Trusted Global Innovator
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.

### Customers in Wide-Ranging Industries

- **Public Sector**
- **Energy and Utilities**
- **Telecommunications**
- **Healthcare and Life Sciences**
- **Banking and Financial Services**
- **Insurance**
- **Manufacturing**
- **Retail**
- **Service Industry**
- **Transportation and Logistics**
- **Education**
- **Media**

### Balanced Deployment of IT Services in Japan and Overseas

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

- **Full Outsourcing**
- **Plan-Based Services**
- **System Development**
- **System Integrator**
- **Consulting**
- **AMO / ITO / BPO**

### Net Sales by Segment (FY2018)

- **EMEA* & LATAM Segment**
  - ¥440.1 billion
  - 17.3%
  - * Europe, the Middle East, and Africa

- **North America Segment**
  - ¥421.9 billion
  - 16.6%

- **Enterprise & Solutions Segment**
  - ¥529.8 billion
  - 20.8%

- **Financial Segment**
  - ¥559.1 billion
  - 22.0%

- **Public & Social Infrastructure Segment**
  - ¥479.9 billion
  - 18.8%

- **Others**
  - ¥116.2 billion
  - 4.5%

- **Other**

### Outside Partnerships

- **Hardware manufacturers**
  - Fujitsu
  - NEC
  - Hitachi
  - Dell Technologies, etc.

- **Software developers**
  - Microsoft
  - Oracle
  - SAP, etc.

- **Programming companies**
  - Produced by Sler
  - 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**¹
(Net sales)

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

Rankings by Country

Spain
3rd
Italy
8th
Germany
11th

Rankings by Industry

Financial
4th
Public
9th
Manufacturing

ESG Index
Dow Jones Sustainability World Index / Asia Pacific Index

Cutting-Edge Technologies
(Blockchain, UX/UI design)
Assessment by Leading Research & Analysis Firm*²

A Leader

*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
Rankings in the global IT services market: Financial = Banking & Securities / Public = Government / Manufacturing = Manufacturing & Natural Resources based on vendor revenue

Mission Statement

**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.

Values

**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 shying away 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.

The Zengin Data Telecommunications System

1973 (First Generation)  
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.

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.

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

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

1995
Listed on the Tokyo Stock Exchange

1998
Increased capital (built a solid financial foundation)

2005–
External environment:
Overseas deployment by Japanese companies
- Launched direct support for Japanese companies operating overseas
- Adopted slogan “Global IT Innovator”
- Began proactive development of global business

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

NTT DATA (Non-consolidated)
Domestic Group companies
Overseas Group companies

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

Business Expansion Centered on the Public and Financial Sector

Enterprise Business Expansion

Global Business

Self-transformation of segment portfolio
(Net sales by segments)

FY1999

Public 25%
Financial 50%
Enterprise 25%
Increased Global Coverage
Expanded geographical coverage to 185 cities in 45 countries and regions
The NTT DATA Group employed approximately 80,000 people

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

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
P24: New Medium-Term Management Plan

Global 1st Stage
FY2005–2015

Global 2nd Stage
FY2016–2018

Global 3rd Stage
FY2019–around 2025

Global Business Expansion

Increased Global Coverage
Expanded geographical coverage to 185 cities in 45 countries and regions

2009–
External environment: Maturing Japanese IT market
  □ Full-fledged global business
  □ Expanded geographical coverage

2012–
Brand integration / development of global management structure

2018–
Adopted slogan “Trusted Global Innovator”

Surpassed net sales of ¥2 trillion

Operating income ¥100 billion

Japan & APAC
North America
EMEA & LATAM

Trusted Global Innovator
Global Top 5

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

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Value Co-Innovation Model

NTT DATA’s Value Creation Process

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Realizing a More Affluent and Harmonious Society

Resolving social issues
- Realizing a social foundation with convenience, safety, and reliability
- Creating sustainable cities and regions
- Lowering environmental burdens
- Developing infrastructure to prevent disasters and respond to natural disasters
- Ensuring stable and efficient energy provision
- Realizing society of healing and longevity
- Eliminating labor shortages

Enhancing Corporate Value

Targets of New Medium-Term Management Plan

<table>
<thead>
<tr>
<th>Financial Capital</th>
<th>Non-Financial Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Net Sales</td>
<td>Consolidated Operating Income Margin**</td>
</tr>
<tr>
<td>¥2.5 trillion</td>
<td>8%</td>
</tr>
</tbody>
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** 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)

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

Technologies
- Expand global digital offerings
  1. Accelerate global marketing
  2. Develop digital offerings
  3. Expand Center of Excellence (CoE)

Brand
- Entrench reliable brand image as a “Trusted Global Innovator”
- Aiming for Global Top 5 around 2025

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

Reinvestment

P32: Message from the CFO
Financial Highlights

Order Backlog / Net Sales

New orders received and net sales have grown steadily due to the robust domestic business and expansion of scale in the overseas business. As a result, net sales has grown for 30 consecutive fiscal years. Order backlog also increased due to the sales growth and remained at a high level.

Operating Income / Operating Income Margin

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

Overseas Net Sales*/1 / Overseas EBITA Margin*/1,2

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.

Return on Invested Capital (ROIC)*3, 4 / Return on Equity (ROE)*5

ROIC and ROE both improved due to an increase in operating income and net income attributable to shareholders of NTT DATA.

5-Year Average Consolidated Cash Flow Dividend Payout Ratio*/5, 6 / Annual Dividends per Share*6

NTT DATA’s basic policy is to pay stable dividends focusing on maintaining the consolidated cash flow dividend payout ratio over the medium- to long-term. For the annual dividends per share for FY2018, we increased the ordinary dividends by ¥2, based on the steady performance and due to the fiscal year marking the 30th anniversary milestone.

Total Shareholder Return (TSR)

The rate of return for holding our company’s share for the most recent 5 years exceeded 150%, which is higher than TOPIX (with dividend).

*1 Net sales to clients outside the NTT DATA Group. The figures for the periods until FY2016 are those for the former Global Segment, and from FY2017 and later, are the total of North America/EMEA & LATAM Segments and China & APAC.

*2 EBITA (JGAAP) = operating income (JGAAP) + amortization of goodwill and intangible assets subject to purchase price allocation (PPA) arising from acquisition and others

*3 ROIC = (operating income x (1 – effective tax rate)) / (average net assets during the period + average interest-bearing liabilities during the period)

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

*5 The figures for the interest bearing liabilities based on JGAAP are the total of loans, corporate bonds, and lease obligations. Figures based on IFRS are the total of loans and corporate bonds.

*6 In October 2013, 100-for-1 stock split of common shares was conducted and the unit share system was adopted. Dividend per share is recorded with an amount considering this stock split. In July 2017, a 5-for-1 stock split was of common shares was conducted. Dividend per share is recorded with an amount considering this stock split.
Client Base

As a result of our initiative of “Game-Changing Approach” in the previous Medium-Term Management Plan (FY2016–FY2018), 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*9 / Ratio of Female New Graduates Hired*9

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.

Workhours*9

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.

Greenhouse Gas Emissions*10, 11 / Paper Usage*10

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

* 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 ¥2.5 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 costs such as M&A and structural transformation
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 optimal technologies 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 “unleash our employees’ potential to maximize organizational strengths.” Here, we will promote a host of initiatives to augment our organizational
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, due in part to structural inefficiencies, such as the fact that we are operating three companies, and 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’ capabilities. I view organizational capabilities as the product of employee skills (capabilities), rewarding work (vitality), and a good working environment (appeal). We aim to augment each of these components. Specifically, to unleash employees’ potential we will put in place systems and create an environment to enhance the digital and global capabilities of all employees. Given the growing importance of recruiting and maintaining human resources capable of innovation, in December 2018 we introduced the Advanced Professional System. Under this arrangement, we recruit human resources from outside with developed skills in AI, IoT, cloud, and other advanced technology domains, compensating them according to market value. Also, to digitize our work environment, we will introduce a leading-edge framework for sharing information globally. (Specifically, information on what technologies we are using to provide what services to what clients in what regions, as well as information about who is an expert in what areas.) Under this framework, we will introduce initiatives to promote collaboration, transform workstyles by reviewing business processes, and encourage further increases in productivity through next-generation production technology. To enhance our governance processes, curtailing unprofitable projects is a topic of utmost importance, which I will speak about next.
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.

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

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.

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.
Management Targets

- Expansion of new business fields and reinforcement of product competitiveness
  We used game-changing approaches to increase our share of existing markets (client base*5: 50 companies) and successfully enter 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.

- Strengthen 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*6: 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.

- Maximize value for our clients
  To maximize value for our clients, we recognize the need to further accelerate digital transformation and maximize global synergy.

- 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 overseas businesses
  Although net sales grew significantly, profitability remains low, so substantial improvement is necessary.

Issues

- Prevent unprofitable projects
  With the exception of a specific project, we succeeded in reducing the number below our target level*7 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.

*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
Global 3rd Stage

Diffuse of Trusted Brand

**New Medium-Term Management Plan**

~Midpoint to Global 3rd Stage~

Pursuing profitable global growth with consistent belief and courage to change

**Growth**

<table>
<thead>
<tr>
<th>Net Sales</th>
<th>Client Base*4</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥2.5 trillion</td>
<td>Over 80</td>
</tr>
</tbody>
</table>

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

**Earnings**

<table>
<thead>
<tr>
<th>Operating Income Margin**3</th>
<th>Overseas EBITA**3 margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Transform & Synergy**

**Strategy 1**

Expand global digital offerings

**Strategy 2**

Deliver greater value to clients based on regional needs

**Drive NTT Group Collaboration**

**Strategy 3**

Unleash our employees’ potential that maximize organizational strengths

**Maximize Value for Clients**

*2% Outsourcing ratio

**Shape the Future Society with Our Clients**

**Message from the CEO**

**Business Strategies by Segment**

**ESG Management**

**Financials and Others**

**Value Creation by NTT DATA**

**Management Strategies**

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

Client base*4 of more than 100 companies

Rank in Top 10 in major countries

*4 Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan)
Under the central theme of “strenghen 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

- **Net Sales (Billions of yen):**
  - FY2015: 1,614.8
  - JGAAP: 2,099.7
  - FY2016: 1,732.4
  - IFRS: 2,163.6
  - FY2017: 2,039.7
  - FY2018: 1,542.6

#### Operating Income + 50%*

- **Operating Income (Billions of yen):**
  - FY2015: 100.8
  - JGAAP: 117.1
  - FY2016: 117.1
  - IFRS: 123.1
  - FY2017: 147.7

* Compared to FY2015 (Adjusted item: Incremental investment in new areas)

### Strategies and Major Achievements

#### Strengthen Local Presence

**Increasing Our 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.

**FY2018 Market Scale and Market Share in Each Country**

- **Flag sizes approximately represent our scale of sales.**
- **Indicates countries where our presence increased from FY2017 to FY2018**
- **Countries where our market share ranking increased or, if our ranking remained the same, where sales increased**

**Initiatives to Enhance Our Local Presence in North America**

**Acquisition of the Former Dell Services in North America**

In November 2016, we acquired an IT services business from Dell Systems Corporation (referred to below as the former Dell Services). We completed post-merger integration (PMI) in June 2018.

Concentrating on North America, the former Dell Services provides cloud, application-related, and BPO services. The company has a robust client base, mainly in the healthcare, manufacturing, and service sectors, including financial institutions and federal governments. In particular, the company has earned a strong reputation for the industry-specific digital solutions and BPO services it provides in the healthcare industry, notably to healthcare institutions and health insurers. Through this acquisition, we have increased the NTT DATA Group’s local presence in North America.

**Net Sales in North America**

- **FY2016 (IFRS): ¥246.3 billion**
- **FY2018: ¥421.9 billion**
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.

Client Base* (Number of Clients)

<table>
<thead>
<tr>
<th>FY</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>+20</td>
<td>70</td>
</tr>
</tbody>
</table>

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

Order Backlog (Billions of yen)

<table>
<thead>
<tr>
<th>FY</th>
<th>2015(JGAAP)</th>
<th>2018(IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥1,544.5</td>
<td>+912.6</td>
<td>¥2,457.1</td>
</tr>
</tbody>
</table>

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 instantaneously 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.

* Financial institutions participate on a voluntary basis. (Participants currently number more than 500.)

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$200 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.
**Breakthrough Technology**

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

<table>
<thead>
<tr>
<th>Production Technology Innovation</th>
<th>Utilization of Cutting-Edge Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Globally standardize software development methods</strong></td>
<td><strong>Establish a mechanism to globally consolidate and utilize expertise on the latest technologies.</strong></td>
</tr>
<tr>
<td>Development methodology</td>
<td><strong>CoE (Center of Excellence)</strong></td>
</tr>
<tr>
<td>Software development automation tool</td>
<td><strong>Blockchain</strong></td>
</tr>
<tr>
<td>Adoption rate 90%</td>
<td><strong>DevOps</strong></td>
</tr>
<tr>
<td>multi-vendor multi-cloud</td>
<td><strong>AI</strong></td>
</tr>
<tr>
<td>Development environment aggregation</td>
<td><strong>80 use cases</strong></td>
</tr>
<tr>
<td>Adoption case 1,000 cases</td>
<td><strong>Leader evaluation</strong></td>
</tr>
</tbody>
</table>

**Promoting Software Development Automation and Making Development Methodology Consistent**

We reduced development costs by increasing the use of tools to automate software development and making our development methodology globally consistent.

**Moving the Development Environment onto the Cloud and Aggregating the Development Environment**

We expanded application to the development environment in Japan and overseas, and worked to increase application to clients’ commercial environments. The development environment was used in around 1,000 cases, including some 100 overseas.

**Status of NTT DATA Integrated Development Cloud Applications**

<table>
<thead>
<tr>
<th>Status</th>
<th>EMEA &amp; LATAM</th>
<th>China &amp; APAC</th>
<th>Japan</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding applications in global development environments</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Rolling out to client commercial environments</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

**Initiatives of Investments in New Fields**

**Necessity of Investments in New Fields**

* Digitization is causing massive changes in market environments and client IT investment is also changing, from existing business areas to focusing on digital business areas.
* In response to these changes, we conducted proactive upfront investments in order to secure our presence and competitive advantage into the future in these newly created business areas.

**Major Investment Areas**

* Investments related to a game-changing approach and breakthrough technology based on previous Medium-Term Management Plan strategies
* Investments in digital business areas such as AI, IoT, and blockchain and emergent innovations aimed at the Global 3rd Stage

**Game-Changing Approach and Breakthrough Technology**

* Next-generation core banking

**Enhanced Response to Digital Business**

* Realization of a connected car society
* Trade data sharing platforms using the blockchain
* R&D related to quality maintenance technology of prediction models using AI technology
* R&D aimed at turning brain information communications into a business
* BPaas business for the insurance industry (GIDP)

**Paradigm for Disruptive Innovation**

* Business creation activities from open innovation "Toyosu no Minato kara"*

* Initiative to accelerate emergent innovation aimed at creating new business through monthly forums and global business contests between NTT DATA, our clients, and various venture capital firms.
Key Challenges to Address under the New Medium-Term Management Plan

Key Challenge 1: Maximize Value for Our Clients

To maximize the value we provide our clients amid ongoing digitization and globalization, we need to accelerate digital transformation and maximize global synergies. We aim to maximize value for our clients by enacting three strategies under the new Medium-Term Management Plan.

Key Challenge 2: Prevent Unprofitable Projects

We recognized the prevention of unprofitable projects as a key management issue, which we addressed with a variety of initiatives, such as establishing the Project Review Committee in October 2013.

