
</tr>
</tbody>
</table>

### Management Strategies

### Business Strategies by Segment

1. **ROE** = net income attributable to shareholders of NTT DATA / average equity during the period
2. **D/E ratio** = gross liabilities / shareholders' equity
3. **EBITA (IFRS)** = operating income (IFRS) + amortization of intangible assets subject to purchase price allocation (PPA) arising from acquisition and others
4. **EBITDA** = operating income + depreciation and amortization + loss on retirement of fixed asset + goodwill amortization, etc.
5. **SG&A ratio** = selling, general, and administrative expenses / operating income
6. **D/D ratio** = interest-bearing debt / shareholders' equity
7. **Return on invested capital (ROIC)**
8. **Cost of sales ratio** = cost of sales / total revenue
9. **EBITDA margin** = EBITDA / total revenue
10. **Research and development expenses** = research and development expenses / total revenue
11. **Capital expenditure** = depreciation and amortization on purchase of property and equipment and intangibles
12. **Net income attributable to shareholders of NTT DATA**
13. **Overseas EBITA ratio**
14. **Property usage**
15. **Greenhouse gas emissions**
16. **Water consumption**
17. **Purchased power**
18. **Paper usage**

### Non-Financial Values

#### Financials and Others

<table>
<thead>
<tr>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilion of yen</td>
</tr>
<tr>
<td>Net sales</td>
</tr>
<tr>
<td>Net profit</td>
</tr>
<tr>
<td>EBIT</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
</tr>
<tr>
<td>Shareholders' equity</td>
</tr>
<tr>
<td>Earnings per share</td>
</tr>
<tr>
<td>Total dividends/consolidated cash flow</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
</tr>
<tr>
<td>Total shareholder return (holding period of 5 years)</td>
</tr>
<tr>
<td>Total dividends/consolidated cash flow (consolidated cash flow = net sales attributable to shareholders of NTT DATA + depreciation and amortization + loss on retirement of fixed asset – capital expenditure)</td>
</tr>
<tr>
<td>EBITDA</td>
</tr>
<tr>
<td>Net income attributable to shareholders of NTT DATA</td>
</tr>
<tr>
<td>Earnings per share</td>
</tr>
<tr>
<td>Total dividends/consolidated cash flow</td>
</tr>
<tr>
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</tr>
<tr>
<td>Total dividends/consolidated cash flow (consolidated cash flow = net sales attributable to shareholders of NTT DATA + depreciation and amortization + loss on retirement of fixed asset – capital expenditure)</td>
</tr>
</tbody>
</table>

**IFRS** = International Financial Reporting Standards
### Consolidated Statement of Financial Position

(Thousands of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>190,070</td>
<td>251,309</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>485,363</td>
<td>549,126</td>
</tr>
<tr>
<td>Contract assets</td>
<td>81,948</td>
<td>81,929</td>
</tr>
<tr>
<td>Inventories</td>
<td>21,543</td>
<td>15,294</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>11,885</td>
<td>9,440</td>
</tr>
<tr>
<td>Other current assets</td>
<td>59,631</td>
<td>67,369</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>850,450</td>
<td>974,467</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>348,398</td>
<td>355,717</td>
</tr>
<tr>
<td>Goodwill</td>
<td>335,887</td>
<td>357,014</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>431,412</td>
<td>444,444</td>
</tr>
<tr>
<td>Investment property</td>
<td>27,384</td>
<td>27,331</td>
</tr>
<tr>
<td>Investments accounted for using equity method</td>
<td>6,831</td>
<td>6,573</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>138,223</td>
<td>168,803</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>95,757</td>
<td>98,220</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>35,860</td>
<td>43,493</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1,419,752</td>
<td>1,501,595</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,270,203</td>
<td>2,476,062</td>
</tr>
</tbody>
</table>