Amid efforts to acquire new projects, NTT DATA’s management believes it is possible to control risks when losses from unprofitable projects equal to between 0.3% and 0.5% of consolidated net sales. In FY2018, we remained below our target level with the exception of one project, which required particularly sophisticated technological capabilities.

Few other projects were unprofitable, which suggests the Project Review Committee and other efforts to curtail unprofitable projects are having some effect. Going forward, however, we face the issue of remaining profitable on projects of a highly complicated technical nature.

Where We Are

Completion of integration with the former Dell Services as planned, resulting in stronger US market presence

Challenge

Further control especially for complex projects

Impact of Loss from Unprofitable Projects

(Fillions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2013–2015</th>
<th>¥62.9 billion</th>
<th>FY2016–2018</th>
<th>¥34.2 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>31.5</td>
<td>2.34</td>
<td>15.5</td>
<td>0.97</td>
</tr>
<tr>
<td>2014</td>
<td>15.0</td>
<td>1.03</td>
<td>15.9</td>
<td>0.98</td>
</tr>
<tr>
<td>2015</td>
<td>7.4</td>
<td>0.87</td>
<td>9.9</td>
<td>0.47</td>
</tr>
<tr>
<td>2016</td>
<td>0.85</td>
<td>0.49</td>
<td>0.78</td>
<td>0.37</td>
</tr>
<tr>
<td>2017</td>
<td>0.75</td>
<td>0.44</td>
<td>0.68</td>
<td>0.34</td>
</tr>
<tr>
<td>2018</td>
<td>0.70</td>
<td>0.41</td>
<td>0.75</td>
<td>0.36</td>
</tr>
</tbody>
</table>

Introduction of the Project Review Committee

Key Challenge 3: Improve the Profitability of Overseas Businesses

In overseas business, we strengthened our market presence in North America by acquiring the former Dell Services and in EMEA & Latin America through robust organic growth.

Our overseas EBITA margin fell, however, due to PMI and restructuring costs associated with the acquisition of the former Dell Services in North America and up-front investments to augment technical capabilities in step with our rapid business expansion in EMEA & Latin America. Accordingly, improving the profitability of overseas businesses is a key management issue.

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

EMEA & LATAM

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

Challenge

Improve profitability through constant, rapid growth

Overseas Net Sales / Overseas EBITA Margin

(Billions of yen) (%)
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*1 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*2 at 7% to provide a clear indicator for improving profitability as we expand sales.

*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

Overview of the New Medium-Term Management Plan

<table>
<thead>
<tr>
<th>Profitable Global Growth: FY2021 Business Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth</strong></td>
</tr>
<tr>
<td><strong>Client Base</strong></td>
</tr>
<tr>
<td><strong>Earnings</strong></td>
</tr>
<tr>
<td><strong>Overseas EBITA Margin</strong></td>
</tr>
</tbody>
</table>

*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

Maximize Value for Our Clients

Transformation & Synergy

<table>
<thead>
<tr>
<th>Strategy 1</th>
<th>Strategy 2</th>
<th>Strategy 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand global digital offerings</td>
<td>Deliver greater value to clients based on regional needs</td>
<td>Unleash our employees’ potential that maximize organizational strengths</td>
</tr>
</tbody>
</table>

Growth Driver: Digital & Global

Shape the Future Society with Our Clients
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.

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

To date, we have operated our business based on strategies tailored to the characteristics of individual regions. In addition, going forward we will create offerings we can provide globally. We will approach global accounts strategically and unleash our employees’ potential that maximize organizational strengths.

**Message from the CEO**

**Business Strategies by Segment**

**ESG Management**

**Financials and Others**

**Value Creation by NTT DATA**

**Management Strategies**

三种策略（Strategy）：

**Strategy 1**: 扩展全球数字解决方案

我们将创建的数字解决方案可以以全球和策略性方式提供。同时，我们将通过我们的CoE来支持我们创建的解决方案，并将这些解决方案部署到各个地区。

**Strategy 2**: 根据区域需求提供更高价值

在通过策略1提供数字解决方案的基础上，我们还将通过“4D价值周期”（一种在整个NTT DATA中共享的价值提供模型）来进一步提升我们为客户提供解决方案的价值，考虑各个地区的市场特征，并利用公司的优势。

**Strategy 3**: 激发员工潜力，最大化组织优势

我们将激发员工潜力，最大化组织优势，以支持策略1和策略2。
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 3rd 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

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

Global One Team

<table>
<thead>
<tr>
<th>Healthcare</th>
<th>BFSI*1</th>
<th>Automotive</th>
<th>Telco</th>
<th>Retail</th>
</tr>
</thead>
</table>

*1 BFSI: Banking, financial services, and insurance

Case Study: Global Automotive Initiative

“Global One Team” efforts refer to initiatives by Group companies in countries around the world to collaborate in the formulation and execution of strategies for expanding global business in the automotive industry.

Large Project Order Received from a Major German Automaker

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

Expand CoE

Consolidating Advanced Digital Technologies and Expertise to Help Create and Roll out Global Digital Offerings Swiftly

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.

Blockchain (300 people)

DevOps (300 people)

Digital Design (300 people)

AI (130 people)

Case Study: The Digital Design CoE Initiative

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, provided a service design that fits in seamlessly with kiosks on Italian streets, and delivered advanced advertising designs. We created these designs so that they would be fun and convenient for users and the response from the users has been positive.
New Medium-Term Management Plan (FY2019–2021)

Develop Digital Offerings

Creating Tools to Compete at the Global Level by Combining Focus Industries and Digital Focus Areas

We are combining global focus industries and digital focus areas (six specific technology domains, including AI, customer experience, and IoT) to create solutions, platforms, and other offerings that will give us a globally consistent competitive advantage.

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 will conduct PoC testing in other countries (the United States and Japan) prior to the solution’s global rollout. We expect the solution to generate sales of ¥10.0 billion by 2022.

We are developing an SaaS-type platform that facilitates low-cost and rapid launch of banking function 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.

*1 Banking, financial services, and insurance

*2 Banking, financial services, and insurance
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.

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.

**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.
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

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.

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 with an insurance company to verify its effectiveness and implementation issues.

Based on this result and the needs, NTT and NTT DATA will accelerate research to expand target diseases.
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.
- Completed integration with the former Dell Services as planned, resulting in stronger US market presence
- Further sales volume expansion with profitability

**Growth strategy in EMEA & LATAM Segment**
- Dramatically improve profitability by investing in structural transformation
- A high rate of growth led to greater sales, strengthening our market presence
- Improve profitability through constant, rapid growth

**Enhance value for clients through unification**

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

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

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.

**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%**

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**Respond promptly to risks**

On large-scale projects, we will move forward our response by conducting third-party checks at the early, pre-proposal stage and extending to the details of orders received (such as the construction period, estimates, and contract format).

**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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**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%.

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

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**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**
- Controls in place to maintain annual losses from unprofitable projects below target level\(^*\) through review committees, etc., except for some projects
  - \(^*\)0.3%–0.5% of consolidated net sales

**Challenge**
- Further control especially for complex projects
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 structural transformation in the EMEA & LATAM Segment.

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 ¥40 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 structural transformation in the EMEA & LATAM Segment.

Though 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 focus 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.
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 complimentary 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 0.65 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.
Shareholder Return Policy

Due to our policy of allotting 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.* In FY2019, we plan to increase the dividend per share by Y1 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 changes 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* 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** to 8% and our target overseas EBITA margin** to 7%, shifting 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.

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* ROIC = (operating income x (1 – effective tax rate)) / average net assets during the period + average interest-bearing liabilities during the period
** Figures for interest-bearing liabilities based on JGAAP are the total of loans, corporate bonds, and lease obligations. The figures based on IFRS are the total of loans and corporate bonds.
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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.

Focus Points

<table>
<thead>
<tr>
<th>Geography (Priority regions)</th>
<th>Offering (Service provision capability)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding coverage and increasing local presence</td>
<td></td>
</tr>
<tr>
<td>• Regions where IT services have a large market scale</td>
<td></td>
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<tr>
<td>• Regions in which our market share is less than 2%.</td>
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<tr>
<td>Strengthening insufficient capabilities throughout the business cycle, from upstream to downstream</td>
<td></td>
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<tr>
<td>• Enhance our consulting abilities</td>
<td></td>
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<tr>
<td>• Strengthening technical capabilities and solutions</td>
<td></td>
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<tr>
<td>• Augment our capability to provide digital business</td>
<td></td>
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<tr>
<td>• Enhance solutions for priority industries</td>
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</tr>
</tbody>
</table>

Focus Points

Example of Acquisition Scheme

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)

United States

- The former Dell Services 2016
- Keane 2010
- The former EDS Group 2010
- Equant 2013
- Citihub & Galagher Consulting Group 2015

Germany

- itelligence 2008
- cirquent 2008

Italy

- VALUE TEAM 2011

Spain / LATAM

- everis 2014
Business Strategies by Segment

NTT DATA Group (Results for FY2018)

Net Sales
¥ 2,163.6 billion

Operating Income
¥ 147.7 billion

Global IT Services Vendor Ranking in Global IT Services Market*:
8th

Public & Social Infrastructure Market (Japan)*:
2nd

Financial Market (Japan)*:
1st

Enterprise & Solutions Market (Japan)*:
5th

North America Market and NTT DATA’s Market Share*:
30th

EMEA & LATAM Market and NTT DATA’s Market Share*:
15th

Operating Income by Segment

North America Segment
¥421.9 billion 16.6%

Enterprise & Solutions Segment
¥529.8 billion 20.8%

Financial Segment
¥589.1 billion 22.0%

Public & Social Infrastructure Segment
¥795.9 billion 18.8%

Others
¥116.2 billion 4.5%

Net Sales by Segment

North America Segment
¥440.1 billion 17.3%

Enterprise & Solutions Segment
¥483.9 billion 16.6%

Financial Segment
¥559.1 billion 22.0%

Public & Social Infrastructure Segment
¥769.5 billion 18.8%

Others
¥24.1 billion 1.5%

Net Sales by Segment

Global IT Services Market Size and NTT DATA’s Market Share*
2018 ¥109.7 trillion

NTT DATA’s Market Share 1.9%

Public & Social Infrastructure Market (Japan)*

2018 ¥2.4 trillion

NTT DATA’s Market Share 13.0%

Financial Market (Japan)*

2018 ¥3.0 trillion

NTT DATA’s Market Share 15.6%

Enterprise & Solutions Market (Japan)*

2018 ¥6.5 trillion

NTT DATA’s Market Share 5.2%

North America Market

2018 ¥47.3 trillion

NTT DATA’s Market Share 0.9%

EMEA & LATAM Market

2018 ¥36.5 trillion

NTT DATA’s Market Share 1.2%

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

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


Market = Banking & Securities, Insurance / Enterprise & Solutions

Market = Transportation, Wholesale Trade, Communications, Media & Services, Manufacturing & Natural Resources, Real / North America

Market = North America / EMEA & LATAM Market = Western Europe, Eastern Europe, Middle East and North Africa, Sub-Saharan Africa, Latin America

Based on vendor revenue

NTT DATA Group

(Results for FY2018)
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 was ¥479.9 billion (7.9% increase year-over-year) due to expansion of the scale of services provided to government ministries and the telecom industry. Operating income was ¥43.9 billion (14.6% increase year-over-year) due mainly to an increase attributable to sales growth, despite an increase in the amount of loss from unprofitable projects.

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 ¥529.8 billion (10.8% increase year-over-year) due mainly to the expansion in the scale of services for the manufacturing industry including M&A in the previous fiscal year and retail industries. Operating income was ¥48.5 billion (19.7% increase year-over-year) due mainly to sales growth.

Net sales was ¥421.9 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 ¥3.5 billion (no comparison with the previous fiscal year) due mainly to cost improvement and decrease of PMI 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 invigorate regions, centered on Japan.

#### 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,” a concept advocating a new image for the future of society.

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

| Government Ministries | • Increased business opportunities stimulated by digital government action plans  
| | • Growing business opportunities stemming from digital process regulations  
| | • Investment targeting public infrastructure reforms and enhancements |
| Local Governments | • Move to promote digital governments  
| | • Transformation of government services to improve work process reforms and convenience improvements through coordination with government ministries  
| | • Investment aimed at improving resident services focused on users and at realizing efficient government operation |
| Healthcare | • Acceleration of trend toward ICT in medical and other fields and effective utilization of medical information  
| | • Increased need to use AI, IoT, and other digital technologies  
| | • Responses to practical application of nationwide medical information networks and other fields |
| Telecom | • Business initiatives aimed at collaborations between non-communications businesses and other industries  
| | • Shift from investment in infrastructure and network system equipment to IT investments in new services |
| Utilities | • Legal unbundling; expansion of business for retail customers  
| | • IT investment for boosting competitiveness in conjunction with market environment changes  
| | • Shift toward IT investment in line with themes such as responses to regulations and reinforcement of facility safety |

#### Threats

| • Increasing demand to reduce cost of government information systems  
| • Increased demand for cost reduction  
| • Intensified competition |

*1 A human-centered society that balances economic development with the resolution of social issues by highly integrated systems combining cyberspace with physical space. This refers to a new society following hunting society (Society 1.0), agricultural society (Society 2.0), industrial society (Society 3.0), and information society (Society 4.0), which was proposed for the first time as the ideal future society Japan should aim for under the 5th Science and Technology Basic Plan.

*2 A new energy management system for electricity, gas, etc., using IT

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

Source: Gartner "Prediction of 2019 1Q IT Service Market (Japan) Size by Industry," M. Sawai, 10 July 2019

Use "Moderated Case." Public & Social Infrastructure Market = Government Ministries / Local Governments, Medical Care / Welfare, Electric Power / Gas / Water Supply, Education based on vendor revenue

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**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

**Long History of Developing and Operating Multiple Large-Scale Systems**

- 1977: Government accounting system
- 1980: Social insurance On-line system
- 2002: Platform system for mobile carriers
- 1978: Nippon Automated Cargo And Port Consolidated system
- 1990: Japan Patent Office system
- 2013: Smart meter operation management system

**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).

**Digital Business Initiatives 1**

**Compatibility with Digital Governments**

Support the realization of digital governments based on government policy of revising government processes prefaced on digitization

e.g.
- Promotion of digitization of safe and convenient authentication processes using My Number cards
- Development of safe and secure personal data distribution platforms
- Provision of governance services that can be shared among agencies based on agency structures

**Digital Business Initiatives 2**

**Digital Business Initiatives 3**

**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

e.g.
- 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

**Expansion of Solution Businesses**

Underpinning Digitization

Thoroughly reinforce competitive technologies to deploy solutions that drive digital transformation e.g.
- Enhancement of products through proactive utilization 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

**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).
Opportunities and Threats

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
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</thead>
<tbody>
<tr>
<td><strong>Banking</strong></td>
<td><strong>Curbed IT investment to strengthen management foundations</strong></td>
</tr>
<tr>
<td>• Push for system revisions in light of rising need to provide services using digital technologies and Banking Act revision</td>
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<tr>
<td>• Brisk investment for promoting spread of cashless payments</td>
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<tr>
<td>• Increased need for operational efficiency, automation, and other cost reduction measures</td>
<td><strong>Decreasing need for investment in the conventional system domain</strong></td>
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<tr>
<td>• Aggressive promotion of globalization</td>
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<tr>
<td>• Active IT investment in light of business integration, restructuring, and alliances</td>
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</tr>
<tr>
<td><strong>Insurance</strong></td>
<td><strong>Curbed IT investment in consideration of reduction in existing insurance products</strong></td>
</tr>
<tr>
<td>• Increased need for cost reductions through automation of back office processes, etc.</td>
<td></td>
</tr>
<tr>
<td>• Diversification of insurance sales channels</td>
<td><strong>Concerns regarding curtailment of IT investment in response to business environment changes</strong></td>
</tr>
<tr>
<td>• Rise in IT investment for realizing more sophisticated information use</td>
<td></td>
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<tr>
<td>• Exploration of health improvement and other new businesses</td>
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<tr>
<td><strong>Securities</strong></td>
<td></td>
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<tr>
<td>• Active IT investment in expanding business through asset formation in the retail sector (supporting shift from savings to investment)</td>
<td><strong>Intensification of service competition due to diversification of payment methods</strong></td>
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<tr>
<td>• Investment motivation for addressing system changes</td>
<td></td>
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<tr>
<td><strong>Credit</strong></td>
<td></td>
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<tr>
<td>• Increased IT investment for promoting cashless payments</td>
<td></td>
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<tr>
<td>• Expanded IT investment aimed at strengthening security measures</td>
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</tbody>
</table>

*Graphs / charts are created by NTT DATA based on Gartner Research. Source: Gartner “Prediction of 2019 1Q IT Service Market (Japan) Size by Industry,” M. Sawai, 10 July 2019

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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.

“Integrated ATMs” connecting more than 1,200 financial institutions across Japan

Share related to “OpenCanvas” API²
For individuals: Approx. 54%
For companies: Approx. 73%

Financial institutions connected to “ANSER”
ParaSOL²² 833 institutions
BizSOL²⁴ 815 institutions

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.

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
Expand application to ultra-large-scale financial institutions above top-tier regional banks and other institutions using mainframes

Consolidation of Platforms into Community Cloud-Computing Services
Reduce costs by consolidating platforms for mission critical systems into community cloud-computing services

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.

OpenCanvas enables financial institutions to coordinate their financial services with those of external service providers, possessing fintech technologies through APIs, thereby allowing for new digital services to be provided swiftly and efficiently.

Users
Individuals
Companies
Fintech companies
Service use
API use
Service / API development
Authentication
function
Cloud
High security
Connection
Financial institutions
Banks
Insurance companies
Securities companies
Credit card companies
Other fields

Since the launch of OpenCanvas in September 2017, we have proceeded to add new services to this platform. Example of these services have included highly secure authentication services that do not require documents to be sent to or from financial institutions via mail or other such venues and multi-cloud connection services that allow for various cloud services as well as an institution’s in-house systems to be coordinated 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.
Enterprise & Solutions Segment

Centering on Japan, we provide high-value-added IT services that support business activities in the manufacturing, distribution, and services industries, as well as payment services and platform solutions linked with IT services in individual fields.

Market Environment

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.

Opportunities and Threats

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
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<tbody>
<tr>
<td>Retail, Services, and Payments</td>
<td>Rapid changes in logistics and retail business models</td>
</tr>
<tr>
<td>• Growth in IT investment aimed at expanding sales through the utilization of digitization to strengthen customer touchpoints</td>
<td>Entry of new payment system players</td>
</tr>
<tr>
<td>• Diversifying needs related to expanding settlement methods and settlement functions supporting inbound tourism and spread of code payment services</td>
<td>Entry of players from other industries</td>
</tr>
<tr>
<td>• Promotion of cashless payments by the Japanese government</td>
<td>Constrained IT investment due to changes in business environment</td>
</tr>
<tr>
<td>• Development of systems for addressing labor shortages (trend toward digital stores)</td>
<td>Limited overseas investment due to trade disputes between the United States and China</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Rise of players with new technologies</td>
</tr>
<tr>
<td>• Expanding demand for core systems, ERP restructuring, and corporate group integration</td>
<td>Network commoditization</td>
</tr>
<tr>
<td>• Growing needs for visualization, improvement of efficiency, and advancement throughout the supply chain aimed at enhancing global competitiveness</td>
<td>Intensified competition among vendors providing cloud services</td>
</tr>
<tr>
<td>• Trend toward sharing and development of services driven by advent of connected cars</td>
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<tr>
<td>• Increased demand for embedded software for controlling equipment</td>
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</tr>
</tbody>
</table>

AI / IoT

• Rising need for corporate transformations utilizing AI and data

Networks, Data Centers, and Cloud Services

• Streamlining of platforms through cloud computing and other approaches
• Growth of businesses that reconstitute platforms for digital and global compatibility

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

Source: Gartner “Prediction of 2019 IOT Service Market (Japan) Size by Industry,” M. Sawai, 30 July 2019

Use “Moderated Case.” Enterprise & Solutions Market = Manufacturing, Retail / Wholesale Trade, Transportation, Services, Construction / Agriculture Forestry and Fisheries, Mining, Communications / Media based on vendor revenue.

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

- Focus on areas of clients’ transformation and contribute 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

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.

<table>
<thead>
<tr>
<th>Offerings</th>
<th>Strengths</th>
<th>Achievements</th>
</tr>
</thead>
</table>
| 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 | • Transformation of purchasing experience realized through aggressive promotion of omnichannel retailing from planning to execution phase (multiple major retailers)  
• Agreement to collaborate in promoting omnichannel retailing with Netyear Group Corporation |
| Payment                          | • Leading Japanese comprehensive cashless payment platform and compatibility with multiple payment methods  
• Five bases in APAC area for providing global payment services | • History of 36 years of operating CAFIS payment platform for promoting cashless payments that now processes more than 800 million transactions each month  
• Agreement to acquire Atom Technologies Limited of India |
| 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) | • Maximization of value of information in factories through use of production-related information (FIELD system / Data TransLoader of FANUC Corporation)  
• Realization of precise quality control in manufacturing processes (Mitsubishi Heavy Industries Aero Engines, Ltd.) |
| Global Operation Platform        | • Around 1,000 SAP experts in Japan alone  
• Global SAP delivery capabilities | • Receipt of SAP AWARD OF EXCELLENCE 2019  
• Global project for supporting integration and enhancement of worldwide management (major automotive partners’ supplier) |
| Advanced Outsourcing · Cloud · Network | • Successful implementation of numerous integration and comprehensive outsourcing projects in the infrastructure domain | • Completion of Mitaka Data Center EAST and receipt of overall grand prize in data center category of ASPIC IoT+AI+Cloud Award 2018 |

**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 contribute to business growth
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- 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.
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 ¥8 trillion (CAGR of approximately 5.2%) over three years, from ¥47.3 trillion in 2018 to ¥55.1 trillion in 2021.

Opportunities and Threats

**Opportunities**
- The onward 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
- Contract 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.

Examples of orders received in Healthcare and Life Sciences field

- Healthcare and Life Sciences (Clients)
  - Approx. 50% of U.S. hospitals
  - 10 of the top U.S. health insurers

- Public Sector (Clients)
  - More than 50 federal agencies and military branches
  - Approx. 25 states and municipalities

- Financial Services and Insurance (Clients)
  - Top 25 leading financial institutions in North America

- Manufacturing (Clients)
  - Top 10 automotive companies worldwide

**Opportunities**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Share (%)</th>
<th>CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial &amp; Insurance</td>
<td>28.3%</td>
<td></td>
</tr>
<tr>
<td>Retail &amp; Logistics</td>
<td>14.8%</td>
<td></td>
</tr>
<tr>
<td>Healthcare Providers</td>
<td>4.7%</td>
<td></td>
</tr>
<tr>
<td>Government &amp; Public</td>
<td>21.3%</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16.0%</td>
<td></td>
</tr>
<tr>
<td>Communications &amp; Services</td>
<td>14.9%</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Billions of yen)</th>
<th>Operating Income (Billions of yen)</th>
<th>EBITA Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017</td>
<td>427.9</td>
<td>4.2</td>
<td>0.5</td>
</tr>
<tr>
<td>FY 2018</td>
<td>421.5</td>
<td>5.1</td>
<td>0.8</td>
</tr>
<tr>
<td>FY 2019 (Fy)</td>
<td>444.8</td>
<td>6.4</td>
<td>1.6</td>
</tr>
<tr>
<td>FY 2020</td>
<td>52.1</td>
<td>2.6</td>
<td>3.0</td>
</tr>
</tbody>
</table>

**Net sales (left)  Operating income (left)  EBITA margin (right)**

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

*2 Table data is as of FY 2019 and is not audited.

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  - Approx. 50% of U.S. hospitals
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- Public Sector (Clients)
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  - Approx. 25 states and municipalities

- Financial Services and Insurance (Clients)
  - Top 25 leading financial institutions in North America

- Manufacturing (Clients)
  - Top 10 automotive companies worldwide


P53: Awarded New Large-Scale IT Service Agreement with British Columbia Health Authorities
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.

* Temporary costs such as M&A, structural reform, etc., are excluded.

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
  - Global Insurance Digital Platform
  - Enhancement of applications using AI
  - Enhancement and automation of data center business, etc.

- Create next-gen advantage through digital transformation
  - Promotion of cloud migration
  - Digitization of customer experiences
  - Self-driving technology, etc.

- Nurture future bets through digital innovation
  - Blockchain business
  - Smart city business, etc.

Example of initiatives: Global Insurance Digital Platform

We aim to further increase orders by enabling speedy and low-cost service delivery by building a common platform for providing necessary functions according to various services and operations of life insurance, pensions, etc., and integrating solutions for insurance businesses of each Group companies on that platform.

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 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.
EMEA & LATAM Segment

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

**Market Environment**

The scale of the EMEA and Latin America IT market accounts for approximately 33% of the global IT market. In terms of the future outlook, the market is expected to grow by approximately ¥5 trillion (CAGR of approximately 4.4%) over three years, from ¥36.5 trillion in 2018 to ¥41.5 trillion in 2021.

**Opportunities and Threats**

**Opportunities**
- The onward march of business innovation due to digitization
- Increased investment in AI / IoT, 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
- Curtailment of corporate and other investment due to future uncertainty over the United Kingdom's exit from the EU, mainly in the European market
- Increasingly robust regulation, including that of personal information protection
- Impact on clients’ investment decisions of uncertainty surrounding the political and economic future in certain parts of Latin America
- Shortage of IT personnel and correspondingly sharp rise in human resource cost

**Strength**

**Industries and Domains of Strength**

**Germany (11th)**
- We provide IT services globally for large companies, especially those in the German automotive industry, and have robust client relationships.
- For small and medium-sized German companies, we also provide consulting services for introduction of SAP software (SAP being the ERP market leader) and have a solid client base.
- Our delivery capabilities take advantage of our development base in Romania, which has excellent German-speaking human resources.

**Spain (3rd)**
- We provide broad-ranging IT services on a global scale, especially for Spanish banks and telecom companies, and have strong customer relationships.
- We respond to a wide range of needs for digitization with multiple design studios, strong consulting capabilities, and the application of advanced digital technologies.
- We have strong delivery capabilities that make use of our development bases in Europe and Latin America, with Spain as the main Spanish-speaking country.

**Italy (8th)**
- We provide IT services that mainly target media, telecom, and utility companies headquartered in Italy and other parts of Europe, and have strong client relationships.
- We respond to a wide range of needs for digitization with a design-oriented method, our strength, according to market trend and speed.
- In addition, in response to demands for digitization for clients in banking and retail industries, we have human resources skilled in digital technologies and strong delivery capabilities.

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*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

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*2 Graphs/ charts are created by NTT DATA based on Gartner Research.
Source: Gartner “Forecast: IT Services, Worldwide, 2017-2023, 2Q19 Update,” Dean Blackmore et al., 26 June 2019
(2018: 1=¥101.42 / 2021: 1=¥111.29 / CAGR is calculated after converting to Japanese yen) EMEA & LATAM Market = Western Europe, Eastern Europe, Middle East and North Africa, Sub-Saharan Africa, Latin America based on vendor revenue

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### Growth Strategy

#### Enhance Value Toward Clients through Unification

**Investment for Structural Transformation**

EMEA & LATAM Segment consists of three companies (EMEA, everis, 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.

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

#### Create New Digital Offerings

In the EMEA & LATAM Segment, we have been making growth investments in the digital field. We will be making more investments in order to create competitive digital offerings.

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**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 inquiries in interbank transactions. This project is designed to automate most of the interbank transaction inquiries to expedite identification/resolution of transaction mismatches, improving efficiency and speed of transaction inquiry service.

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

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**AS-IS**

- Centralized (Intermediated)
- Isolated data and limited visibility
- Intermediary owns all the information (privacy issues)
- No standard matching
- Different communication systems (emails, phone, etc.)
- Daily, monthly, or annually

**Operative Risks**

**OpEx Costs**

**Non-Standard**

---

**TO-BE**

- Distributed nodes (Peer-to-peer)
- Data shared and visible in real-time
- Only involved stakeholders own the information
- Common matching rule in smart contracts
- Formatted communications on blockchain (Claims, notes, messages)
- Real-time-ready reconciliation

**Operative Risk Mitigation**

**OpEx Cost Reduction**

**Efficiency**

---

#### Enhance Delivery by Optimizing Resources and Promoting Automation

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.

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#### 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.

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#### Operational Efficiency by Revamping 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.
Message from the CEO of NTT DATA Services

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 Dell 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.

The core building blocks we need for growth are well established, and I believe we are in a strong competitive position. We are increasingly perceived as a Trusted Global Innovator that leads and supports clients through transformation. We map their journey to the cloud, empower automation and digital intelligence, and enable superior customer and employee experiences while protecting our clients’ security. We believe our investments in these digital domains, business platforms as a service*, and others, will be substantial growth drivers for our business over the next few years.

* A service model for building various solutions on a platform and delivering as a service to clients.

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 EBITA 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 systems, processes and global 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.
Spread of Cashless Payments and CAFIS

Since the dawn of cashless payments, NTT DATA has provided CAFIS (Credit And Finance Information Switching system), a comprehensive payment platform. This service continues to develop, even today, as we seek to evolve CAFIS as a platform that resolves business and social issues and that is indispensable to a cashless society.

Cashless Payment Operating Environment

In Japan, cashless payments represent a smaller portion of overall payments than in other countries. In 2018, the ratio of cashless payments was less than 30%, and this low level has prompted the Japanese government to announce a target of raising the ratio of cashless payments to above 40% by 2025. Promoting cashless payments is of the utmost importance as the population ages, the birth rate declines, the workforce shrinks, and society become ever more digital.

Meanwhile, there has been a recent rise in cashless service providers using QR codes and other forms of payment. And payment methods such as mobile wallet are growing more diverse.

Strengths of CAFIS

Launched in 1984, CAFIS has grown to become Japan’s largest and most prominent comprehensive cashless payment platform, boasting a 35-year track record and processing more than 800 million transactions a month. One of CAFIS’ greatest strengths is its connections with affiliated retailers in various industries and business models as well as with nearly every domestic credit card company and financial institution. These connections have enabled it to realize a payment ecosystem that offers both convenience and efficiency to participants. Investment and ownership of the infrastructure for CAFIS is conducted by NTT DATA, and ongoing investments are made in improving the performance and security of this infrastructure. 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.

Pickup

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Q&A

A: Are new payment service providers a threat to CAFIS?
A: Payment service providers and CAFIS are in a mutually complementary relationship, and we believe that the spread of cashless payments will be beneficial to CAFIS. For this reason, NTT DATA will continue contributing to the spread of cashless payments in Japan in the future.

Compatibility with various code payment services through a single payment terminal or interface

For more information on CAFIS, please refer to NTT DATA's corporate website.

Each segment is operating by focusing on **Digital** & **Global** that are growth drivers for achieving the Global 3rd Stage. Here are some of the major initiatives the segments have worked on in FY2018 (1st half / 2nd half).