| **Liabilities**        |        |        |
| Current liabilities    |        |        |
| Trade and other payables | 307,985 | 359,013 |
| Contract liabilities   | 213,791 | 218,774 |
| Bonds and borrowings   | 97,413  | 134,856 |
| Other financial liabilities | 23,111 | 28,717 |
| Income taxes payable   | 26,213  | 30,437 |
| Provisions             | 7,935   | 12,434 |
| Other current liabilities | 30,870 | 32,898 |
| **Total current liabilities** | 707,217 | 816,859 |
| Non-current liabilities |        |        |
| Bonds and borrowings   | 468,860 | 446,437 |
| Other financial liabilities | 10,936 | 21,908 |
| Defined benefit liabilities | 199,849 | 202,491 |
| Provisions             | 3,208   | 5,532  |
| Deferred tax liabilities | 7,710  | 9,121  |
| Other non-current liabilities | 3,166 | 12,463 |
| **Total non-current liabilities** | 702,479 | 692,394 |
| **Total liabilities**  | 1,409,696 | 1,509,253 |

| **Equity**             |        |        |
| Equity attributable to shareholders of NTT DATA |        |        |
| Capital stock          | 142,520 | 142,520 |
| Capital surplus        | 116,193 | 115,740 |
| Retained earnings      | 528,601 | 603,171 |
| Treasury shares        | (1)    | (1)    |
| Other components of equity | 38,865 | 64,236 |
| **Total equity**       | 826,179 | 895,687 |
| Non-controlling interests | 34,327 | 41,143 |
| **Total**              | 860,506 | 936,830 |
| Total liabilities and equity | 2,270,203 | 2,476,062 |

### Consolidated Statement of Income

(Thousands of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>2,039,690</td>
<td>2,163,625</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>1,355,536</td>
<td>1,618,636</td>
</tr>
<tr>
<td>Gross profit</td>
<td>504,155</td>
<td>544,988</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>381,026</td>
<td>392,272</td>
</tr>
<tr>
<td>Operating income</td>
<td>123,120</td>
<td>147,716</td>
</tr>
<tr>
<td>Financial income</td>
<td>5,867</td>
<td>6,848</td>
</tr>
<tr>
<td>Financial costs</td>
<td>7,193</td>
<td>7,825</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>122,704</td>
<td>146,914</td>
</tr>
<tr>
<td>Income taxes</td>
<td>37,013</td>
<td>49,210</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>85,691</td>
<td>97,704</td>
</tr>
<tr>
<td>Net income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of NTT DATA</td>
<td>82,392</td>
<td>93,616</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>3,299</td>
<td>4,088</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>85,691</td>
<td>97,704</td>
</tr>
<tr>
<td>Net income per share attributable to shareholders of NTT DATA:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income per share (Yen)</strong></td>
<td>58.75</td>
<td>66.75</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Comprehensive Income

(Thousands of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>85,691</td>
<td>97,704</td>
</tr>
<tr>
<td>Other comprehensive income (after taxes)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit / loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fair value of financial assets measured at fair value through other comprehensive income</td>
<td>17,733</td>
<td>11,756</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>1,426</td>
<td>(1,271)</td>
</tr>
<tr>
<td><strong>Share of other comprehensive income of entities accounted for using equity method</strong></td>
<td>0</td>
<td>(0)</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit / loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>227</td>
<td>(731)</td>
</tr>
<tr>
<td>Hedges cost</td>
<td>100</td>
<td></td>
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<tr>
<td>Foreign currency translation adjustment</td>
<td>(18,941)</td>
<td>11,273</td>
</tr>
<tr>
<td><strong>Share of other comprehensive income of entities accounted for using equity method</strong></td>
<td>193</td>
<td>(213)</td>
</tr>
<tr>
<td>Total other comprehensive income (after taxes)</td>
<td>638</td>
<td>20,913</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>86,529</td>
<td>118,617</td>
</tr>
<tr>
<td><strong>Comprehensive income attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of NTT DATA</td>
<td>82,877</td>
<td>114,859</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>3,652</td>
<td>3,758</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>86,529</td>
<td>118,617</td>
</tr>
</tbody>
</table>
Consolidated Statement of Changes in Equity
(Millions of yen)