**Enterprise & 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 looking ahead into results generation in the actual operation from concept phase
- Consulting, system development, and support for analysis usage based on understanding of advanced technologies

We will continue to contribute to business transformation and new value creation for clients of 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 or withdraw cash from ATM by taking 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 ease 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.

**Technology and Innovation General Headquarters**

Transfer of the existing IT assets to Amazon Web Services (AWS) and promotion of making application cloud-native

NTT DATA’s “Cloud Promotion Office”, established in April 2018 in cooperation with Amazon Web Services Japan K.K., aims to make NTT DATA’s standard framework of application development and development environment compatible with AWS, develop a cloud consulting method including utilization of AWS, and foster cloud-specialized human resources who have expertise in AWS. Through this initiative, we will strengthen capabilities to transfer clients’ existing IT assets to cloud and make applications cloud-native in a Companywide manner. We will expand the initiative into important systems of all segments including Financial Segment and aim to reach net sales of ¥30 billion for the AWS-related cloud business by 2020 based on our abundant achievements in AWS introduction in the communication, manufacturing, and distribution services areas.

**Lift & Shift Clients’ Existing IT Assets to AWS and Achieve Digital Innovation**

- **Consulting**
  - AWS assets

- **System**
  - Public Cloud

- **Lift & Shift (Cloud migration, cloud-native transformation)**
  - AP Application Execution Platform
  - IT Infrastructure
  - Cloud-Native Application
  - TERASOLUNA
  - Legacy

- **Achieve Digital Innovation**
  - Agile

**Process**

- Include AWS assets in NTT DATA’s cloud consulting standard method

**Things**

- Support AWS cloud-native services with TERASOLUNA
- Use AWS from integrated development cloud

**People**

- Companywide training for nurturing employees to become AWS cloud experts
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 it also took the form of “carve-out” from Dell Inc. rather than an acquisition of a standalone company, and required complicated procedures for the PMI. PMI is usually regarded as the biggest challenge in M&A, but this project had become one of extreme difficulty.

However, we were able to complete the 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.

(Main activities)
- Business transfer in 40+ countries
- Transfer of payroll procedure for over 30,000 employees
- Transfer of approximately 30,000 PCs / devices, 1,600 data lines, 700 systems, and 9 data centers
- Consolidation of 44 facilities
- Transfer of more than 6,000 employees

everis installs automated border control systems using biometric recognition in Spain

everis received an order from Aena SME, S.A. (hereafter called AENA), a Spanish airport operator, to install automated border control systems using biometric recognition at seven airports in Spain.

The system integrates advanced verification using ID readers for passports and Spanish national identity cards and biometric recognition, both facial and fingerprint, thereby improving efficiency of the immigration process with quick and accurate identification of an individual.

Following the installation and beginning of the service of 220 state-of-the-art automated border control gates at four airports including Barcelona and Mallorca by July 2018, everis will install and operate another 81 of these gates in three airports including Seville by December 2019.

Going forward, everis will continue to contribute to further enhancement of AENA operations and airport users’ convenience and security by developing and offering highly reliable and advanced solution services.
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 representing a true flagship for this kind of solutions worldwide.

The roll-out plan covers the following countries: Italy, Spain, Morocco, Greece, Romania, Russia, Australia, Canada, South Africa, United States, Brazil, Argentina, Chile, 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 because 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.

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.

Financial Segment

Starting to provide “A-gate,” a solution that supports building of framework for public cloud utilization

Since October 2018, NTT DATA has provided “A-gate,” a solution that supports development and maintenance of security governance for financial institutions to utilize public cloud services (Amazon Web Service 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.

Support for Promotion of Public Cloud Utilization

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

Common Infrastructure of Shared Public Cloud

- Supporting development of security governance for controlling public cloud security threats
- Continued support for following the rapid evolution of public cloud

Digital

Launch of 24/7 Operation of the Zengin System

Cash Study: Grid Data Bank Lab.

October

November

December
North America Segment

Awarded new large-scale IT service agreement with British Columbia Health Authorities*3 leveraging healthcare experience 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 CAD400 million.

We will provide a range of end-user IT support services including a clinical service desk 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 market using Sierra Systems’ resources.

*3 Health authorities
Authorities that exist in 5 regions within the Province of British Columbia providing healthcare services according to characteristics of each region.

*4 Provincial Health Services Authority (PHSA)
The Provincial Health Services Authority oversees the coordination and delivery of provincial programs and highly specialized healthcare services.

Enterprise & Solutions Segment

Enhancement of digital marketing services delivery capabilities 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.

North America Segment

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 recovering from threats, reacting 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 end-point equipment. These efforts helped to improve the Group’s information security level. On the basis of the expertise we had garnered from these solutions implemented for the Group’s sites, both NTT DATA and NTT DATA INTELLILINK 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.

NTT DATA Group’s Initiative on Defense-in-Depth Security

- **EDR*1**: Automation of device management
- **UEBA*2**: Detection of suspicious behavior
- **Global SOC / CSIRT**: 24 / 7 initial response

*1 Abbreviation for Endpoint Detection and Response. An endpoint security solution used to take measures by detecting cyberattacks such as targeted attack.

*2 Abbreviation for User and Entity Behavior Analytics. A method of analyzing each user’s behavior by collecting logs from multiple security products and network devices.
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.

The ESG efforts of the NTT DATA Group has 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 was selected 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.

**Oekom Prime**
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.

**RobecoSAM Sustainability Award**
NTT DATA received the 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 was selected as a constituent of the S&P / JPX Carbon Efficient Index, an environment-focused index managed by S&P Dow Jones Indices and the Japan Exchange Group.
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**.

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 "**Environmental Management**," 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.

### Key Themes and Initiatives

<table>
<thead>
<tr>
<th>Key Themes</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable Solutions</strong></td>
<td><em>We strive for a convenient, safe, and reliable social infrastructure by providing various IT services and solutions</em></td>
</tr>
<tr>
<td><strong>Human Resource Management</strong></td>
<td><em>We are working to create an organization that can create value sustainably by recruiting and retaining exceptional human resources, developing a variety of training programs, and promoting active participation of diverse human resources and workstyle reforms.</em></td>
</tr>
<tr>
<td><strong>Environmental Management</strong></td>
<td><em>Greening of Clients and Society (Green By IT)</em></td>
</tr>
<tr>
<td></td>
<td><em>Green By IT comprises efforts to reduce environmental impact on society by promoting the creation and expansion of environmental solutions.</em></td>
</tr>
<tr>
<td></td>
<td><em>Greening the Group (Green Of IT)</em></td>
</tr>
<tr>
<td></td>
<td><em>Green Of IT comprises efforts to reduce the environmental impact of the entire Group by optimizing data centers and implementing workstyle reforms.</em></td>
</tr>
</tbody>
</table>

**Governance**

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.
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.

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 consistently 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 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
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.

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 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

Pre-implementation

- Excess paperwork
- Fatigue-related errors
- Original work backlogs

Post-implementation

- 24-hour operation
- No fatigues and errors
- Work performed via centralized processing
**Human Resource Management**

One of the growth strategies incorporated in our new Medium-Term Management Plan, geared toward achieving the Global 3rd Stage, is to “unleash our employees’ potential that maximize organizational strengths.” To maximize the professionality of employees, we are mainly working to enhance digital capabilities, design framework to accommodate diverse human resources, and improve employee engagement, as well as strengthen our global capabilities and implement workstyle innovations.

**Achievements in Global Recruiting**

- Over 29,000 hires Groupwide in FY2018
- Enhanced acquisitions of highly professional human resources needed for business growth as IT workforce is highly mobile
- Established a global career site that unifies overseas Group company recruitment sites in addition to advancing recruitment activities utilizing LinkedIn and other means
- Highly recognized from external parties, such as receiving awards and other laudations, as a company that utilizes LinkedIn for effective employer branding

**NTT DATA’s Non-Consolidated Achievements in Recruiting**

- Recruitment activities tailored to the interest of each individual student:
  Promoted One to One digital recruitment marketing, use of referral services and early-stage, year-round internships, etc.
- Strengthened recruitment in AI and other advanced technology fields:
  When recruiting new graduates, our specialists in each technology field held interviews with the candidates to enhance efforts to acquire work-ready human resources.
- Strengthened recruitment of human resources with a strong global aptitude:
  Enhanced acquisition of human resources by recruiting from London, Singapore, and Boston and other places.
- Enhanced recruitment efforts for experienced hires (96 hires in FY2018, up 3.7 times year on year)
- Established Advanced Professional (ADP) system for recruiting human resources with outstanding expertise in advanced technology fields.
  ADP is a system aimed at employing human resources with outstanding expertise in advanced technology fields with compensation that corresponds with market value with an annual salary plus additional compensation that is largely influenced by performance.

<table>
<thead>
<tr>
<th></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>

**Employee Skills Development**

We are working to develop employee skills by enhancing digital capabilities and enhancing global capabilities, two components of our new Medium-Term Management Plan. Overseas and domestic Group companies also offer specialized skills improvement and other human resource development programs similar to the programs offered by NTT DATA (Non-consolidated).

- **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.

  **Hours of Training per Person**

  60 hours
  (FY2018)
Enhance Digital Capabilities*

As part of our new Medium-Term Management Plan, we are working to establish a variety of new systems 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 improve 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 enhance digital capabilities among all employees, the Company has implemented training and seminars since FY2017 aimed at moving away from previous modes of thinking and perspectives and 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.

- **Digital Boot Camp Training Program**

  We have developed a skills system and methodology for cultivating digital human resources, and are conducting training programs aimed at creating core digital human resources. From FY2017–FY2018, a total of approximately 6,000 employees were given opportunities to receive training in design, AI, the IoT, cloud technology, IT architecture, and information.

- **Evening Seminars**

  Short seminars are held at night as an opportunity for self-improvement. These seminars can be live-streamed or viewed on demand in addition to participation in person, and these additional options are popular among employees with childcare, nursing, or other obligations.

**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

**Human Resource Types at NTT DATA**

<table>
<thead>
<tr>
<th>System development</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Managers</td>
<td>Application Specialists</td>
</tr>
<tr>
<td>IT Service Managers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Technology</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Architects</td>
<td>IT Specialists</td>
</tr>
<tr>
<td>R&amp;D Specialists</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients Sales</td>
<td>Solution Sales</td>
</tr>
<tr>
<td>Consultants</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Business organization</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Developers</td>
<td>Staff</td>
</tr>
</tbody>
</table>

* Initiatives in Japan
In order to cultivate global human resources, we provide opportunities for international business exchanges targeting employees from management to younger employees, as well as opportunities to improve global business skills. A cumulative total of 743 employees have participated in the Global Leadership Program, a discussion forum for executive trainees from around the world, etc. In addition, we provide a wealth of growth opportunities, including the Readiness Drive Program that is intended to nurture global response capabilities for young and mid-level employees (accepting 200 people a year), and deployment to overseas subsidiaries for training.

**Design Framework to Accommodate Diverse Human Resources—Diversity and Inclusion—**

NTT DATA recognizes diversity and inclusion as an important management strategy for global competitiveness and promotes active participation of diverse human resources and workstyle innovations.

**Active Participation of Diverse Human Resources**

- **Accelerating Promotion of Diversity Worldwide**
  In solidarity with the goals of the Women’s Empowerment Principles (WEPs), a series of guidelines aimed at actively promoting the success of women, we have signed a statement agreeing to act and uphold these principles. We also number among the global supporters of Catalyst, a non-profit organization with a corporate membership of global leaders in the promotion of women’s careers and business development. Through these actions, we are actively working to promote diversity worldwide.

- **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 in 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.

**High Evaluations from External Parties**

- **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.

**Number of Employees with Long-Term Experience in Global Business**

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>400</td>
<td>500</td>
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<td>800</td>
<td>900</td>
<td>1,000</td>
</tr>
<tr>
<td>800</td>
<td>900</td>
<td>1,000</td>
<td>1,100</td>
<td>1,200</td>
<td>1,300</td>
<td>1,400</td>
</tr>
</tbody>
</table>

*2 Number of employees with long-term experience in global business: Employees who have been engaged in global business work continuously for at least three months, etc.

*3 As of March 31, 2019
• Initiatives to Reduce Total Hours Worked and the Results
As a result of promoting workstyle reforms Companywide, we were able to achieve our FY2018 goal of under 1,890 hours worked.

Trends in Annual Hours Worked per Employee
(Hours)

<table>
<thead>
<tr>
<th>Year</th>
<th>NTT DATA (Non-consolidated)</th>
<th>All Industries in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2,020</td>
<td>2,020</td>
</tr>
<tr>
<td>2010</td>
<td>2,020</td>
<td>2,020</td>
</tr>
<tr>
<td>2011</td>
<td>2,020</td>
<td>2,020</td>
</tr>
<tr>
<td>2012</td>
<td>2,020</td>
<td>2,020</td>
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<td>2013</td>
<td>2,020</td>
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<td>2014</td>
<td>2,020</td>
<td>2,020</td>
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<tr>
<td>2015</td>
<td>2,020</td>
<td>2,020</td>
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<td>2016</td>
<td>2,020</td>
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<td>2017</td>
<td>2,020</td>
<td>2,020</td>
</tr>
<tr>
<td>2018</td>
<td>2,020</td>
<td>2,020</td>
</tr>
</tbody>
</table>


• 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 are able create the same working environments at the office, on business trips, and from home.
Moreover, our use of robotic process automation (RPA) and AI processes has led to increased work efficiency and quality.
As a result of these efforts to improve productivity, labor productivity per person has improved 22% from FY2013.

Labor Productivity per Employee**4
(Thousands of yen / hours)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>36.2</td>
<td>36.6</td>
<td>38.5</td>
<td>40.1</td>
<td>41.4</td>
<td>44.1</td>
</tr>
</tbody>
</table>

**4 Labor productivity per employee = Sales / (Total working hours per person x Number of employees) (Non-consolidated NTT DATA)

• 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.

• Initiative of Telework Campaign
In FY2018, 42,600 employees in total made use of Company measures to eliminate traffic congestion by teleworking, flextime, or taking a leave, over a five-day period. These measure include telework, commuting during off-peak hours, and taking paid leave.
In FY2019, a total of 75,000 employees will be participating in this initiative over a ten-day period.

• White 500 Certification Grows to a Groupwide Level
NTT DATA and its domestic Group companies strive for health management. As a result of their efforts, NTT DATA and six of its domestic Group companies have been certified as a White 500 organization under the Health and Productivity Management Organization Recognition Program sponsored by Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. This distinction is granted to organizations for initiatives to address local health issues and for excellent health management.

In an effort to create a more motivating workplace, NTT DATA conducts the “One Voice” employee engagement survey targeting employees at overseas Group companies who have become part of the NTT DATA Group, many of whom have joined through M&A.
In addition, attitude surveys are given to all NTT DATA (non-consolidated) and domestic Group company employees on a regular basis in order to improve workplace conditions. In FY2018, 68% of employees of NTT DATA (non-consolidated) reported high levels of engagement (employee satisfaction of 4.0 or higher).
NTT DATA’s ESG Management

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.

Contributing to the greening of our clients and society through IT

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

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

- 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

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

- Promote environmental social contribution activities across a range of fields both as an organization and individuals
- Promote proactive environmental communication, within and outside the Group

Quantitative Targets and Results

<table>
<thead>
<tr>
<th>Items</th>
<th>Defined Target</th>
<th>Base Value: FY2013</th>
<th>FY2018 Results</th>
<th>Performance</th>
<th>Results</th>
<th>FY2019 Targets</th>
<th>FY2020 Targets</th>
<th>FY 2021 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the environmental impact of society by promoting green IT*1</td>
<td>NTT DATA Group’s contribution to reducing CO₂ emissions in society will exceed the Group’s own emissions by a factor of X</td>
<td>–</td>
<td>Over 4 times</td>
<td>4.5 times</td>
<td>○</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*1</td>
<td>Volume of CO₂ emissions</td>
<td>244,081 t</td>
<td>5% increase</td>
<td>6% decrease</td>
<td>○</td>
<td>5% increase or lower</td>
<td>0% reduction or higher</td>
<td>0% reduction or higher</td>
</tr>
<tr>
<td>Reduce the amount of copy paper purchased*2</td>
<td>Amount of copy paper purchased (Gross amount calculated on a number-of-sheets basis)</td>
<td>201.22 million sheets</td>
<td>4% reduction or higher (193.17 million sheets or fewer)</td>
<td>34.1% decrease (13,264 sheets)</td>
<td>○</td>
<td>4% reduction or higher</td>
<td>4% reduction or higher</td>
<td>4% reduction or higher</td>
</tr>
<tr>
<td>Reduce the amount of waste for final disposal*2,3</td>
<td>Amount of waste for final disposal (Gross amount)</td>
<td>207 t</td>
<td>80% reduction or higher (41 t or lower)</td>
<td>94% reduction (11.6 t)</td>
<td>○</td>
<td>80% reduction or higher</td>
<td>80% reduction or higher</td>
<td>80% reduction or higher</td>
</tr>
<tr>
<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>○</td>
<td>1.0% or lower</td>
<td>1.0% or lower</td>
<td>1.0% or lower</td>
<td></td>
</tr>
<tr>
<td>Social and environmental contribution activities*2</td>
<td>Number of activity participants</td>
<td>–</td>
<td>4,600 or more</td>
<td>5,634</td>
<td>○</td>
<td>4,700 or more</td>
<td>4,800 or more</td>
<td>4,900 or more</td>
</tr>
</tbody>
</table>

*1 Scope of data collection: Targets for NTT DATA, an integrated ISO 14001 group certification company, and a total of 29 group companies. NTT DATA and 69 group companies (Domestic only)
*2 Scope of data collection: NTT DATA and 29 group companies that have acquired ISO 14001 group integrated certification for both targets and results.
*3 Figures exclude the effective use of thermal energy (thermal recycling) generated by incineration at the time of final disposal.
Initiatives Example 1

**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.

i-deals is contributing to this project, expected to have the effect of reducing greenhouse gas emissions which is a global environmental issue, mainly through project management, business plan definition, and exploiting the state-of-the-art technology developed in the project. The project consortium has built a pilot plant in Germany with 400 t/y production volume of methanol, aiming to scale up to 50,000 t/y in the future.

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**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 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.

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**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 newest 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.

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**Initiatives Example 2**

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

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**Message from the CEO**

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**Management Strategies**

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**Business Strategies by Segment**

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**Financials and Others**

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**Value Creation by NTT DATA**

---

**ESG Management**

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Corporate Governance
Directors, Audit & Supervisory Board Members, and Senior Vice Presidents
(As of June 21, 2019)

President and Chief Executive Officer,
Representative Director
Yo Honma

1980  Joined NIPPON TELEGRAPH AND
TELEPHONE PUBLIC CORPORATION
2014  Executive Vice President and Director, and Company President
of Enterprise IT Services Company of NTT DATA
2015  Executive Vice President and Director of NTT DATA
2016  Senior Executive Vice President and Representative Director of
NTT DATA
2018  President and Chief Executive Officer, Representative Director
of NTT DATA (present post)

Senior Executive Vice President and
Representative Director
Keiichiro Yanagi
Head of HR Headquarters, Business Strategy, Human Resource Management, Finance, CFO,
Investor Relations, Risk Management (CFO), and Public Relations
1984  Joined NIPPON TELEGRAPH AND
TELEPHONE PUBLIC CORPORATION
2009  President and Representative Director of
NTT DATA (Global Corporation)
2013  President and Director, Head of Second Financial Sector of
NTT DATA
2016  Executive Vice President, Head of General Affairs
Department and Human Resources Department of NTT DATA
2017  Executive Vice President and Director, Head of HR Headquarters and ESG Promotion
Department of NTT DATA
2018  Senior Executive Vice President and Representative Director, Head of HR Headquarters of NTT DATA (present post)

Senior Executive Vice President and
Representative Director
Shigeki Yamaguchi
Responsible for Public & Social Infrastructure Segment,
Enterprise & Solutions Segment, and China & APAC Segment
1984  Joined NIPPON TELEGRAPH AND
TELEPHONE PUBLIC CORPORATION
2013  Senior Vice President, Head of Enterprise Business Consulting
Marketing Division of NTT DATA
2014  Senior Vice President, Head of Third Enterprise Sector of
NTT DATA
2015  Senior Vice President, Head of IT Services & Payments
Solutions Sector of NTT DATA
2016  Executive Vice President, Head of IT Services & Payments
Solutions Sector of NTT DATA
2017  Executive Vice President and Director of NTT DATA
2018  Senior Executive Vice President and Representative Director of
NTT DATA (present post)

Senior Executive Vice President and
Representative Director
Toshi Fujiwara
Responsible for Americas & Europe Segment, and Global Marketing
1985  Joined NIPPON TELEGRAPH AND
TELEPHONE CORPORATION
2014  Senior Vice President, Deputy Head of First Financial Sector,
Senior Vice President, Head of Fourth Financial Sector of
NTT DATA
2015  Senior Vice President, Head of First Financial Sector of
NTT DATA
2017  Senior Executive Vice President and Director of NTT DATA
2018  Senior Executive Vice President and Representative Director of
NTT DATA (present post)

Standing Audit & Supervisory Board Member
Tetsuro Yamaguchi
Outside Audit & Supervisory Board Member
1979  Joined NIPPON TELEGRAPH AND
TELEPHONE PUBLIC CORPORATION
2006  President & CEO of NTT America, Inc.
2010  Director of Global Strategy Department, Global Business
Division of NTT Communications Corporation
2011  Director of the Board
2013  Senior Executive, Global Business Development of
NTT Communications (present post)
2015  Standing Audit & Supervisory Board Member of NTT DATA (present post)

Standing Audit & Supervisory Board Member
Katsura Sakurada
Outside Audit & Supervisory Board Member
1980  Joined the Board of Audit of Japan
2014  Director General for Secretary of General Executive Bureau of
the Board of Audit of Japan
2015  Director General of Treasury Bureau of Board of Audit of Japan
2016  Deputy Secretary General of Board of Audit of Japan
2017  Secretary General of Board of Audit of Japan
2018  Standing Audit & Supervisory Board Member of NTT DATA (present post)

*3  Tetsuro Yamaguchi, Tetsuya Obata, Katsura Sakurada, and Rieko Sato are
outside Audit & Supervisory Board members pursuant to Article 2, Paragraph
2 of the Companies Act.
*4  NTT DATA has designated Katsura Sakurada and Rieko Sato as independent
directors, in accordance with the listing regulations of the Tokyo Stock Exchange
and notified it.
Executive Vice President and Director
Tsuyoshi Kitani
Chairman, Independent Director

2006 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION
2014 Senior Vice President, concurrently serving as Head of System Platforms Sector and Head of Research and Development Headquarters of NTT DATA
2016 Executive Vice President, concurrently serving as Head of Technology and Innovation General Headquarters and Head of System Platforms Sector's Technology Planning Department and Information General Headquarters of NTT DATA
2019 Group Strategy Headquarters, Head of Group Strategy Headquarters of NTT DATA
2021 Group Strategy Headquarters, Head of Group Strategy Headquarters of NTT DATA (present post)

Executive Vice President and Director
Shunichi Takeuchi
Deputy responsible for Public & Social Infrastructure Segment

2005 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION
2014 Senior Vice President, concurrently serving as Head of System Platforms Sector and Head of Research and Development Headquarters of NTT DATA
2016 Executive Vice President and Director of NTT DATA (present post)

Executive Vice President and Director
Koji Ito
Head of North America Sector, Head of ER&D and I&ISM Sector

1996 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION
2013 Senior Vice President, Head of Global Business Sector of NTT DATA
2017 Senior Vice President, Head of North America Sector, Head of ER&D & I&ISM Sector of NTT DATA (present post)

Executive Vice President and Director
Hisashi Matsushima
Head of Third Financial Sector, Responsible for Financial Segment

1996 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION
2014 Head of Insurance and Mutual Aid Act Division in First Financial Sector of NTT DATA
2015 Senior Vice President, Head of Insurance and Mutual Aid Act Division in First Financial Sector of NTT DATA
2017 Senior Vice President, Head of Third Financial Sector of NTT DATA
2019 Deputy responsible for Financial Segment of NTT DATA (present post)

Standing Audit & Supervisory Board Member
Tetsuya Obata
Executive Audit & Supervisory Board Member

2004 Joined NIPPON TELEGRAPH AND TELEPHONE FACILITIES CORPORATION
2006 General Manager of Department in Current Finance and Accounting Department of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
2010 Head of Kanagawa Branch of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
2011 Director, Head of Kanagawa Branch of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
2013 Managing Director, Head of Planning and General Affairs Department and Head of Executive Officers of NTT DATA
2016 Executive Officer and Head of Planning and General Affairs Department and Head of Executive Officers of NTT DATA
2018 Executive Officer and Head of Planning and General Affairs Department of NTT DATA
2019 Standing Audit & Supervisory Board Member of NTT DATA (present post)

Executive Vice President and Director
Koichi Monden
Head of Americas & European Sector

2012 Senior Vice President of NTT DATA
2019 Executive Vice President, Head of Americas & European Sector of NTT DATA
2020 Executive Vice President, Head of Americas & European Sector of NTT DATA (present post)

Director
Yukio Okamoto
Executive Director

1968 Joined the Ministry of Foreign Affairs
1991 Representative Director of Dozomei Associates, Inc. (present post)
2000 Special Advisor to the Prime-Minister
2000 Director of Mitsubishi Materials Corporation
2006 Audit Director of Mitsubishi Corporation
2009 Director of Nippon Contract Adventure K.K.
2014 Director of NTT DATA (present post)

Director
Eiji Hirano
Executive Director

1973 Joined Bank of Japan
1990 Executive Director of Bank of Japan
1993 Director of Financial Services Corporation of Japan
2000 Director of NTT DATA
2014 Executive Director of Technology Planning Department of NTT DATA
2016 Director of NTT DATA (present post)

Director
Marcio Fujii
Executive Director

2001 Prof. of Research Center for Advanced Engineering of The University of Tokyo
2004 Prof. of Research Center for Advanced Science and Technology of National University Corporation
2013 Prof. of Science & Art University of Tokyo
2014 Prof. of Electric Power Development Co., Ltd.
2016 Manager, Global Strategic Projects, Ministry of Economy, Trade and Industry of Japan to the Republic of Latvia
2019 General Manager of The University of Tokyo (present post)
2020 Director of NTT DATA (present post)

Senior Vice Presidents

Tadashi Uhira
Chair of the Board of NTT DIA (Chair)
Chair of the Board of NTT DATA
Chair of the Board of NTT DATA CHINA INVEST
Chair of the Board of NTT DATA ITN

Yutaka Sasaki
Head of Manufacturing IT Innovation Sector

Hidenori Chihara
Chairman of NTT DATA Corporation

Tomoo Kouno
Head of Telecom & Utility Business Sector

Naoyuki Mori
Head of First Financial Sector

Katsuchio Sonoda
Head of Social Infrastructure Solution Sector

CEO of NTT DATA Services

Chairman and CEO of NTT DATA Corporation

Designated outside directors pursuant to Article 2, Paragraph 15 of the Companies Act.

1) Yukio Okamoto, Eiji Hirano, and Mariko Fujii are outside directors pursuant to Article 2, Paragraph 15 of the Companies Act.
2) NTT DATA has designated Yukio Okamoto, Eiji Hirano, and Mariko Fujii as independent directors in accordance with the listing regulations of the Tokyo Stock Exchange and notified it.
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 web site. www.nttdata.com/global/en/investors/corporate-governance

### Corporate Governance Systems

NTT DATA established the Audit & Supervisory Board determining the auditing system by outside audits is 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 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.

### Institutional Overview

<table>
<thead>
<tr>
<th>Institution</th>
<th>Overview</th>
<th>Number of Times Held in FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>Made up of all 13 directors including 3 independent directors. There is one female director and a foreign director among these 13 directors. The Board meeting is held once every month in principle and can also be held as an extraordinary meeting, if necessary. Such meetings determine and supervise legal matters and other important matters relating to management.</td>
<td>18 times</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board</td>
<td>Made up of 4 outside audits, including a woman. It is held once every month in principle for decision making of policies, plans, methods of audit, and other important matters related to audit. Each audit attends important meetings including the Board meeting and audits the status of business execution from time to time. A dedicated organization (Office for Audit &amp; Supervisory Board Members) to support this is in place.</td>
<td>17 times</td>
</tr>
<tr>
<td>Corporate Management Committee</td>
<td>Made up of the President and CEO, the Senior Executive Vice President, officers responsible for regions and segments and heads of each section or group. It is held once a week in principle for smooth and swift decision making and supervision relating to business operations. An audit also participates in such meeting to enhance the transparency of decision making.</td>
<td>37 times</td>
</tr>
</tbody>
</table>
Initiatives to Strengthen Governance

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>2017/6/21</th>
<th>2018/6/20</th>
<th>2019/6/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal directors</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Outside directors</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Percentage of outside directors</td>
<td>17%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Changes in the Composition of the Board of Directors

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 internationality, 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 audits or more, and upon the agreement of the Audit & Supervisory Board, the Board of Directors adopts resolution, then such resolution is referred to at a shareholders’ meeting.
NTT DATA designates outside directors who satisfy the following conditions, in addition to the criteria for independence stipulated by Tokyo Stock Exchange, Inc., as its independent directors.

A person who does not fall under any of the following items for the most recent 3 financial years:

- A business executor of NTT DATA’s business partner with a trading amount exceeding the standards set forth by NTT DATA*1;
- A business executor of NTT DATA’s lender with an amount of lending exceeding the standards set forth by NTT DATA*2;
- An individual providing specialized services, such as a consultant, accountant, or lawyer, who has received from NTT DATA any money or other property profit that is worth ¥10 million or more per year other than executive remuneration in any year of the most recent 3 financial years; or
- A business executor of an organization that has received contributions exceeding NTT DATA’s standards*3.

Even if a person falls under any of the conditions from through as stipulated above, any reason for judging that such person still has independence is required to be explained and disclosed when such person is appointed as an independent director.

*1 NTT DATA’s business partner with a trading amount exceeding the standards set forth by NTT DATA refers to a business partner whose trading amount with NTT DATA is 2% of NTT DATA’s non-consolidated annual sales or larger in any financial year out of the most recent 3 financial years.

*2 NTT DATA’s lender with an amount of lending exceeding the standards set forth by NTT DATA refers to a lender who lends to NTT DATA 2% or a larger percentage of NTT DATA’s total assets in any financial year out of the most recent 3 financial years.

*3 An organization that has received contributions exceeding the standards set forth by NTT DATA refers to an organization that has received contributions from NTT DATA that exceed ¥10 million per year or 2% of the total annual revenue of such organization, whichever is larger in amount, in any financial year out of the most recent 3 financial years.