<table>
<thead>
<tr>
<th>Period</th>
<th>As of April 1, 2017</th>
<th>142,520</th>
<th>119,301</th>
<th>466,950</th>
<th>(1)</th>
<th>39,779</th>
<th>768,550</th>
<th>30,754</th>
<th>799,304</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>82,392</td>
<td></td>
<td>(773)</td>
<td>82,119</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td>485</td>
<td></td>
<td>153</td>
<td>638</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions with shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends of surplus</td>
<td></td>
<td></td>
<td>(21,739)</td>
<td></td>
<td>(21,739)</td>
<td>(22,511)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to retained earnings</td>
<td></td>
<td></td>
<td>1,399</td>
<td></td>
<td>(1,399)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition and disposition of treasury shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase / decrease by business combination</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1,148)</td>
<td>(1,148)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes in controlled subsidiaries' stocks</td>
<td></td>
<td></td>
<td>24</td>
<td></td>
<td>24</td>
<td>16</td>
<td></td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Put options granted to non-controlling interests</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>154</td>
<td></td>
<td>(1,369)</td>
<td>(246)</td>
<td>(270)</td>
<td>(546)</td>
<td></td>
</tr>
<tr>
<td>Total transaction with shareholders</td>
<td></td>
<td></td>
<td>(3,108)</td>
<td></td>
<td>(20,740)</td>
<td>(25,248)</td>
<td>(773)</td>
<td>(25,127)</td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2018</td>
<td>142,520</td>
<td>116,193</td>
<td>528,601</td>
<td>(1)</td>
<td>38,865</td>
<td>826,179</td>
<td>34,327</td>
<td>860,506</td>
<td></td>
</tr>
</tbody>
</table>

Consolidated Statement of Cash Flows
(Millions of yen)

<table>
<thead>
<tr>
<th>Period</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>85,691</td>
<td>97,704</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>158,038</td>
<td>158,038</td>
</tr>
<tr>
<td>Financial income and financial costs (“) shows profit</td>
<td>(1,557)</td>
<td>836</td>
</tr>
<tr>
<td>Share of (profit) / loss of entities for using equity method</td>
<td>(909)</td>
<td>(175)</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>49,210</td>
<td>49,210</td>
</tr>
<tr>
<td>Increase / decrease in trade and other receivables</td>
<td>43,290</td>
<td>43,290</td>
</tr>
<tr>
<td>Increase / decrease in inventories</td>
<td>6,267</td>
<td>6,267</td>
</tr>
<tr>
<td>Increase / (decrease) in trade and other payables</td>
<td>32,765</td>
<td>32,765</td>
</tr>
<tr>
<td>Increase / (decrease) in allowance for contract losses</td>
<td>4,205</td>
<td>4,205</td>
</tr>
<tr>
<td>Other</td>
<td>9,133</td>
<td>9,133</td>
</tr>
<tr>
<td>Sub total</td>
<td>297,549</td>
<td>296,420</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>4,263</td>
<td>4,992</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(4,555)</td>
<td>(4,193)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(62,566)</td>
<td>(55,209)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>234,692</td>
<td>242,009</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from Investing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for acquisition of property, plant, equipment, and intangible fixed assets</td>
<td>190,142</td>
<td>179,986</td>
</tr>
<tr>
<td>Payments from acquisition of other financial assets</td>
<td>(21,802)</td>
<td>(20,122)</td>
</tr>
<tr>
<td>Proceeds from sales and redemption of other financial assets (“) shows redemption</td>
<td>24,113</td>
<td>23,130</td>
</tr>
<tr>
<td>Payments for investments in subsidiaries</td>
<td>(4,852)</td>
<td>(9,257)</td>
</tr>
<tr>
<td>Other</td>
<td>(2,245)</td>
<td>(645)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(263,998)</td>
<td>(186,879)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from Financing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase / (decrease) in short-term borrowings</td>
<td>(169,620)</td>
<td>27,674</td>
</tr>
<tr>
<td>Net increase / (decrease) in commercial papers</td>
<td>20,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Proceeds from long-term debt and issuance of bonds</td>
<td>187,618</td>
<td>40,058</td>
</tr>
<tr>
<td>Repayments of long-term borrowings and redemption of bonds at maturity</td>
<td>(263,889)</td>
<td>(50,967)</td>
</tr>
<tr>
<td>Purchase of equity interests of subsidiaries from non-controlling interests</td>
<td>(114)</td>
<td>(1,312)</td>
</tr>
<tr>
<td>Proceeds from sale-and-leaseback</td>
<td></td>
<td>11,799</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(22,393)</td>
<td>(22,438)</td>
</tr>
<tr>
<td>Cash dividends paid to non-controlling interests</td>
<td>(773)</td>
<td>(751)</td>
</tr>
<tr>
<td>Payments for acquisition of treasury stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(2,586)</td>
<td>(2,612)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(80,880)</td>
<td>5,451</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase / (decrease) in cash and cash equivalents</td>
<td>(60,161)</td>
<td>60,581</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>263,984</td>
<td>190,070</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents (“) shows decrease</td>
<td>(3,713)</td>
<td>(558)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents (“) shows decrease</td>
<td>190,070</td>
<td>251,509</td>
</tr>
</tbody>
</table>
Company Information