### Independence Standards and Qualification

#### Reasons for Appointment and Status of Independence

<table>
<thead>
<tr>
<th>Years Served</th>
<th>Attendance*</th>
<th>Independence</th>
<th>Reasons of Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside Directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yukio Okamoto</td>
<td>5</td>
<td>18/18</td>
<td>○</td>
</tr>
<tr>
<td>Eiji Hirano</td>
<td>3</td>
<td>18/18</td>
<td>○</td>
</tr>
<tr>
<td>Mariko Fujii</td>
<td>–</td>
<td>–</td>
<td>○</td>
</tr>
<tr>
<td>Outside Audits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tetsuro Yamaguchi</td>
<td>4</td>
<td>18/18 (17/17)</td>
<td></td>
</tr>
<tr>
<td>Tetsuya Obata</td>
<td>1</td>
<td>14/14 (10/10)</td>
<td></td>
</tr>
<tr>
<td>Katsura Sakurada</td>
<td>1</td>
<td>14/14 (10/10)</td>
<td>○</td>
</tr>
<tr>
<td>Rieko Sato</td>
<td>7</td>
<td>17/18 (16/17)</td>
<td>○</td>
</tr>
</tbody>
</table>

* Attendance at the Board meetings. Figures in ( ) indicate the number of times of attendance at the Audit & Supervisory Board meetings.
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 FY2016 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.

### Board of Directors’ Meeting Agendas

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.

<table>
<thead>
<tr>
<th>FY2018</th>
<th>Key Matters for Resolution / Reported</th>
<th>Matters to Be Discussed</th>
</tr>
</thead>
</table>
| 1st Quarter | • Matters related to financing  
• Result / Plan of efforts on internal control  
• Result / Plan of internal audit  
• Partial revision of executive remuneration system | • Corporate governance report  
• Assessment of cross-shareholdings  
• Monitoring of key projects  
• Report on duties performance status  
• Report on IR activities / investor opinions |
| 2nd Quarter | • Matters related to financing  
• Matters related to receiving orders  
• Global business promotion of NTT DATA Group | • Result of voting rights execution at ordinary general meetings of shareholders  
• Monitoring of key projects  
• Report on duties performance status  
• Report on IR activities / investor opinions  
• New Medium-Term Management Plan  
• Efforts for enhancing governance |
| 3rd Quarter | • Matters related to financing  
• Mid-term report on efforts related to internal control  
• Result of internal audit for the first half of FY2018  
• Audit plan and perspective | • Efforts on global security enhancement  
• Monitoring of key projects  
• Report on duties performance status  
• Report on IR activities / investor opinions  
• New Medium-Term Management Plan  
• Evaluation of the Board’s effectiveness |
| 4th Quarter | • Matters related to financing  
• Matters related to receiving orders and on investments  
• Matters related to transactions with the parent companies | • Monitoring of key projects  
• Report on duties performance status  
• Report on IR activities / investor opinions |

### Evaluation of Effectiveness of the Board of Directors

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

1. **Questionnaire for all directors / audits**  
   Answered on a scale of 1 to 5 with space available for free comments.

2. **Tabulation of results by external organization**  
   Answers are sent directly to an external organization in order to secure anonymity.

3. **Analysis discussion evaluation**  
   Analysis / discussion / evaluation made internally based on the report from the external organization.

4. **Add to agenda at the Board meeting**  
   Discussion for verification of details and further improvement.

### Result of Measurement of Effectiveness of Measures in the Current Fiscal Year

<table>
<thead>
<tr>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
</table>
| Result of Measurement of Effectiveness of Measures in the Current Fiscal Year | • Increase the weight of discussion on corporate strategy.  
• Enhanced discussions at the planning stage for corporate strategy plans, etc.  
• 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.  
• With regard to the opinions of investors, further enhancement of details of the report based on requests to provide further detailed information to the Board of Directors and so on.  
• Further deepening and enhancement of discussions concerning corporate strategy and further improvement of report details concerning investors’ opinions, we had better evaluation scores and received a certain level of evaluation that improvements were being made.  
• Further deepening and enhancement of discussions on corporate strategy (continued).  
• Enhancement of information and opportunities toward acquisition of greater knowledge on latest technology trends, our businesses, etc.  
• Further enhancement of communication opportunities between outside directors and audits and so on. |

| Key Measures for the Next Fiscal Year | • Increase the weight of discussion on corporate strategy.  
• Enhanced discussions at the planning stage for corporate strategy plans, etc.  
• 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.  
• With regard to the opinions of investors, further enhancement of details of the report based on requests to provide further detailed information to the Board of Directors and so on.  
• Further deepening and enhancement of discussions concerning corporate strategy and further improvement of report details concerning investors’ opinions, we had better evaluation scores and received a certain level of evaluation that improvements were being made.  
• Further deepening and enhancement of discussions on corporate strategy (continued).  
• Enhancement of information and opportunities toward acquisition of greater knowledge on latest technology trends, our businesses, etc.  
• Further enhancement of communication opportunities between outside directors and audits and so on. |
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.

<table>
<thead>
<tr>
<th>Policies Regarding Executive Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>directors</td>
</tr>
<tr>
<td>Inside</td>
</tr>
<tr>
<td>&lt;Performance-linked remuneration&gt;</td>
</tr>
<tr>
<td>Bonus</td>
</tr>
<tr>
<td>Monthly remuneration</td>
</tr>
</tbody>
</table>

FY2018 Total amount of remuneration*1, 2
- ¥387 million (out of which ¥81 million was a bonus) (14 directors)
- ¥102 million (6 audits)

*1 Standing directors residing in Japan 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, and retain all the shares purchased by himself or herself during his or her term of office.

*2 The above includes four directors and two audits who retired at the conclusion of the 36th Ordinary General Meeting of Shareholders held on June 19, 2018.

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

Particularly in recent years, Group governance has been reinforced in response to the rapid expansion of overseas operations through M&A and other measures. Specifically, the Company has established a rule to discuss and report on important matters such as business plans, large-scale projects, internal control, and compliance between the Head Office of NTT DATA (in Toyosu) and each of the two axes including five operating regions—North America, EMEA (Europe, the Middle East, and Africa), APAC (Asia-Pacific), China, and Spain and Latin America—and business solutions.

Furthermore, NTT DATA has established nomination and compensation committees and audit committees within regional integrated companies’ boards of directors to delegate responsibility for business management to each regional integrated company while building a governance system that enables the unified management of the Group.

Meanwhile, the Group is establishing a system that facilitates the appropriate and timely sharing of information about risks and other important matters of concern by building a comprehensive internal control system that includes overseas organizations.

Group Governance

The NTT DATA Group strives to share the values that express the principles we cherish to realize our Group Vision. Specifically, these efforts include Values Week, held annually in May to commemorate our founding, and other events that facilitate discussions pertaining to our values. In FY2018, roughly 20,000 employees from over 100 cities in approximately 30 countries and regions participated in these activities.
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 ascertain all risks associated with business activities to minimize the frequency of occurrence of these risks and limit their impact on operations should they materialize. To facilitate this effort, in 2002 we appointed an officer in charge of supervising and promoting risk management from a Companywide perspective. In addition, risk management promotion officers were appointed to the Risk Management Division as well as other divisions and Group companies to enable them to respond proactively and independently to various risks.

NTT DATA defines material risks, 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 management 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>
</table>
| Information leakage (Personal / confidential information) Cyberattacks | • Enhance countermeasures against increasing sophisticated cyberattacks | • Stimulate awareness through training  
• Revise rules for security measures globally  
• Enhance organization to support minimization of damages when incidents occur  
• Completely comply with General Data Protection Regulation |
| Accounting fraud (including window dressing) | • Completely apply rules consistent with IFRS  
• Expand scope for risk indication auditing | • Promote introduction of consistent rules related to accounting, verify structure and use of financial processes (control activity)  
• Stimulate awareness through training  
• Expand the scope of illegal activities detected by risk indication auditing and promote risk indication auditing at the Group companies |
| Bribery | • Continue strengthening compliance education | • Stimulate awareness through training  
(Japan: Implement compliance IBT and position-based training  
Overseas: conduct training at individual locations) |

### 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.
The number of cyberthreats to information systems has increased dramatically in recent years, due to fraudulent access via the Internet and targeted attacks, which involve the insertion of malware. To remain a trusted partner for its clients, the NTT DATA Group has defined risks related to information security as a material risk affecting corporate management. Accordingly, we are focusing on information security measures.

Specifically, we consider “various impacts of information security accidents posed by information outflows and leaks” to be risks. As a provider of information systems, we work to ensure information security and focus on personal information protection.

### 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 ascertains the Companywide status of information security activities and areas requiring improvement and formulates necessary initiatives. In addition, NTTDATA-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 Nippon 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 on an individual basis to ensure thorough global information security governance. The information security steering organizations at each level cooperate closely to maintain and develop information security policies, monitor information security measures, respond to emergencies, and engage in preventive measure activities to prevent incidents.

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*1 The term information security incidents refers to the actualization events that pose security threats to information management and system operation, such as computer malware infection, unauthorized access, and information leakage.

*2 FIRST is a global community consisting of approximately 380 CSIRTs from government agencies, educational institutions, companies, and other organizations.

*3 A CSIRT is an incident response team comprised of security specialists. These teams collect and analyze information on security incidents, security-related technologies, and vulnerabilities, and conduct activities including implementing effective countermeasures and training.
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 formulated the NTT DATA Group Security Policy (GSP) and promote the inculcation of this policy at Group companies worldwide. In particular, we developed and promulgate 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 |
|---------------------------------|---------------------------------|
| **Goal** | **Results** |
| 100% of employees completed training | 100% of employees completed training |

With information security threats getting more diverse and sophisticated, there are concerns about the shortage of human resources in information security as expertise required. Against this backdrop, the NTT DATA Group develops experts and improves skills actively. In FY2018, over 8,300 experts are active who have “Security Expert Qualification” driven by NTT Group.

<table>
<thead>
<tr>
<th>Information Security Experts</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Level</th>
<th>Title</th>
<th>Job Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced</td>
<td>Security Master</td>
<td>Produce first-rate experts with the best performance in the industry</td>
</tr>
<tr>
<td></td>
<td>Security Principal</td>
<td></td>
</tr>
<tr>
<td>Intermediate</td>
<td>Security Professional</td>
<td>Reinforce the pool of specialists with deep experience and judgment</td>
</tr>
<tr>
<td>Beginner</td>
<td>Security Expert</td>
<td>Raise the level of workers who can do their work with the required knowledge</td>
</tr>
</tbody>
</table>

| As of March 31, 2019 |
|----------------------|-------------------|
| | 12 |
| | 664 |
| | 7,624 |
Expectations are changing for the role of Board of Directors. We are valued than ever before.

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

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 operation has 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.

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 employee’s 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 120,000 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.
Financial Models of Principal Businesses

**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.

---

**Full Outsourcing**

**Consulting Service**

**Outsourcing Service**

(Application Management Outsourcing / Information Technology Outsourcing / Business Process Outsourcing)

**Business Model**
- Consulting service: The Company defines the concept of IT system by considering client’s business together with the client.
- Outsourcing service: AMO: 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.

---

**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 AMO and BPO. The project will involve BI, analytics, cloud, automation, and other technologies.
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.

Plan-Based Services

Business Model

NTT DATA handles the planning, design, and development of a client’s information systems, delivering these systems to the client.
After the systems are delivered, the Company usually handles the maintenance and operation of the client systems.

Financial Model

Upfront 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.

Main Example: Enterprise & Solutions Segment

Credit Card Payment System CAFIS
CAFIS is one of the major and largest integrated cashless payment platforms in Japan. Since it was launched in 1984, the platform has supported credit card payment services in Japan over 35 years. It is connected with various types of merchants and almost all the credit card companies and financial institutions in Japan, providing 24/7 service.

Financial Model Image

Orders
Inventory Investment
Sales
Cost of Sales

The percentage-of-completion method may be applied.

Financial Model Image

Capital Expenditure
Additional Investment
Sales
Cost of Sales
Running Cost

Credit card companies
Financial institutions
Collection agencies

Merchant terminal
EC shops
Convenience stores
Government offices
Smartphone users

Message from the CEO
Management Strategies
Business Strategies by Segment
ESG Management
Value Creation by NTT DATA
Financials and Others
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 ¥124.0 billion to ¥974.5 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 ¥1,501.6 billion, primarily due to an increase in other financial assets (by ¥30.6 billion), goodwill (by ¥21.1 billion), intangible assets (by ¥13.0 billion) and property, plant and equipment (by ¥7.3 billion).

Liabilities increased by ¥99.6 billion compared to the previous fiscal year to ¥1,509.3 billion. The current liabilities increased by ¥109.6 billion to ¥816.9 billion primarily due to an increase in sales and other payables (by ¥51.1 billion) and bonds and borrowings (by ¥37.2 billion). Non-current liabilities decreased by ¥10.1 billion to ¥692.4 billion primarily due to a decrease in bonds and borrowings (by ¥22.4 billion) and increase in other financial liabilities (by ¥11.0 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 (by ¥74.6 billion).

Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>Total Assets</th>
<th>Total Liabilities and Equity</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017</td>
<td>FY 2018</td>
<td>FY 2018</td>
</tr>
<tr>
<td>2,270.2</td>
<td>2,476.1</td>
<td>2,476.1</td>
</tr>
<tr>
<td>+205.9</td>
<td>+205.9</td>
<td>+205.9</td>
</tr>
<tr>
<td>850.5</td>
<td>974.5</td>
<td>974.5</td>
</tr>
<tr>
<td>+124.0</td>
<td>+124.0</td>
<td>+124.0</td>
</tr>
<tr>
<td>348.4</td>
<td>355.7</td>
<td>355.7</td>
</tr>
<tr>
<td>335.9</td>
<td>357.0</td>
<td>357.0</td>
</tr>
<tr>
<td>431.4</td>
<td>444.4</td>
<td>444.4</td>
</tr>
<tr>
<td>304.1</td>
<td>344.4</td>
<td>344.4</td>
</tr>
</tbody>
</table>

Financials and Others
Financial Position and Business Results Analysis

Total Assets / Total Equity / Equity Ratio
Although total assets increased primarily due to an increase in cash and cash equivalents / trade and other receivables, the equity ratio increased due to an increase in total equity primarily due to an increase in retained earnings.

Interest-Bearing Debt*/1 / D/E Ratio*/1,2
Although interest-bearing debt slightly increased, total equity increased primarily due to an increase in retained earnings, and the D/E ratio improved to 0.65.

Invested Capital*/3,4
Recognizing that we are in a revenue growth stage based on medium- to long-term strategies, we will continue to increase invested capital to achieve sustainable growth going forward.

*1 Figures for interest-bearing debt based on JGAAP are the total of loans, corporate bonds, and lease obligations. Figures based on IFRS are the total of loans and corporate bonds.
*2 D/E ratio = interest-bearing debt / (net assets – non-controlling interests)
*3 Invested capital = net assets + net interest-bearing debt
*4 Net interest-bearing debt = interest-bearing debt – cash and cash equivalents
New orders received for FY2018 increased by ¥126.1 billion compared to the previous fiscal year to ¥2,076.1 billion.

The year-on-year decrease 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 ¥40.0 billion compared to the previous fiscal year. The EMEA & LATAM Segment won more contracts especially in Europe, mainly in Spain and Italy.

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

The order backlog as of March 31, 2019 increased by ¥87.9 billion to ¥2,457.1 billion primarily due to an increase in orders in each segment.

The order backlog is increasing steadily in accordance with expansion of scale of our business, and we have secured the size exceeding a year’s net sales.

The size of the order backlog is growing in the order of the Financial Segment, North America Segment, and 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. 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
Financial Position and Business Results Analysis

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.

Income taxes and others increased by ¥13.0 billion primarily due to an increase in income before income taxes. Tax burden rate increased by 3.4 points primarily due to an increase from the previous fiscal year when tax expense decreased because of the reversal of deferred tax liability at a subsidiary in North America following U.S. tax system revision.

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

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY2017</th>
<th>FY2018</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>2,039.7</td>
<td>2,163.6</td>
<td>+123.9</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>1,535.5</td>
<td>1,618.6</td>
<td>+83.1</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>504.2</td>
<td>545.0</td>
<td>+40.8</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>381.0</td>
<td>397.3</td>
<td>+16.2</td>
</tr>
<tr>
<td>Selling Expenses</td>
<td>145.4</td>
<td>146.7</td>
<td>+1.3</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>14.6</td>
<td>15.1</td>
<td>+0.5</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
<td>221.1</td>
<td>235.5</td>
<td>+14.4</td>
</tr>
<tr>
<td>Operating Income</td>
<td>123.1</td>
<td>147.7</td>
<td>+24.6</td>
</tr>
<tr>
<td>Operating Income Margin (%)</td>
<td>6.0</td>
<td>6.8</td>
<td>+0.8P</td>
</tr>
<tr>
<td>Financial Income and Costs / Share of Profit / Loss of Entities for Using Equity Method</td>
<td>(0.4)</td>
<td>(0.8)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>122.7</td>
<td>146.9</td>
<td>+24.2</td>
</tr>
<tr>
<td>Income Taxes and Others*1</td>
<td>40.3</td>
<td>53.3</td>
<td>+13.0</td>
</tr>
<tr>
<td>Net Income Attributable to Shareholders of NTT DATA</td>
<td>82.4</td>
<td>93.6</td>
<td>+11.2</td>
</tr>
</tbody>
</table>

*1 “Income Taxes and Others” includes corporate income taxes and net income attributable to non-controlling interests.

Impact of Loss from Unprofitable Projects

P31: Enhancing Efforts to Curtail Unprofitable Projects
**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.

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>147.7</td>
<td>147.7</td>
<td>154.4</td>
<td>154.4</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>7.9</td>
<td>7.9</td>
<td>8.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Net income</td>
<td>93.6</td>
<td>93.6</td>
<td>95.2</td>
<td>95.2</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>28.4</td>
<td>28.4</td>
<td>23.1</td>
<td>23.1</td>
</tr>
</tbody>
</table>

**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.

**EBITDA**

Increased due primarily to an increase in operating income.

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA*1, 2</td>
<td>147.7</td>
<td>147.7</td>
<td>154.4</td>
<td>154.4</td>
</tr>
</tbody>
</table>

**Return on Invested Capital (ROIC)**

Both ROIC and ROE improved due to an increase in operating income and net income attributable to shareholders of NTT DATA.

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC (%)</td>
<td>15.7</td>
<td>15.7</td>
<td>16.0</td>
<td>16.0</td>
</tr>
</tbody>
</table>

**Return on Equity (ROE)**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (%)</td>
<td>28.4</td>
<td>28.4</td>
<td>23.1</td>
<td>23.1</td>
</tr>
</tbody>
</table>

**Overseas Net Sales**

Overseas net sales grew primarily due to expansion of business scale in the EMEA & LATAM Segment. The overseas EBITA margin improved primarily due to cost control efforts and reduced PMI expenses in the North America Segment.

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>147.7</td>
<td>147.7</td>
<td>154.4</td>
<td>154.4</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>7.9</td>
<td>7.9</td>
<td>8.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Net income</td>
<td>93.6</td>
<td>93.6</td>
<td>95.2</td>
<td>95.2</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>28.4</td>
<td>28.4</td>
<td>23.1</td>
<td>23.1</td>
</tr>
</tbody>
</table>

**Capital Expenditure / Depreciation and Amortization / Loss on Disposal of Property and Equipment and Intangibles**

Capital expenditure decreased due to a decrease in investment in the Financial Segment and Enterprise & Solutions Segment. Depreciation and amortization / loss on disposal of property and equipment and intangibles are at the same level as the previous fiscal year.

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure</td>
<td>146</td>
<td>146</td>
<td>160.7</td>
<td>160.7</td>
</tr>
<tr>
<td>Depreciation and amortization / loss on disposal of property and equipment and intangibles</td>
<td>146</td>
<td>146</td>
<td>160.7</td>
<td>160.7</td>
</tr>
</tbody>
</table>

**Overseas Net Sales**

Overseas net sales grew primarily due to expansion of business scale in the EMEA & LATAM Segment. The overseas EBITA margin improved primarily due to cost control efforts and reduced PMI expenses in the North America Segment.

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas net sales</td>
<td>881.1</td>
<td>881.1</td>
<td>932.2</td>
<td>932.2</td>
</tr>
<tr>
<td>Overseas EBITA margin (%)</td>
<td>15.7</td>
<td>15.7</td>
<td>16.0</td>
<td>16.0</td>
</tr>
</tbody>
</table>

---

*1 EBITDA = operating income + depreciation and amortization + loss on retirement of fixed assets + goodwill amortization, etc.
*2 Figures based on JGAAP include adjustments for goodwill amortization and others (including impairment loss).
*3 ROIC = (operating income x (1 – effective tax rate)) / (average net assets during the period + average interest-bearing liabilities during the period)
*4 Figures for interest-bearing liabilities based on JGAAP are the total of loans, corporate bonds, and lease obligations. The figures based on IFRS are the total of loans and corporate bonds.
*5 ROE = net income attributable to shareholders of NTT DATA / average equity during the period
*6 Net sales to clients outside the NTT DATA Group. Figures for the periods until FYE 3/2017 are those for the former Global Segment, and from FYE 3/2018 and later, are the total of North America / EMEA & LATAM Segments and China & APAC.
*7 EBITA (JGAAP) = operating income (JGAAP) + amortization of goodwill and intangible assets subject to purchase price allocation (PPA) arising from acquisition and others
EBITA (IFRS) = operating income (IFRS) + amortization of intangible assets subject to purchase price allocation (PPA) arising from acquisition and others
## Financials and Others

### Financial Position and Business Results Analysis

#### 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 especially 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 sales growth in services for 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.

#### Net Sales by Product and Service

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2017</th>
<th>FY2018</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entire Company</td>
<td>2,039.7</td>
<td>2,163.6</td>
<td>+123.9</td>
</tr>
<tr>
<td>Public &amp; Social Infrastructure</td>
<td>444.9</td>
<td>479.9</td>
<td>+35.0</td>
</tr>
<tr>
<td>Financial Segment</td>
<td>569.9</td>
<td>569.1</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Enterprise &amp; Solutions Segment</td>
<td>478.1</td>
<td>529.8</td>
<td>+51.7</td>
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<tr>
<td>North America Segment</td>
<td>427.9</td>
<td>421.9</td>
<td>(6.0)</td>
</tr>
<tr>
<td>EMEA &amp; LATAM Segment</td>
<td>387.5</td>
<td>440.1</td>
<td>+52.6</td>
</tr>
</tbody>
</table>

#### Operating Income

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2017</th>
<th>FY2018</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>123.1</td>
<td>147.7</td>
<td>+24.6</td>
</tr>
<tr>
<td>Public &amp; Social Infrastructure</td>
<td>38.3</td>
<td>43.9</td>
<td>+5.6</td>
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<tr>
<td>Financial Segment</td>
<td>51.4</td>
<td>52.9</td>
<td>+1.5</td>
</tr>
<tr>
<td>Enterprise &amp; Solutions Segment</td>
<td>40.5</td>
<td>48.5</td>
<td>+8.0</td>
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<tr>
<td>North America Segment</td>
<td>4.2</td>
<td>3.5</td>
<td>-7.7</td>
</tr>
<tr>
<td>EBITA</td>
<td>6.8</td>
<td>13.3</td>
<td>+6.4</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 ¥584.6 billion. Systems / software development recorded an increase by ¥37.4 billion to ¥581.5 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.

### Integrated IT Solutions

- **Definition / Example of Projects**
  - NTT DATA Group holds the equipment assets (including software) and provides services to clients (Ex: Full outsourcing, plan-based services, etc.)
  - NTT DATA is entrusted with and delivers planning, design, development, etc., of a client’s information system (Ex: Outsourced development projects, sales of software that NTT DATA Group has planned and developed, etc.)
  - Service contract and provision other than “systems / software development” (Ex: Consulting and investigations, system maintenance, operation, AMO / ITO / BPO, etc.)
  - Lease service for facilities other than information device, such as buildings, power equipment and line device, and fee collection service

### Systems / Software Development

- **Definition / Example of Projects**
  - NTT DATA Group holds the equipment assets (including software) and provides services to clients (Ex: Full outsourcing, plan-based services, etc.)
  - NTT DATA is entrusted with and delivers planning, design, development, etc., of a client’s information system (Ex: Outsourced development projects, sales of software that NTT DATA Group has planned and developed, etc.)
  - Service contract and provision other than “systems / software development” (Ex: Consulting and investigations, system maintenance, operation, AMO / ITO / BPO, etc.)

### Consulting / Support

- **Definition / Example of Projects**
  - NTT DATA Group holds the equipment assets (including software) and provides services to clients (Ex: Full outsourcing, plan-based services, etc.)
  - NTT DATA is entrusted with and delivers planning, design, development, etc., of a client’s information system (Ex: Outsourced development projects, sales of software that NTT DATA Group has planned and developed, etc.)
  - Service contract and provision other than “systems / software development” (Ex: Consulting and investigations, system maintenance, operation, AMO / ITO / BPO, etc.)

### Other Services

- **Definition / Example of Projects**
  - NTT DATA Group holds the equipment assets (including software) and provides services to clients (Ex: Full outsourcing, plan-based services, etc.)
  - NTT DATA is entrusted with and delivers planning, design, development, etc., of a client’s information system (Ex: Outsourced development projects, sales of software that NTT DATA Group has planned and developed, etc.)
  - Service contract and provision other than “systems / software development” (Ex: Consulting and investigations, system maintenance, operation, AMO / ITO / BPO, etc.)
  - Lease service for facilities other than information device, such as buildings, power equipment and line device, and fee collection service
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 ¥180.0 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 financing activities was positive at ¥5.5 billion (¥96.3 billion increase compared to the previous fiscal year). This was mainly attributable to the increase of interest-bearing liabilities due to financing for acquiring subsidiary stocks despite dividend payments.

### Consolidated Cash Flow Statement

<table>
<thead>
<tr>
<th></th>
<th>JGAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow</td>
<td>190.1</td>
<td>251.3</td>
</tr>
<tr>
<td>Cash Flows from Operating Activities</td>
<td>234.7</td>
<td>242.0</td>
</tr>
<tr>
<td>Cash Flows from Investing Activities</td>
<td>(204.0)</td>
<td>(186.9)</td>
</tr>
<tr>
<td>Cash Flows from Financing Activities</td>
<td>(90.9)</td>
<td>5.5</td>
</tr>
<tr>
<td>Cash Flow at End of the Year</td>
<td>190.1</td>
<td>251.3</td>
</tr>
</tbody>
</table>

### Cash Flows from Operating Activities

(Billions of yen)

- FY2017: ¥234.7
- FY2018: ¥242.0
- YoY: +7.3

### Cash Flows from Investing Activities

(Billions of yen)

- FY2017: (¥204.0)
- FY2018: (¥186.9)
- YoY: +17.1

### Cash Flows from Financing Activities

(Billions of yen)

- FY2017: (¥90.9)
- FY2018: 5.5
- YoY: +96.3

### Cash Flows from Operating Activities

(Billions of yen)

- FY2017: ¥234.7
- FY2018: ¥242.0
- YoY: +7.3

### Cash Flows from Investing Activities

(Billions of yen)

- FY2017: (¥204.0)
- FY2018: (¥186.9)
- YoY: +17.1

### Cash Flows from Financing Activities

(Billions of yen)

- FY2017: (¥90.9)
- FY2018: 5.5
- YoY: +96.3
### Financials and Others

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

**NTT DATA Corporation and Subsidiaries**

#### Financial

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Units</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders received</td>
<td>Billions of yen</td>
<td>1,035.2</td>
<td>1,181.5</td>
<td>988.4</td>
<td>1,098.4</td>
</tr>
<tr>
<td>Net sales</td>
<td>Billions of yen</td>
<td>1,139.0</td>
<td>1,142.9</td>
<td>1,161.9</td>
<td>1,251.1</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>Billions of yen</td>
<td>861.9</td>
<td>870.5</td>
<td>882.3</td>
<td>941.8</td>
</tr>
<tr>
<td>Cost of sales ratio</td>
<td>%</td>
<td>75.6</td>
<td>76.2</td>
<td>76.0</td>
<td>75.3</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>Billions of yen</td>
<td>178.6</td>
<td>190.6</td>
<td>201.3</td>
<td>228.8</td>
</tr>
<tr>
<td>SG&amp;A ratio</td>
<td>%</td>
<td>15.7</td>
<td>16.7</td>
<td>17.3</td>
<td>18.3</td>
</tr>
<tr>
<td>Operating income</td>
<td>Billions of yen</td>
<td>98.5</td>
<td>81.6</td>
<td>78.3</td>
<td>80.4</td>
</tr>
<tr>
<td>Operating income margin</td>
<td>%</td>
<td>8.7</td>
<td>7.1</td>
<td>6.7</td>
<td>6.4</td>
</tr>
<tr>
<td>Operating income (w/o goodwill amortization)*3</td>
<td>Billions of yen</td>
<td>101.5</td>
<td>85.9</td>
<td>82.2</td>
<td>87.5</td>
</tr>
<tr>
<td>Net income attributable to shareholders of NTT DATA*4</td>
<td>Billions of yen</td>
<td>48.3</td>
<td>35.6</td>
<td>37.3</td>
<td>30.4</td>
</tr>
<tr>
<td>Overseas net sales*5</td>
<td>Billions of yen</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Overseas EBITA*5, 6</td>
<td>%</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loss from unprofitable projects</td>
<td>Billions of yen</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loss from unprofitable projects to consolidated net sales ratio</td>
<td>%</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>Billions of yen</td>
<td>180.0</td>
<td>162.5</td>
<td>139.0</td>
<td>133.9</td>
</tr>
<tr>
<td>Depreciation and amortization / loss on disposal of property and equipment and intangibles</td>
<td>Billions of yen</td>
<td>166.6</td>
<td>161.9</td>
<td>158.5</td>
<td>159.7</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>Billions of yen</td>
<td>10.0</td>
<td>11.3</td>
<td>10.7</td>
<td>13.5</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>Billions of yen</td>
<td>(6.9)</td>
<td>83.6</td>
<td>(56.4)</td>
<td>30.4</td>
</tr>
<tr>
<td>EBITDA*6</td>
<td>Billions of yen</td>
<td>270.3</td>
<td>251.1</td>
<td>242.6</td>
<td>248.5</td>
</tr>
</tbody>
</table>

**At year-end**

| Order backlog                    | Billions of yen | 1,049.4     | 1,166.1     | 1,156.5     | 1,131.9     |
| Total assets                     | Billions of yen | 1,275.0     | 1,279.2     | 1,468.6     | 1,474.8     |
| Interest-bearing debt*8          | Billions of yen | 331.5       | 289.1       | 414.4       | 380.2       |
| Total equity                     | Billions of yen | 666.3       | 584.5       | 601.6       | 605.7       |
| Equity ratio                     | %            | 44.4        | 45.7        | 41.0        | 41.1        |
| Invested capital                 | Billions of yen | 791.7       | 752.1       | 846.1       | 858.8       |
| D/E ratio                        | Times        | 0.59        | 0.49        | 0.69        | 0.63        |