(As of March 31, 2019)

Date of Establishment
May 23, 1988

Company Name
NTT DATA Corporation

Head Office
Toyosu Center Bldg., 3-3, Toyosu 3-chome, Koto-ku, Tokyo 135-6033, Japan

Telephone: +81-3-5546-8202

Common Stock
¥142,520 million

Number of employees
Consolidated: 123,884
Non-consolidated: 11,310

Fiscal Year
April 1 to March 31 of the following year

Ordinary General Meeting of Shareholders
June

Stock Market
Tokyo Stock Exchange 1st Section
Stock Code: 9613

Administrator of Register of Shareholders
Sumitomo Mitsui Trust Bank, Limited

Independent Auditors
KPMG AZSA LLC

Organization Structure

Organizational Structure (As of July 1, 2019)

[Diagram showing organizational structure]

Company Information

Stock / Credit Rating Information

(As of March 31, 2019)

Number of Shares Issued and Number of Shareholders

<table>
<thead>
<tr>
<th>Name of Credit Rating Agencies</th>
<th>Long-Term Bond Rating</th>
<th>Commercial Paper Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Credit Rating Agency, Ltd.</td>
<td>AA+</td>
<td>J-1+</td>
</tr>
<tr>
<td>Rating and Investment Information, Inc.</td>
<td>AA</td>
<td>a-1+</td>
</tr>
</tbody>
</table>

Composition of Shareholders (Percentage of Shares Held)

- Individuals and Others: 6.80%
- Financial Institutions: 20.95%
- Securities Companies: 2.25%
- Non-Japanese Companies, etc.: 15.45%
- Other Companies: 54.55%

Credit Rating Information

As of November 2, 2018, transfer of 760,000,000 shares of NTT DATA from the ultimate parent company and the largest shareholder of NTT DATA, NTT, Inc., to NTT DATA was completed. Accordingly, NTT, Inc. has become our direct parent company and our largest shareholder.

Stock Price Chart

Relative value of stock price, assuming the closing price of stock on March 31, 2014, was set at 100.

Stock Split of NTT DATA

- August 1998: 10-for-1 stock split of common shares
- October 2001: 100-for-1 stock split of common shares and adoption of the unit share system
- July 2017: 5-for-1 stock split of common shares

Note: A 5-for-1 split was conducted with an effective date of July 1, 2017. Figures up to and including fiscal 2016 have been retroactively adjusted, as if this stock split had been conducted earlier.