**Other information**

| Return on invested capital (ROIC)*6, 7 | % | 6.6 | 5.3 | 4.8 | 4.6 |
| Return on assets (ROA)*4             | % | 3.9 | 2.8 | 2.7 | 2.1 |
| Return on equity (ROE)*4             | % | 8.7 | 6.2 | 6.3 | 5.0 |
| Net income per share*10              | Yen | 34.5 | 25.4 | 26.6 | 21.7 |
| Net asset per share*10               | Yen | 403.8 | 416.8 | 428.9 | 431.9 |
| Net dividend per share*10            | Yen | 12 | 12 | 12 | 12 |
| Consolidated cash flow payout ratio*11 | % | 41.9 | 39.5 | 26.9 | 26.1 |
| 5-year average consolidated cash flow dividend payout ratio*11, 12 | % | 22.4 | 28.8 | 34.1 | 35.9 |
| Total shareholder return (holding period of 5 years) | % | — | — | — | — |

**Non-financial**

| Client base*13                      | Companies | — | — | — | — |
| Number of countries and regions     | Countries / Regions | 21 | 25 | 34 | 35 |
| Number of cities                    | Cities     | 62 | 78 | 145 | 136 |
| Number of employees                 | Employees  | 31,739 | 34,543 | 49,991 | 58,668 |
| Number of overseas employees        | Employees  | 4,792 | 5,622 | 20,855 | 26,007 |
| Workhours*14                        | Hours      | 2,047 | 2,003 | 1,991 | 1,991 |
| Percentage of employees who return to work after childcare leave*14 | % | — | 97.8 | 93.8 | 95.5 |
| Purchased power*16                   | 10,000 kWh | 56,803 | 59,717 | 56,618 | 52,213 |
| Water consumption*16                 | 10,000 m³ | 68 | 63 | 59 | 57 |
| Paper usage*15                       | t          | 1,506 | 1,485 | 1,181 | 1,019 |
| Greenhouse gas emissions*15, 16     | 10 Kt-CO₂e | 24.9 | 26.0 | 22.3 | 21.5 |

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*1 Figures based on JGAAP include adjustments for goodwill amortization and others (including impairment loss).
*2 The name of the item based on JGAAP is “net income attributable to owners of parent.”
*3 Net sales to clients outside the NTT DATA Group. Figures for the former Global Segment is used until FY2016, and the total of the North America Segment, EMEA & LATAM Segment, and China & APAC is used from FY2017 onward.
*4 EBITA (JGAAP) = operating income (JGAAP) + amortization of goodwill and intangible assets subject to purchase price allocation (PPA) arising from acquisition and others
*5 EBITDA = operating income + depreciation and amortization + loss on retirement of fixed asset + goodwill amortization, etc.
*6 Figures for the interest-bearing liabilities based on JGAAP are the total of loans, corporate bonds, and lease obligations. Figures based on IFRS are the total of loans and corporate bonds.
*7 ROIC = operating income / (1 – effective tax rate) / average net assets during the period
*8 ROA = net income attributable to shareholders of NTT DATA / average total assets during the period
*9 ROE = net income attributable to shareholders of NTT DATA / average equity during the period

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<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials and Others</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>1,140.2</td>
<td>1,341.4</td>
<td>1,355.8</td>
<td>1,544.5</td>
<td>2,411.3</td>
<td>2,371.5</td>
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<tr>
<td></td>
<td>1,524.3</td>
<td>1,689.9</td>
<td>1,822.8</td>
<td>1,860.3</td>
<td>2,238.9</td>
<td>2,234.2</td>
<td>2,270.2</td>
<td>2,476.1</td>
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<td></td>
<td>378.3</td>
<td>412.9</td>
<td>446.9</td>
<td>407.0</td>
<td>650.8</td>
<td>592.0</td>
<td>586.3</td>
<td>605.0</td>
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<tr>
<td></td>
<td>651.3</td>
<td>766.8</td>
<td>773.4</td>
<td>740.9</td>
<td>802.1</td>
<td>833.8</td>
<td>826.2</td>
<td>925.7</td>
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<tr>
<td></td>
<td>42.7</td>
<td>40.1</td>
<td>42.4</td>
<td>39.8</td>
<td>35.8</td>
<td>37.3</td>
<td>36.4</td>
<td>37.4</td>
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<tr>
<td></td>
<td>885.6</td>
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<td>947.1</td>
<td>1,224.5</td>
<td>1,270.8</td>
<td>1,256.7</td>
<td>1,320.5</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>0.58</td>
<td>0.61</td>
<td>0.58</td>
<td>0.55</td>
<td>0.81</td>
<td>0.71</td>
<td>0.71</td>
<td>0.65</td>
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<td>Business Strategies by Segment</td>
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</tbody>
</table>

*1 In October 2013, a 100-for-1 stock split of common shares was conducted and the unit share system was adopted. Dividend per share is recorded with an amount considering this stock split. In July 2017, 5-for-1 stock split was of common shares was conducted. Dividend per share is recorded with an amount considering this stock split.

*2 Total dividends/consolidated cash flow (consolidated cash flow = net sales attributable to shareholders of NTT DATA + depreciation and amortization + loss on retirement of fixed assets – capital expenditure) + amount of share repurchases

*3 Clients from which NTT DATA earns 5 billion yen or more per year (in Japan) or 50 million US dollars per year (outside Japan)

*4 For weighted average of past 5 years in IFRS, figures based on JGAAP are used in FYE 3/2017 and earlier.

*5 Total of direct gas emissions by use of fuels and indirect gas emissions by use of purchased electricity/heat is converted to CO2e. The unit is CO2e (CO2 equivalent).
### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
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<th>FY2017</th>
<th>FY2018</th>
</tr>
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<tbody>
<tr>
<td><strong>Assets</strong></td>
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<tr>
<td><strong>Current assets</strong></td>
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</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>190,070</td>
<td>251,309</td>
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<td>Trade and other receivables</td>
<td>485,363</td>
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<td>Contract assets</td>
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<td>Inventories</td>
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<td>9,440</td>
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<td>Other current assets</td>
<td>59,631</td>
<td>67,369</td>
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<td><strong>Total current assets</strong></td>
<td>850,450</td>
<td>974,467</td>
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<td><strong>Non-current assets</strong></td>
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<td>Property, plant and equipment</td>
<td>348,398</td>
<td>355,717</td>
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<tr>
<td>Goodwill</td>
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<td>357,014</td>
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<td>Intangible assets</td>
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<td>Investment property</td>
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<td>Investments accounted for using equity method</td>
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<td>Other financial assets</td>
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<td>Deferred tax assets</td>
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<td>2,476,062</td>
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<td><strong>Liabilities</strong></td>
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<tr>
<td><strong>Current liabilities</strong></td>
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<td></td>
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<td>Trade and other payables</td>
<td>307,885</td>
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<td>Contract liabilities</td>
<td>213,791</td>
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<td>Bonds and borrowings</td>
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<td>134,586</td>
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<td>Income taxes payable</td>
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<td>Provisions</td>
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<td>12,434</td>
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<td>Other current liabilities</td>
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<td><strong>Total current liabilities</strong></td>
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<td><strong>Non-current liabilities</strong></td>
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<td>Bonds and borrowings</td>
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<td>Defined benefit liabilities</td>
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<td>202,491</td>
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<td>Provisions</td>
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<td>3,562</td>
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<td>Deferred tax liabilities</td>
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<td>Other non-current liabilities</td>
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<td><strong>Total non-current liabilities</strong></td>
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<td><strong>Total liabilities</strong></td>
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<td>1,509,253</td>
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<td><strong>Equity</strong></td>
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<td></td>
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<tr>
<td>Equity attributable to shareholders of NTT DATA</td>
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<tr>
<td>Capital stock</td>
<td>142,520</td>
<td>142,520</td>
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<tr>
<td>Capital surplus</td>
<td>116,193</td>
<td>115,740</td>
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<tr>
<td>Retained earnings</td>
<td>528,601</td>
<td>603,171</td>
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<tr>
<td>Treasury shares</td>
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<td>(1)</td>
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<td>Other components of equity</td>
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<td><strong>Total liabilities and equity</strong></td>
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<td>2,476,062</td>
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## Consolidated Statement of Income

(Millions of yen)

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<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
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<tbody>
<tr>
<td>Net sales</td>
<td>2,039,690</td>
<td>2,163,625</td>
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<td>Cost of sales</td>
<td>1,538,535</td>
<td>1,618,636</td>
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<td>Gross profit</td>
<td>504,155</td>
<td>544,988</td>
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<tr>
<td>Selling, general and administrative expenses</td>
<td>381,035</td>
<td>397,272</td>
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<td>Operating income</td>
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<td>147,716</td>
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<td>Financial income</td>
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<td>6,848</td>
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<td>Financial costs</td>
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<td>Share of profit / loss of entities accounted for using equity method</td>
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<td>175</td>
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<td>Income before income taxes</td>
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<td>Income taxes</td>
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<td>49,210</td>
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<tr>
<td>Net income</td>
<td>85,691</td>
<td>97,704</td>
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</table>

Net income attributable to:

- Shareholders of NTT DATA: 82,392 93,616
- Non-controlling interests: 3,299 4,088
- Total: 85,691 97,704

Net income per share attributable to shareholders of NTT DATA:

- Net income per share (Yen): 58.75 66.75

## Consolidated Statement of Comprehensive Income

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
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<tbody>
<tr>
<td>Net income</td>
<td>85,691</td>
<td>97,704</td>
</tr>
<tr>
<td>Other comprehensive income (after taxes)</td>
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<tr>
<td>Items that will not be reclassified to profit / loss</td>
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<td>Net change in fair value of financial assets measured at fair value through other comprehensive income</td>
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<td>Remeasurements of defined benefit plans</td>
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<td>Share of other comprehensive income of entities accounted for using equity method</td>
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<td>(0)</td>
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<td>Items that may be reclassified subsequently to profit / loss</td>
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<td>Cash flow hedges</td>
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<td>(731)</td>
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<td>Hedges cost</td>
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<td>Foreign currency translation adjustment</td>
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<td>11,273</td>
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<td>Share of other comprehensive income of entities accounted for using equity method</td>
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<td>(213)</td>
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<td>Total other comprehensive income (after taxes)</td>
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<td>20,913</td>
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<td>Comprehensive income</td>
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<td>118,617</td>
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</table>

Comprehensive income attributable to:

- Shareholders of NTT DATA: 82,877 114,859
- Non-controlling interests: 3,452 3,758
- Total: 86,329 118,617
### Consolidated Statement of Changes in Equity

(Millions of yen)

#### FY2017

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<th>Equity attributable to shareholders of NTT DATA</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
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<tbody>
<tr>
<td></td>
<td>Capital stock</td>
<td>Capital surplus</td>
<td>Retained earnings</td>
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<td>As of April 1, 2017</td>
<td>142,520</td>
<td>119,301</td>
<td>466,950</td>
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<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>82,392</td>
</tr>
<tr>
<td>Other comprehensive income</td>
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<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
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<td>82,392</td>
</tr>
<tr>
<td>Dividends of surplus</td>
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<td>(21,739)</td>
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<td>Transfer to retained earnings</td>
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<td>Acquisition and disposition of treasury shares</td>
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<td>Increase / decrease by business combination</td>
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<td>Put options granted to non-controlling interests</td>
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<tr>
<td>Other</td>
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<td>Total transaction with shareholders</td>
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<tr>
<td>As of March 31, 2018</td>
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<td>116,193</td>
<td>528,601</td>
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#### FY2018

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<th>Non-controlling interests</th>
<th>Total equity</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Capital stock</td>
<td>Capital surplus</td>
<td>Retained earnings</td>
</tr>
<tr>
<td>As of April 1, 2018</td>
<td>142,520</td>
<td>116,193</td>
<td>528,601</td>
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<tr>
<td>Cumulative effect of adoption of IFRS 9</td>
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<td>Restated balance (As of April 1, 2018)</td>
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<td>116,193</td>
<td>532,018</td>
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<td>Comprehensive income</td>
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<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>93,616</td>
</tr>
<tr>
<td>Other comprehensive income</td>
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</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td>93,616</td>
</tr>
<tr>
<td>Dividends of surplus</td>
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</tr>
<tr>
<td>Transfer to retained earnings</td>
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<td>(773)</td>
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<tr>
<td>Increase / decrease by business combination</td>
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<td>Net changes in controlled subsidiaries’ stocks</td>
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<td>Put options granted to non-controlling interests</td>
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<td>Other</td>
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<td>115,740</td>
<td>603,171</td>
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**Consolidated Statement of Cash Flows**

(Millions of yen)

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<tr>
<th>Fiscal Year</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
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<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
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<td>Net income</td>
<td>85,691</td>
<td>97,704</td>
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<tr>
<td>Depreciation and amortization</td>
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<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>37,013</td>
<td>49,210</td>
</tr>
<tr>
<td>(Increase) / decrease in trade and other receivables</td>
<td>(32,547)</td>
<td>(43,290)</td>
</tr>
<tr>
<td>(Increase) / decrease in inventories</td>
<td>(7,125)</td>
<td>6,257</td>
</tr>
<tr>
<td>Increase / (decrease) in trade and other payables</td>
<td>43,116</td>
<td>32,765</td>
</tr>
<tr>
<td>Increase / (decrease) in allowance for contract losses</td>
<td>1,911</td>
<td>4,205</td>
</tr>
<tr>
<td>Other</td>
<td>13,904</td>
<td>(9,131)</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>(62,565)</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>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for acquisition of property, plant, equipment, and intangible fixed assets</td>
<td>(199,142)</td>
<td>(179,986)</td>
</tr>
<tr>
<td>Payments from acquisition of other financial assets</td>
<td>(21,892)</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>(4,832)</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>(203,998)</td>
<td>(186,879)</td>
</tr>
<tr>
<td><strong>Cash Flows from Financing Activities</strong></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>(103,689)</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>(21,739)</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>(1)</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>(2,536)</td>
<td>(2,612)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(90,855)</td>
<td>5,451</td>
</tr>
<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>253,984</td>
<td>190,070</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>(3,753)</td>
<td>658</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents ( ( ) shows decrease)</td>
<td>190,070</td>
<td>251,309</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%

### Principal Shareholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Held</th>
<th>Ratio of Shareholding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTT, Inc.*</td>
<td>760,000,000</td>
<td>54.19</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>134,192,500</td>
<td>9.57</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>66,216,200</td>
<td>4.72</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 9)</td>
<td>17,583,300</td>
<td>1.25</td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd. (Investment Trust Account)</td>
<td>17,067,400</td>
<td>1.22</td>
</tr>
<tr>
<td>NTT DATA Employee Share-Holding Association</td>
<td>13,954,500</td>
<td>0.99</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT – TREASURY 505234 (Standing agent: Mizuho Bank, Ltd.)</td>
<td>10,312,672</td>
<td>0.74</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 5)</td>
<td>10,274,600</td>
<td>0.73</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 385151 (Standing agent: Mizuho Bank, Ltd.)</td>
<td>9,712,334</td>
<td>0.69</td>
</tr>
<tr>
<td>THE BANK OF NEW YORK MELLON 140042 (Standing agent: Mizuho Bank, Ltd.)</td>
<td>9,158,301</td>
<td>0.65</td>
</tr>
</tbody>
</table>

* 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, NIPPON TELEGRAPH AND TELEPHONE CORPORATION, to its wholly owned subsidiary NTT, Inc. was completed. Accordingly, NTT, Inc. has become our direct parent company and our largest shareholder.

### Credit Rating Information

<table>
<thead>
<tr>
<th>Name of Credit Rating Agencies</th>
<th>Long-Term Bond</th>
<th>Commercial Papers</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>

### Stock Price Chart

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

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**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.

### Stock Split of NTT DATA

- **August 1998**: 10-for-1 stock split of common shares
- **October 2013**: 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

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**Stock / Credit Rating Information**

(As of March 31, 2019)